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HANDOUTS

BUSINESS STRATEGY CASES -ATTENDING STUDENTS-

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Cases

CASE 1: Taylor Swift

Q1. What are the main changes affecting the music industry?

The industry has shifted away from traditional media and gatekeepers, allowing for **more direct relationships** between artists and fans. With the rise of digital platforms, musicians can now build communities around their work without needing radio stations, journalists, or labels to reach an audience. Streaming services and algorithms have become central to discovery, shaping not only what listeners hear, but also how artists structure their content. This environment allows for highly **personalized** “fan service” and shields artists from some of the pressures once tied to traditional media exposure.

At the same time, **cultural dynamics** have changed. The old model of a shared mainstream culture has collapsed. Instead of a few global stars dominating attention, artists now emerge from fragmented fan communities. Every niche can have its own celebrity. Social media platforms like TikTok play a key role in this ecosystem, turning visibility into a form of currency.

Has it become easier or harder to break into the business as a new artist?

The **barriers to entry** have dropped significantly when it comes to creating and releasing music. With minimal equipment, anyone can produce high-quality tracks and publish them globally in a matter of hours. Promotion has also become more accessible. Social media makes it relatively easy to get content in front of people, without needing the support of a label or PR team.

However, the ease of access brings new challenges. The amount of content online creates a constant battle for attention. Artists are no longer just competing with each other, but with everything else on the internet. As a result, **gaining visibility** takes more than just talent, but also consistency, marketing skills, and timing.

Ironically, while it is easier to enter the scene, becoming a major star may be more difficult than before. In the past, traditional media could create concentrated exposure. Today, the decline of these centralized platforms means **attention is more spread out**. Without gatekeepers to elevate certain artists, dominating the cultural conversation has become much harder.

Industry Environment: streaming and social media. Economic implications

Revenues in the music industry have seen a significant revival after years of decline caused by piracy and the fall of physical sales. The rise of streaming platforms has brought back financial stability through subscription-based models, which offer a predictable and recurring flow of income for the industry as a whole. This model has helped the sector recover and even grow in some areas, especially at the level of platforms and record labels.

For **profits**, money is not evenly distributed. A large share of the value created by streaming is captured by the platforms themselves and by major labels. For individual artists, earnings from streams are often minimal unless they achieve massive reach. As a result, most musicians cannot rely on streaming alone to support their careers. They need to supplement their income through other channels such as concerts, merchandise, sponsorships, or licensing deals.

This gap between where the revenue is generated and where the profit actually lands reveals a deeper imbalance in the industry. The system is working financially at the top, but for many artists, it still fails to offer a sustainable livelihood without creative and entrepreneurial diversification.

Q2. How can we explain Taylor Swift's success in this context?

Taylor Swift's long-term success in the music industry is not only the result of her talent as a songwriter and performer, but also of her **strategic use of resources and capabilities**. While these aspects are often overlooked in public narratives, they are essential in understanding how she has managed to remain relevant and influential for over a decade.

One major factor is her ability to evolve. Her career reflects **constant adaptation**, not only in musical style, but also in how she relates to fans and navigates industry challenges. She has shifted genres, reinvented her image,

and remained in control of her narrative in ways that are rare among artists of her generation. This flexibility has allowed her to stay ahead of trends and respond to changes in both culture and technology. She could be considered a “**storyteller**”

At the heart of her strategy are two powerful elements: community and control.

Community

From the very beginning, Swift invested in building **direct relationships** with her fans. She was engaging online well before most artists took that seriously. Platforms like **MySpace** and **Tumblr** were early tools she used to form tightly connected fan groups. She used these communities not only for **emotional support** but also for **promotional power**. Fans weren't just supporters; they were part of her marketing engine.

This ability to nurture a digital fanbase turned out to be a strategic advantage. It gave her a **loyal audience** she could mobilize, and it reduced her dependence on traditional media or record labels to shape her public image or distribute her work.

Control

Equally important has been her focus on control. Swift has consistently fought to maintain **ownership** over her work. She made bold decisions that showed a deep understanding of the business side of the industry. In 2014, she removed her catalog from **Spotify** to protest their policies. Later, when her master recordings were sold without her consent, she began **re-recording** her old albums, a move that was both personal and strategic. She reclaimed her work and reshaped the commercial value of her music on her own terms.

Her approach to **decision-making** also reflects this mindset. She keeps her team small and retains authority over most aspects of her career. This tight control allows her to move decisively and stay consistent with her vision.

Swift's success aligns closely with two classic pillars of strategy:

- She has always understood her **environment** (how the industry works, how technology affects it, and how to respond to shifting expectations).
- She has made the most of her **resources** (not only her creative skills, but also her relationships with fans, her business sense, and her commitment to autonomy).

This mix of strategic awareness, adaptability, and deliberate self-management has made her a strategist in an industry that is constantly changing.

Q3. Will her success last? Do we expect sustained advantage going forward?

To understand whether Taylor Swift's success will continue, we need to think in strategic terms. Long-term advantage is not just about what an artist has achieved but about whether their strengths will remain valuable in a changing environment. Three questions are essential: What is the future value of her capabilities? Will the music industry remain stable enough to support them? And will her specific strengths continue to align with what the industry demands?

Looking ahead, she has many of the elements needed for continued success. One of these is the rising difficulty for new artists to break through. Because it is harder to gain attention in such a crowded space, record labels have less incentive to invest in unknown names. That benefits someone like Swift, who already has a loyal fanbase and global reach.

She also brings a unique ability to adapt. Throughout her career, she has shown flexibility in musical style, public image, and use of digital platforms. If this adaptability remains strong, it will help her respond to future shifts in culture or technology. That said, adaptation often depends on timing, youth, and relevance, so the question is whether she will retain that edge over time.

Her strongest advantage may be the deep connection she has cultivated with her audience. These relationships go beyond passive listeners. Her fans form a community that actively participates in her success. Maintaining this connection provides insulation from media cycles and gives her a form of influence that newer artists rarely achieve.

Finally, her storytelling and songwriting continue to be recognized as central to her brand. These creative capabilities have a lasting quality, and they help differentiate her from others who might rely more heavily on image or trend.

What could put her advantage at risk?

There are reasons to believe her success is more resilient now than in the past. The collapse of the monoculture, which used to favor a narrow group of media-approved celebrities, has made space for more individualized stars. In this environment, her ability to form and maintain a strong fanbase becomes even more valuable. If everyone is a niche artist now, she is the rare case of someone who built a global presence and retained that loyalty across niches.

Still, there are potential risks. Backlash is always a possibility, especially for public figures who stay in the spotlight for many years. Some critics are beginning to question her approach, viewing her less as a musician and more as a brand manager. There are also cultural tensions around issues like representation and recognition in award shows, which could affect how she is perceived by audiences and peers.

Political pressures are also emerging. As she has become more vocal and visible, she has attracted criticism from public figures who try to politicize her image or influence.

The question of fit

All of this ties back to a core idea in strategic thinking: sustained success comes from a good fit between internal strengths and external conditions. Taylor Swift has strong internal resources, but these only continue to generate advantage if they remain relevant in the environment she operates in.

So far, she has been exceptionally good at making sure that fit remains strong. Whether that continues will depend on how the industry evolves and how she continues to position herself within it.

In strategic terms, her past success is clear. The future depends on whether her unique combination of resources and capabilities continues to align with the world around her.

CASE 2: Intel

Q1. Perform a five forces analysis on the historic (1990s) semiconductor industry during Intel's greatest era (when it launched the "Intel Inside" campaign). What is the potential for profit in the industry? Why? How attractive is it to a potential entrant?

Industry Competitors – Low Competition

The semiconductor industry in the 1990s was highly concentrated, particularly in the CPU market. Intel held a dominant position, controlling over 85% of the desktop CPU market. While competitors like AMD, Texas Instruments, and Samsung existed, the focus was largely on innovation rather than price wars. Many of these competitors originated from Fairchild Semiconductor ("Fairchildren"), and competition emphasized technological advancements rather than cutthroat rivalry.

Buyer Power – Limited/Moderate

Key buyers included major PC makers like IBM, Compaq, HP, Dell, and Lenovo. Although these companies purchased in large volumes, Intel's dominance, along with its integration into the Wintel ecosystem, created high switching costs for customers. The famous "Intel Inside" campaign further cemented customer loyalty and brand awareness.

Supplier Power – Moderate

Suppliers had moderate power, driven by their technological expertise. Key suppliers included Applied Materials (US) and ASML (Netherlands), both critical to the semiconductor manufacturing process. While raw materials like silicon were relatively common, specialized equipment and human capital (scientists and engineers) were essential. Intel's scale helped balance supplier power, but suppliers' unique knowledge gave them some leverage.

Threat of Entry – Low

There were extremely high barriers to entry:

- Massive capital investments were needed to build fabrication plants.
- Intel's manufacturing process ("Copy Exactly!") was so complex that even Intel struggled to replicate its own success in new facilities.
- A steep learning curve required years of R&D investment to maintain progress aligned with Moore's Law.
- Strong ecosystem lock-in: Intel's chips were tightly integrated into the PC software ecosystem (e.g., Adobe Suite), creating high switching costs for customers.

All these factors made it extremely difficult for new entrants to succeed.

Threat of Substitutes – Low

Potential substitutes like vacuum tubes and human computers were completely obsolete by the 1990s. No realistic alternative could replace semiconductor chips for processing tasks.

Overall Industry Assessment

Profitability: Very high

High barriers to entry, low threat of substitutes, and competition based on innovation (not price) all supported sustained high margins.

Attractiveness to New Entrants: Very low

Although profits were high, the immense entry barriers made it extremely hard for newcomers to enter and compete.

Q2: So what changed in the industry today? And how does it affect industry structure and Intel's competitive position?

The semiconductor industry has changed dramatically since Intel's peak in the 1990s. One of the main developments has been the **rise of new market segments**, particularly GPUs (Graphics Processing Units), mobile phones, and tablets, each based on different chip types and architectures. Intel either ignored these segments or was unable to dominate them, allowing competitors such as Nvidia and AMD to gain significant ground.

Another major shift is the **specialization of the value chain**. Where Intel once designed and manufactured its own chips, the industry today is characterized by a clear separation between chip design and chip fabrication. Companies like ARM, Nvidia, AMD, and Apple now focus exclusively on chip design without owning fabrication plants. At the same time, manufacturing has been increasingly concentrated in the hands of specialized foundries, particularly **TSMC**, which now dominates cutting-edge semiconductor production (other players like Samsung still remain relevant).

This new structure has important implications. First, it has made it easier for more companies to enter the market by focusing only on design and outsourcing production to foundries. As a result, the number of competitors has grown, and innovation cycles have accelerated. Financial data confirms this trend: revenues from design companies like Nvidia have soared, especially in segments such as data centers, while TSMC has continued to expand its share in the manufacturing market.

For **Intel**, these shifts have been highly damaging. Its traditional model of vertical integration has become less competitive in a world where specialization drives faster innovation and lower costs. Intel has struggled to adapt, losing leadership in some of the most dynamic and profitable segments of the industry. Today, it faces strong competition not only from other chip designers but also from the growing power of independent manufacturers.

Overall, while the semiconductor industry remains highly profitable, the basis of competition has shifted. Companies that can specialize, innovate rapidly, and leverage the new industry structure are the ones that now dominate — and Intel's historic advantages have been weakened as a result.

Buyer Power

Customers are more powerful today. Big players like Apple can design and use their own chips (e.g., M1, M2, M4), replacing Intel. Switching costs have fallen for key customers, giving them stronger bargaining power against traditional suppliers like Intel.

→ **Result: Higher**

Supplier Power

Suppliers' position is mostly unchanged, but Intel's weakened position reduces its negotiating power. Key equipment manufacturers (like ASML and Applied Materials) and suppliers of specialized raw materials maintain strong influence.

→ **Result: Slightly Higher but Mostly Unchanged**

Industry Rivalry

Competition has become more intense. Nvidia now dominates the GPU market, mobile chips are dominated by ARM-based processors, and new players have gained strength across semiconductor segments. Intel's dominance has weakened in favor of more fragmented leadership.

→ **Result: Higher**

Barriers to Entry

In chip design, barriers have fallen due to the rise of the fabless model (e.g., ARM, Nvidia). In fabrication, barriers remain very high because of the massive investments required to build and operate fabs. However, Intel is falling behind leaders like TSMC and Samsung.

→ **Result: Lower (in Design), Still High (in Fabrication)**

Threat of Substitutes

New substitutes have emerged. GPUs, mobile chips, and specialized AI chips increasingly replace traditional CPUs. Simpler, low-cost chips are also being mass-produced by specialized foundries, increasing the range of alternatives.

→ **Result: Higher**

Overall Industry Assessment

Profitability:

The industry remains highly profitable for leading players like Nvidia and TSMC, as seen in their growing revenues and market capitalizations.

Attractiveness to New Entrants:

However, the industry has become less attractive for lagging companies like Intel. Increased buyer power, stronger competition, rising substitutes, and Intel's technological lag mean that incumbents face bigger challenges and enormous investment needs to catch up.

Q3: What could Intel do?

Intel still possesses several key strengths it can leverage to respond to its competitive challenges. It remains an **Integrated Device Manufacturer (IDM)**, combining design and manufacturing, which offers advantages in **supply chain security, innovation potential**, and possibly **profit margins**. Intel also benefits from an **extensive R&D ecosystem**, with strong engineering talent and partnerships with universities and government labs.

Another important advantage is Intel's continued **dominance in x86 CPUs** for servers and PCs, along with a **recognizable business brand**. Despite recent losses (e.g., Dell choosing AMD), Intel's CPUs are still associated with quality and reliability for business users. Additionally, Intel has a growing **AI portfolio** and is making **heavy investments** in new manufacturing facilities in the U.S. and Europe, supported by government initiatives like the **CHIPS Act**.

However, Intel is also considering strategic shifts:

- **Manufacturing spinoff:** Intel Foundry is already operating separately inside Intel, and executives suggest a full spinoff could happen, depending on manufacturing performance.
- **Selling the manufacturing business:** Another option under discussion is selling the manufacturing division altogether. A deal could transfer Intel's manufacturing to companies like TSMC, with the help of private equity

investors.

Parallel to this, Intel is working to **accelerate chip development**. It is trying to **streamline its product portfolio** and **strengthen its AI chip efforts**, aiming to compete more effectively with Nvidia and AMD in data-centric and AI-driven markets.

Intel plans **aggressive investment in R&D and partnerships** and may also pursue **AI-focused acquisitions** to close the gap faster.

CASE 3: TikTok

Q1: What does industry analysis suggest about the market structure of social media and the potential profitability of TikTok?

In the social media market, **suppliers** include content providers (individuals, influencers, and creators) who generate and share multimedia content, as well as users who engage with this content and indirectly consume advertisements. Paying **consumers** are mainly advertisers, ranging from large global brands such as Nike and Coca-Cola to small and medium businesses, all of whom seek to target user segments through direct marketing and brand exposure. There is some question as to whether users themselves could be considered paying consumers, but the primary revenue stream is advertising.

Force	Level	Explanation
Competition	Moderate	The competitive landscape includes Facebook, Instagram, X (formerly Twitter), YouTube, TikTok, LinkedIn, and Snapchat. Intense rivalry exists, but price competition is limited due to oligopoly. The C3 ratio for social media advertising is between 40% and 62%. Firms focus on user engagement rather than direct price wars.
Customer Power	Low	Advertisers are important but have limited bargaining power compared to major social media platforms. Social networks provide concentrated and powerful communication channels, reducing individual advertiser influence.
Supplier Power	Moderate	Suppliers include internet, data centers, cloud services, and tech workers. Although cloud services are somewhat concentrated, they make up a small share of total costs, keeping supplier power moderate.
Threat of Entrants	Low to Moderate	High barriers to entry exist due to brand loyalty, network effects, capital investment, and economies of scale. Although disruption is difficult, new entrants like TikTok show that it is still possible under exceptional circumstances.
Threat of Substitutes	Moderate	Alternatives for user attention (websites, entertainment, search ads, video games) are numerous, but few match social media's optimization for engagement and monetization, resulting in a moderate threat.

Profitability

The social media industry overall displays characteristics of a **profitable industry**. Concentration among a few players reduces price competition, suppliers and customers have limited power, barriers to entry are significant, and substitutes, while numerous, are imperfect.

Reasons for the Strong Position

High Industry Concentration and Oligopoly

Social media today is characterized by high concentration, forming a **digital oligopoly**. Thanks to strong network effects, the market tends toward a **"winner-take-all"** dynamic where leading platforms become increasingly dominant.

Significant Barriers to Entry

New competitors face high challenges in replicating TikTok's success, including overcoming brand loyalty, achieving sufficient scale, and building cutting-edge AI recommendation systems.

Supplier and Buyer Power

Both supplier and buyer power remain **low to moderate**. However, there is a note that TikTok might face relatively **stronger buyer power** compared to traditional platforms, because **video advertising may be less attractive to smaller businesses**, limiting TikTok's monetization flexibility somewhat.

Limits of Traditional Industry Analysis in This Context

Geopolitical Risks

One major factor not fully captured by standard industry analysis is the **geopolitical environment**. TikTok faces vulnerabilities related to regulatory scrutiny and potential bans in critical markets such as the United States.

Growth Trends and Market Entry/Exit

Traditional models often fail to account for **dynamic shifts** in platform growth, entrance of disruptive new players like TikTok itself, and the natural shake-out cycles that digital platforms experience over time.

Segmentation and Platform-Specific Structure

Standard frameworks also fail to properly address the **distinct segmentation** among platforms (different user bases, content types, and advertiser strategies). Moreover, they assume a traditional linear value chain, whereas **platform businesses** operate differently: they facilitate two-sided interactions rather than direct supplier-to-consumer flows.

Special Nature of Social Media

Social media businesses are not conventional companies; they are **digital platforms**. Platforms create **interaction value** between two sides: content creators (suppliers) and users (consumers), with the platform owner orchestrating and maintaining this interaction.

Launching a platform involves solving the **chicken-and-egg problem**: attracting enough users and content creators simultaneously to make the platform valuable. Over time, platforms tend to shift the focus of value: initially favoring users, then providers, and eventually shifting power back to the platform itself. This dynamic can lead to problems like "**enshittification**", where platforms reduce user value to maximize short-term profits.

Q2: How would you evaluate the stage of industry evolution in TikTok's competitive environment? What should TikTok's strategy anticipate based on this approach?

The social media industry is currently **still growing**, but there are emerging signs that it may be approaching a **mature phase**. Data show that the **number of social media users** continues to increase steadily worldwide, reaching an estimated **6 billion users by 2028**. Similarly, **engagement time** (measured as the number of minutes users spend daily on social media) had been increasing consistently, although in the most recent years it appears to have **stabilized**, with a slight decline projected for 2024.

When compared to other media types, **television viewership** is relatively stable, growing very slowly, while **music streaming services** have seen a strong and steady rise. Nevertheless, the overall behavior suggests that **social media remains dominant** in capturing users' attention, even as users diversify their time across different types of media.

Based on traditional **industry life-cycle analysis**, social media seems to be at the **late growth phase**, nearing the beginning of **maturity**. Indicators supporting this conclusion include:

- An **8% growth rate**, which, while still positive, is slower than earlier explosive growth phases.
- **High market penetration**, meaning that most potential users worldwide are already active.
- **User sophistication**, as customers are now more knowledgeable and selective.
- A **shift in behavior** from merely adopting new platforms to optimizing their use and time on existing ones.
- The existence of a **dominant technology** across players, with most platforms heavily reliant on AI-based personalization, content targeting, and distribution.

In addition, the industry faces a **shake-out risk**. With slower growth, the market could soon witness a **consolidation phase**, where weaker competitors exit and stronger platforms capture a larger share of users and advertising revenue.

Managerial Takeaways for TikTok

Given this stage of industry evolution, TikTok needs to carefully adjust its strategic focus.

Prepare for the Shake-Out

As competition intensifies and some platforms consolidate or exit, TikTok must strengthen its core advantages, particularly its **algorithm-driven content engine** and its strong connection with **younger audiences**. Expanding its business model into areas like **e-commerce** or **new features** could help retain engagement and grow monetization opportunities. Crucially, TikTok should work to **keep creators loyal**, as creators often influence where audiences move, and there is still leakage toward platforms like YouTube, Instagram, and Twitch.

Imitate and Expand

Following the example of Meta (which expanded successfully from Facebook into Instagram, WhatsApp, and beyond), TikTok should also **broaden its ecosystem**. This could involve the acquisition of other platforms, development of companion apps, or expansion into **new digital experiences**. Innovation is key, but so is **protection from imitation**: TikTok must create defensible advantages, for instance by strengthening its network effects or exclusive content partnerships.

Watch Out for New Entrants

Despite high barriers, the cyclical nature of the tech industry means that disruptive entrants remain a risk. Platforms like **Clubhouse** (audio-based social media) and innovations in **augmented reality** show that niche platforms can emerge rapidly. TikTok must monitor these trends and remain flexible enough to respond or integrate similar functionalities.

Manage Political and Regulatory Risks

Finally, TikTok faces serious **regulatory challenges**, particularly in markets like the United States. Ongoing scrutiny over data privacy and national security concerns threatens its ability to operate without disruption. TikTok should develop **contingency plans** for scenarios like a forced sale, operational restrictions, or a ban. Strengthening **data governance**, improving **transparency**, and considering alternative structures such as **data localization** or a **separate U.S. entity** could help mitigate these risks.

Q3: Perform a strategic group analysis for social media. What strategic recommendations would you make to TikTok based on this analysis?

The goal of a strategic group analysis is to understand how social media platforms can be meaningfully grouped into strategic clusters based on dimensions that shape their business models and competitive positioning. This allows us to identify TikTok's current position and derive relevant strategic recommendations.

Classic variables like **price, profitability, or size** are not ideal for grouping in this context because they tend to be correlated. Most large platforms are also profitable and free to users, which doesn't allow for sharp distinctions across strategic groups. Instead, two dimensions emerge as more meaningful:

- **Revenue Model**: How platforms generate income.
 - **Advertising-based** (e.g. Facebook, Instagram, YouTube, TikTok).
 - **Subscription-based** (e.g. LinkedIn, Discord, Twitch).
 - **Social shopping/e-commerce** (e.g. TikTok Shop, Pinterest, WeChat).
- **Content Type / Media Format**: The dominant content shared on the platform.
 - **Text** (e.g. X, Reddit).
 - **Photo** (e.g. Instagram, Pinterest).
 - **Video/Audio** (e.g. YouTube, TikTok, Clubhouse).

Other dimensions briefly noted:

- **Era of Entry**: Grouped by founding date—pre-2010 (legacy players like YouTube), 2010–2015 (Instagram), post-2015 (e.g. TikTok).
- **Content Specialization**: Differentiates platforms focused on business networking (LinkedIn), opinion sharing (X, Reddit), or entertainment (TikTok, YouTube).

- **Geographic Reach:** Some platforms are **global** (TikTok, Facebook), others more **local** (Douyin in China, VK in Russia).

TikTok's Positioning

TikTok is positioned at the intersection of:

- **Advertising and e-commerce models** (TikTok Shop integration).
- **Video and audio media** (short videos, livestreaming, music).
- **Entertainment-focused content specialization.**
- **Post-2015 entrant**, still relatively young in the industry.
- **Global geographic reach**, but with politically sensitive local variants like Douyin.

Strategic Recommendations for TikTok

TikTok should **prepare for a market shake-out**. As the social media industry approaches maturity, platforms with weaker engagement or monetization may consolidate or exit. TikTok must therefore solidify its position by doubling down on its core strengths, like **algorithm-driven content, short-form video, and a young, highly engaged user base**. At the same time, it needs to address areas of weakness, such as user retention and creator loyalty. If top creators continue steering followers toward platforms like Instagram or YouTube, TikTok risks losing influence at the content source.

In addition to reinforcing engagement, TikTok should **expand and diversify its business model**. This includes further developing **TikTok Shop** and social commerce features, which offer strong growth potential but still require better monetization infrastructure. At the same time, TikTok could consider adopting **hybrid revenue strategies** (advertising, subscriptions, e-commerce) to mirror the success of platforms that scale across multiple income streams.

Given the cyclical nature of the industry, TikTok must also **watch out for new niche entrants**. Past disruptors like TikTok itself or Clubhouse have shown how quickly a newcomer can gain traction. To avoid becoming complacent, TikTok should keep an eye on emerging formats (such as audio-first platforms or augmented reality) and remain agile in adapting features or acquiring rising competitors.

Finally, TikTok faces **elevated political and regulatory risk**, particularly in the US. It must invest in **data governance, transparency, and regulatory trust-building**, including contingency planning for potential bans or forced sales. Exploring **data localization** or even creating a **separate US-based entity** may help mitigate threats and secure its operational future in critical markets.

CASE 4: EnviroFlight

Q1: Do a strategic group analysis of Livestock feed industry. Which category would EnviroFlight be in?

Defining the livestock feed industry can follow two interpretations. A **narrow interpretation** places EnviroFlight specifically within the **insect-based niche** of the livestock and animal feed sector. In contrast, a **broader interpretation** situates EnviroFlight within the larger **animal feed niche of the food industry**, highlighting its role in providing a cost-efficient alternative protein source that addresses the high cost of traditional livestock feed production.

Strategic group comparisons can be drawn based on dimensions such as **protein level** and **production costs** (water and land use). In this case, **high-protein but low-cost options** include insect-based products like those of EnviroFlight, which are in a more efficient quadrant compared to traditional crop-based feeds like **crop soy** (high protein, high cost) or **maize and oats** (low protein, high cost).

Another relevant dimension is **sustainability**. When plotted against production costs, **bugs** emerge as a category with both **high sustainability and low production cost**, distinguishing them from alternatives such as **organic grain** (sustainable but costly) and **traditional grains or fishmeal** (less sustainable with varying cost profiles).

Level of Protein	High Cost	Low Cost
High	Crop Soy	Bugs
Low	Maize, Oat	Low quality crop/wheat

Sustainability	High Cost	Low Cost
High	Organic grain	Bugs
Low	Corn, maize, soy	Fishmeal

These groupings show that EnviroFlight positions itself as a **low-cost, high-sustainability, high-protein** feed alternative, a combination that sets it apart strategically within the industry. Some variables that could have been used are: diversification, potential uses, adaptability, dependability on weather conditions, space needed, production time, and scalability.

Q2: Which type of competitive advantage is EnviroFlight pursuing and why? What are the main determinants of this competitive advantage?

EnviroFlight is pursuing a **cost-based competitive advantage**, as its primary value proposition lies in producing animal feed at a substantially lower cost than traditional livestock feed sources such as soy, maize, or fishmeal. This cost advantage is especially important in a **B2B market** where farmers and feed buyers care deeply about price, often showing **high price elasticity**.

However, there is little clear evidence that EnviroFlight is generating a **willingness to pay (WTP)** through perceived uniqueness or added value. While the feed is still relatively expensive today, the **industry is growing**, and innovation might eventually create differentiation. To do so, the company would need to **deliver unique value that customers recognize and are willing to pay for**, a challenge many sustainable and "fair trade" product categories have faced.

Determinants of Cost Advantage

Several operational and structural factors enable EnviroFlight's cost leadership:

- **Learning Economies:** Improvements in system design and temperature control have led to increased yield and efficiency.
- **Input Costs:** The company relies on **cheap biological inputs**, which are low-cost to produce and maintain.
- **Load Factor and Density:** EnviroFlight has enhanced its space utilization through **vertical stacking**, allowing multiple feeding chambers to be placed one on top of the other, increasing output per square meter.
- **Production Organization:** The company optimizes the biological cycle of insects to create a self-reinforcing reproduction and feeding process that lowers marginal cost over time. Vertical stacking is another factor.
- **Economies of Scale:** Although there are **high fixed costs** related to R&D and regulatory approvals, the biological process itself has exponential scalability. For instance, only a small fraction (10%) of flies are needed to fully reproduce the population, allowing for rapid scale-up with minimal marginal input.
- **Economies of Scope:** Though less crucial, the process also generates **by-products** like fertilizer, contributing to efficiency by reducing waste and offering potential auxiliary revenue streams.

Q3: Is EnviroFlight's competitive advantage defensible? Answer, based on adaptation and protection perspectives.

Protection

EnviroFlight's primary legal protection comes from patents. However, the technological complexity itself is considered relatively low: while the reproduction and feeding processes might appear easy to imitate, the true complexity may lie in the **integration between custom design and cost-efficient operation**. Many other companies across the world have already entered the same space. Competitors such as Enterra in Canada, Ynsect in France, Protix Biosystems in the Netherlands, and PROTEinSECT in South Africa all

Adaptation

While EnviroFlight has made some tactical adjustments to its operations, its broader ability to adapt appears **quite limited**. The company shows weak potential when it comes to regeneration, anticipation, or strategic reconfiguration: it's unclear whether their model is environmentally or geographically flexible (function effectively across diverse climates or infrastructural environments), and there are questions about whether the business model could turn toward a **licensing strategy** that would

work on similar insect-rearing technologies, often with their own patented innovations.

allow the firm to generate value without operating the production process itself.

CASE 5: Nike

Q1: Based on the information in the case, conduct a 5 forces analysis of the global running footwear industry. Assess its overall attractiveness.

Buyer Power: Moderate

Buyer power is **moderate**. On the consumer side, **switching costs are low**, allowing people to experiment with new brands and designs easily. However, **price sensitivity is mixed**: while budget-conscious buyers may switch for cheaper options, **high-end consumers tend to be less sensitive to price**, especially for brands like Hoka and On that market performance and innovation. Retailers such as **Foot Locker** do hold some power due to their scale, but they still rely heavily on stocking major brands, which balances the dynamic.

Supplier Power: Low

Supplier power is **low**. Production is typically **outsourced to low-cost regions**, and most brands are **not heavily reliant on specialized or scarce materials**, making it easier to switch between suppliers. This reduces supplier leverage significantly.

Industry Rivalry: High

Rivalry in the industry is **high**. While **Nike remains dominant**, market concentration is declining. **Competition has intensified**, with legacy players like **Adidas and Puma** remaining strong, and **new challengers such as Hoka and On** rapidly gaining market share. The competition extends beyond pricing and includes **innovation in performance and comfort, speed to market, and aggressive brand promotion** using athletes and events. These overlapping factors make the competitive landscape particularly intense.

Threat of New Entrants: Medium

The threat of new entrants is **medium**. On the one hand, **ex-ante barriers** such as the need for advanced technology, design, and R&D are significant. **Ex-post, brands require strong marketing capabilities and distribution networks** to scale effectively. However, **e-commerce and niche positioning strategies** have made market access more feasible than before. New entrants like On and Hoka demonstrate that it is possible to enter and grow quickly with a distinct value proposition.

Threat of Substitutes: Low

The threat of substitutes is **low**. Other types of shoes (e.g., fashion sneakers, casual wear) don't offer the **same level of functionality or performance** required for running and training. While fashion trends evolve, there's little that directly replaces a performance-driven running shoe in the eyes of most consumers.

Overall Industry Assessment

Profitability

The overall profit potential of the global running footwear industry is **medium**. This reflects a balance between **moderate buyer power** and **high industry rivalry**. While buyers do not dominate, a new entrant must deliver **high-performance models** and succeed through **distinctive design and compelling brand identity**. At the same time, the market is highly competitive, with dominant incumbents like Nike and strong momentum from emerging brands.

Attractiveness to New Entrants

The industry is **attractive only for entrants** that can either offer **cutting-edge technology**, create **highly differentiated products**, or operate with a **significant cost advantage**. Without one of these edges, breaking through the established competitive landscape is highly challenging.

Q2: What kind of competitive advantage has Nike traditionally relied on? How does it create it? Why is it under threat?

Nike has traditionally relied on a **differentiation-based competitive advantage**. This is built on the brand's ability to command a premium price through **unique product features**, **technological innovation**, and a **strong emotional brand image**.

From a tangible standpoint, Nike has historically invested in **technological performance enhancements**, such as its well-known VaporFly 4% shoes, designed to improve running efficiency. This innovation traces back to its roots: a company founded by a track coach seeking performance improvements through unconventional design. Nike's products also benefit from distinctive **visual elements**, especially the instantly recognizable swoosh.

Intangibly, Nike's edge is reinforced by **celebrity endorsements**, **high-profile sponsorships**, and a globally recognized **brand identity** anchored in slogans like "Just Do It." These attributes have positioned Nike as a symbol of athletic excellence and cultural relevance. This is also reflected in its significant and sustained **advertising spend**, which topped \$4 billion in 2023.

However, this differentiation advantage is now under pressure. First, Nike's **technological lead is eroding**, as rivals have replicated innovations like the carbon-fiber plate embedded in performance shoes. Second, **new entrants** such as Hoka and On are attracting consumers with sleek design, comfort, and strong digital engagement, especially among younger demographics. These brands are also gaining traction through direct-to-consumer strategies and social media marketing. Third, **distribution dynamics are shifting**. The rise of e-commerce and Nike's own move away from third-party retailers have made its **retail presence more volatile**, affecting visibility and market share.

Today, Nike's **market share has declined**, particularly in key retailers like Dick's Sporting Goods, and its **stock price has underperformed** over recent years. The brand's edge is now being contested on multiple fronts, making it more urgent for Nike to innovate further and adapt its go-to-market model.

Q3: How does the company defend its advantage? How might it strengthen these defenses?

Nike defends its competitive advantage through a combination of protection mechanisms and dynamic adaptation strategies.

Protection from Imitation

While Nike's products are not overly complex to replicate from a technical standpoint, its real strength lies in **brand image**, **athlete endorsements**, and deep emotional resonance with consumers, which are much harder to imitate. These elements create a strong perception of uniqueness and value, in line with Nike's differentiation-based advantage.

Nike also leverages **formal intellectual property rights (IPRs)**, such as patents, to shield specific innovations. However, competitors often take materials or design elements to create legally distinct alternatives, and this means that the protective power of patents in footwear is often limited.

Adaptation to the Environment

To maintain its edge, Nike must continually **regenerate** its product line. The market demands rapid product cycles and frequent innovation. Investing in **sustainability** may also become a critical part of differentiation, especially as consumers and regulators push for greener practices.

Nike also needs to **reconfigure its distribution strategy**. The pandemic started a shift toward direct-to-consumer (DTC) sales, but this move opened up valuable retail shelf space to new entrants. As in-store shopping resumes, Nike must re-establish strong relationships with retailers while balancing the benefits of DTC channels.

Together, these strategies (defensive and adaptive) are essential for Nike to maintain its leadership in the footwear industry.

Q4: How is the industry changing? Why has it seen an influx of new entrants?

The global running footwear industry is undergoing a significant transformation, marked by a shift in competitive dynamics and an influx of new entrants.

One of the clearest signs of change is the **erosion of dominance by traditional players** like Nike and Adidas. Emerging brands such as On and Hoka are successfully capturing market share, thanks to their ability to introduce **technologically advanced products** tailored to the performance needs of dedicated runners: they're innovating on comfort, cushioning, and sole design in ways that resonate with a performance-driven customer base.

At the same time, **consumer preferences are evolving**. There is growing demand for shoes that reflect **lifestyle and fashion trends**, including the rise of so-called "ugly shoes" and maximalist aesthetics with thick, exaggerated soles. Running shoes are becoming fashion statements, expanding the relevance and reach of brands.

Another factor easing entry for newcomers is the **increased accessibility of sales and marketing channels**. Social media platforms have drastically reduced the cost of customer acquisition. New brands can build global awareness and a strong identity without depending on traditional retail infrastructure, using direct-to-consumer strategies and influencer-driven campaigns to gain traction quickly.

Together, these shifts explain why the industry has become more open and attractive to new entrants, disrupting the long-standing dominance of incumbent brands.

CASE 6: Patagonia

Force	Assessment	Details
Industry Rivalry	Moderate/High	Several large competitors (e.g., Columbia, North Face) and niche premium brands (e.g., Arc'teryx) compete on quality, performance, and image.
Threat of Substitutes	Low/Moderate	Substitution with regular clothing is weak, especially for technical outdoor use where specialized gear is necessary.
Threat of New Entrants	Moderate	Brand strength and retail access are important, but many niche players enter via DTC and specialty stores. Patagonia is rare in avoiding heavy ad spend.
Buyer Power	Moderate	Low switching costs, but purchases are infrequent and customers are less price-sensitive due to strong preferences and brand loyalty.
Supplier Power	Low/Moderate	Most inputs are common, but some advanced materials (like waterproof fabrics) can increase supplier leverage until competitors catch up.

Industry Evolution

The outdoor apparel industry is currently in a **mature phase**, characterized by **stable but not explosive growth**. While the market does not show rapid expansion, **regular technological innovations** could reshape how and what consumers buy. A notable environmental dynamic is the **shrinking wilderness** and increasing climate-related risks, which could **limit market size** in the long term. However, these same environmental challenges are also **fueling stronger environmental consciousness** among consumers. This shift in values could support **new market entries**, especially from companies that emphasize innovation in **sustainability and environmental responsibility**.

Business Groups

The industry features a **mainstream market segment**, dominated by brands such as **Columbia, Timberland, and North Face**. Alongside these, there exists a **specialized segment**, with **Arc'Teryx** standing out as the key high-end competitor. A **sustainability-oriented strategic group** is not yet clearly defined among major players. Nevertheless, the growing importance of environmental concerns and sustainability creates a **strategic opening** for **new entrants** or **smaller brands** that use **sustainability as a differentiator**. This trend signals that the **competitive landscape is evolving**, and there is **room for innovative companies** responding to environmental expectations and values.

Q1: Patagonia's strategy. What role does its environmental commitment play?

Patagonia's competitive strategy is about being green and **using environmental purpose to drive differentiation**, trust, and customer value. Its **focused niche**, paired with credible and long-standing commitments, enables the company to command premium prices and sustain strong brand loyalty in a moderately profitable industry. The environmental mission **amplifies both its strategic uniqueness and its defenses** against competition.

Focused Differentiation

Patagonia positions itself as a **focused differentiator**, catering to a specific niche of outdoor enthusiasts with a strong emphasis on both **performance** and **environmental responsibility**. Its strategic strength lies in delivering **high value through**:

- **Tangible uniqueness**: It comes from **innovative fabrics, high durability**, and **multi-use design** tailored for extreme environments. These features meet the high functional demands of Patagonia's core user base.
- **Intangible uniqueness**: It stems from a powerful **brand reputation** built on decades of commitment to environmental and social causes. This includes deep roots in environmental activism, strong ties to athletes and activists, and a consistent brand narrative that supports **low marketing expenditures**, since customer loyalty and advocacy are organically strong.

Environmental Commitment

Patagonia's environmental mission is embedded in its **core strategy** and **competitive advantage**:

- It helps **strengthen relationships with consumers**. These customers, especially within Patagonia's niche, are highly attuned to environmental issues and reward brands that reflect their values.
- This commitment could be viewed through the lens of **shared value creation**. By aligning environmental efforts with business outcomes, Patagonia taps into customer trust, NGO support, and media visibility, boosting both **brand equity** and **willingness to pay**.
- The company's environmental leadership also **drives early-mover advantages** in sustainable production and design, reinforcing its differentiation.

Defending Advantage

Protection

The brand's mix of innovation (e.g., technical fabrics), emotional loyalty, and environmental engagement creates a durable moat. While competitors can mimic product elements, replicating Patagonia's mission-driven identity is far harder. **Customer loyalty**, **patents**, and **brand trust** further reinforce this.

Adaptation

Patagonia stays ahead by **continuously learning** and evolving its sustainable practices (regeneration), and even **reconfiguring governance structures** to reflect its dual mission of profitability and environmental stewardship. This positions it well for long-term alignment with changing consumer expectations.

Q2: Analyze the company's approach to its stakeholders. How does its shift in governance and ownership affect its stakeholder strategy? What opportunities and risks do this stakeholder strategy create?

Patagonia's approach to stakeholders is deeply rooted in its values of responsibility, sustainability, and long-term impact. The company actively involves stakeholders in its mission, creating partnerships based on trust, ethics, and shared goals. Its stakeholders include **employees, customers, suppliers, communities, governments**, and, more broadly, **society and the environment**.

Patagonia provides **generous benefits to employees**, including strong healthcare, paid leave, and professional development, which results in high satisfaction scores. It sees **suppliers as partners**, emphasizing ethical labor and environmental standards through regular audits. For **customers**, it enforces product quality, data privacy, ethical marketing, and transparency in sourcing. Its **community engagement** is visible in civic initiatives, volunteering, and advocacy. It also takes an unusually proactive role in **governmental matters**, funding environmental litigation and defending public lands.

The **governance and ownership transition**, where Yvon Chouinard and his family transferred ownership to a trust and a nonprofit, has major implications for stakeholder strategy. This change shifts Patagonia even further away from shareholder primacy toward **stakeholder-centered governance**, protecting the company's mission over time. It aligns power and influence with those who support long-term environmental and social goals, rather than short-term financial gain.

This shift creates **important opportunities**: it helps attract and retain purpose-driven talent, strengthens brand loyalty, ensures alignment with climate-conscious consumers, and allows the company to push boundaries in

ethical leadership. However, there are **risks**: reduced access to capital could limit innovation, the organization could lose its edge in product excellence if it prioritizes mission over competitiveness, and the new structure may struggle with agility or maintaining control if financial health deteriorates.

CASE 7: Delta and the Trainer Refinery

Q1: Describe the position in the value chain in which Delta is situated (suggestion: use a figure). What kind of move would the investment in Trainer represent?

Following the acquisition of the Trainer refinery, Delta's position in the value chain shifted to include a previously external segment: fuel refining. Traditionally, Delta operated within the downstream segment of the aviation industry, focusing on airline operations such as flight scheduling, maintenance, baggage logistics, marketing, and customer service. However, by acquiring the Trainer refinery, Delta moved one step upstream, entering the midstream sector of fuel processing.

This move represents a case of **backward vertical integration**, as the company extended its control into a stage of the supply chain that precedes its core business activities.



Before this integration, Delta's value chain was concentrated on airline operations. These include **inbound logistics**, such as the management of fuel storage terminals and pipelines, onboard meals, aircraft procurement, route selection, and scheduling. The **operations** segment consists of flight operations, gate operations, and maintenance. In terms of **outbound logistics**, Delta oversees the baggage system and flight connections. The company also manages **marketing and sales** through online platforms, airport services, and physical agencies. Finally, its **service** activities address customer concerns such as lost baggage and complaints.

The value chain now starts with oil extraction and oil transportation (still external to Delta), followed by the refining stage, which is now integrated into Delta's operations. This internal control allows Delta to influence the supply, cost, and possibly the reliability of jet fuel provisioning. By producing its own refined fuel, Delta reduces dependence on third-party suppliers and mitigates exposure to price volatility in the fuel market. This strategic shift not only repositions Delta in the aviation value chain but also transforms the Trainer investment into a proactive, cost-containment measure aimed at enhancing operational resilience.

Q2: Why does Delta envision to buy the Trainer refinery? Provide a cost/benefit analysis (qualitative is ok).

Benefits

Jet fuel costs account for around one third of airline operational expenses. Controlling the price and supply of jet fuel was a major strategic concern. Jet fuel prices are not only high, but also extremely volatile and difficult to hedge due to the crack spread, which is the gap between crude oil and refined jet fuel prices. Moreover, in 2012, prices were on the rise, particularly in the US, as many refineries were closing.

By acquiring the Trainer refinery, Delta aimed to ensure a stable supply of jet fuel, reducing its dependence on external and potentially distant suppliers. Specialists expected the move to allow Delta to save approximately 20 cents per gallon over its competitors on transatlantic services.

Costs

Despite the apparent benefits, the acquisition carried significant risks. Refining was a completely different business in which Delta had no expertise. While the airline planned to hire professionals from the industry, this shift represented a leap into a chronically unprofitable sector. In fact, by 2012, 50% of US refineries had been shut down or sold since 2010, and Trainer was ranked among the least economical. There was also skepticism surrounding the renovation budget, which some feared might be underestimated. Moreover, jet fuel made up only 32% of the refinery's output, meaning Delta would still need to trade 68% of the refinery's production. This involved reliance on trading partners (BP and Phillips) with unknown terms. The working capital required to run the refinery added

From a financial standpoint, the investment appeared limited in size and potentially advantageous. With assistance from the government, Delta's total investment included the purchase and boosting production, amounting to just 19% of its earnings over the prior 12 months. Additionally, Delta expected a quick payback, with the refinery covering about 80% of its needs. Surplus outputs were to be exchanged for more jet fuel through deals with BP and Phillips.

Finally, Delta projected annual savings of \$300 million.

another layer of cost, particularly due to the need for inventory restocking.

Lastly, although securing fuel supply could reduce Delta's own exposure to price fluctuations, it could also stabilize fuel prices across the industry, benefiting competitors as well.

Q3: Would you recommend Delta to invest in Trainer? Why?

The investment in the Trainer refinery appeared extremely **risky**: it involved entering an entirely different industry where Delta had no experience or operational expertise. Moreover, Delta lacked deep knowledge of the refining business, the future behavior of oil prices was unpredictable, and the volatility of crack spreads further complicated any forecasts. Despite these concerns, the strategy promised Delta access to jet fuel at a time when prices were soaring and supply insecurity was a growing threat. Investors responded positively, boosting Delta's share price by 10%.

However, the **cost of fuel** is largely determined by the price of crude oil, not the refining process. With refining and marketing contributing only marginally to the final price, the strategic impact of owning a refinery was inherently limited. This raised the question of whether acquiring upstream oil fields might have offered more substantial control over fuel expenses.

Following the acquisition, the actual **performance** of the investment was disappointing: jet fuel prices dropped significantly after 2014, eroding the anticipated benefits, and ultimately generating around \$100 million in losses over the next five years. The cost advantage Delta had prior to the acquisition remained unchanged, making the financial justification for the investment questionable.

To summarize, if oil prices had remained high, the investment might have paid off. But the fall in prices undermined the rationale for acquiring a refinery, and the strategic logic lost its weight. While integrating only the refining process may have helped to contain the downside compared to buying oil fields, the overall assessment is clear: the decision was not a good one. This is confirmed by the fact that by the end of 2018, Delta was actively seeking a joint venture partner to share the burden.

Q4: Why do you think Delta prefer to use an acquisition compared to other tools (alliances, jv...)?

The choice of growth mode involves balancing investment risk, strategic alignment, control, and transaction costs. When investment risk is high, firms tend to commit resources directly, favoring options such as internal growth or acquisition. These options require a significant commitment but offer full control and easier monitoring. Also, when transaction costs are high, alliances become a more attractive path. However, alliances imply lower commitment of resources and often entail governance challenges, such as managing contracts, monitoring partners, and sustaining trust.

Advantages of Acquisition

Acquisition was a particularly attractive choice for Delta due to several specific benefits. First, it appeared to be a **cheap** move, with the refinery potentially underpriced. Second, fuel is a strategic resource for an airline, and owning the refinery meant **gaining control** over that resource and building **internal expertise**. Additionally, refineries are composed of **hard assets**, which are reliably acquired and retained, unlike soft assets that may leave or

Other tools

Choosing not to pursue **internal growth** or **alliances** was linked to the nature of expected benefits. In this case, there was no redundancy of resources to exploit, meaning no potential for efficiency savings from combining overlapping assets. Furthermore, the anticipated benefits did not rely on modification or coordination, removing the need to integrate operations. In such a setting, internal growth or alliances would offer no additional advantage. Lastly,

dissipate in the case of alliances. Finally, an acquisition promised a **long-term relationship**, enabling Delta to maintain control and independence in its fuel supply.

the context was characterized by high market uncertainty, which made the full control provided by acquisition a safer and more reliable strategy.

CASE 8: Disney and Lucas Film

Q1: What type(s) of entry barrier is most important in the movie industry?

The movie industry is characterized by very high entry barriers. These barriers can be categorized as:

Endogenous barriers, which are internal and firm-specific, include:

- Strong established intellectual property and branding, such as Disney's well-known franchises.
- Dominance in advertising capabilities and control over distribution channels.
- A well-developed and loyal network of suppliers.

Exogenous barriers, which are external to firms and affect all potential entrants, include:

- Very high capital requirements, notably the substantial costs associated with both movie production and marketing.

Due to these barriers, the industry shows signs of high concentration. The market share data from 2015 illustrates this: the top 4 studios (Universal, Disney, Warner Bros., and Fox) collectively controlled 66.2% of the U.S. domestic box office. The top 3 alone held 54.9%. Moreover, the 19 highest-grossing movies in that year accounted for 50% of the entire market, suggesting a strong winner-takes-most dynamic that heavily favors incumbents with established resources and scale.

Q2: Given the financial data that you have, how would you describe Disney's position in terms of value capture and value creation?

Value creation refers to a company's ability to deliver benefits within the broader system of exchange, particularly to customers and suppliers. It reflects how efficiently a company can generate economic value through its operations and resource use. Value capture, by contrast, is about the company's success in turning that created value into profits and positive cash flows. In other words, while value creation is about growing the total value available, value capture concerns the share of that value retained by the firm.

Disney is highly effective at creating value. It demonstrates strong efficiency in utilizing its resources to generate revenue, which is especially important in a mature industry where overall demand is limited. The company shows it can convert both its asset base and invested capital into a high volume of sales. This indicates **operational and capital efficiency**, and it underlines Disney's ability to build and deliver products and experiences that are in high demand, while managing its inputs well.

At the same time, Disney captures a substantial share of the value it creates. It shows a solid ability to turn revenues into profits and to **generate strong returns** from its investments. While its profit margin is high, what stands out even more is its ability to translate those profits into meaningful returns on invested capital. This suggests that Disney not only performs well in day-to-day operations, but also maintains strategic discipline when deploying capital across its businesses.

Taken together, Disney succeeds on both fronts. It creates value through effective operations and market reach, and it captures that value by converting it into strong financial performance. In a competitive and capital-intensive industry, excelling in both areas is a sign of sustained strategic advantage.

Q3: Disney is a very diversified company. What are the key resources behind this diversification strategy?

Disney's **diversification strategy** is driven by both the need to ensure **growth** in a consolidating industry and the pursuit of **strategic value creation**. As the competitive environment intensifies, Disney has opted for a strategy that allows it to gain the scale required to compete. Size, in this context, is essential not only for negotiating

power but also to support the significant investments needed across the film, entertainment, and media industries.

Diversification allows Disney to manage risk, though not in the traditional sense of spreading unrelated ventures. Instead, Disney practices related diversification, meaning that while its business areas differ, they remain connected through shared themes, audiences, or intellectual property. For instance, even if a film underperforms, the interconnectedness of Disney's **ecosystem** (merchandise, television, streaming, theme parks, etc.) can help mitigate losses and maintain value creation across the platform.

At the core of this strategy are key resources and capabilities. **Intangible assets** such as globally recognized brands and characters serve as foundational tools that Disney deploys across various segments. **Tangible assets** like capital resources and vast distribution channels further reinforce Disney's ability to scale and cross-leverage content. A vital capability is Disney's mastery of **storytelling** in revitalizing franchises and creating narratives that captivate audiences across media formats is unmatched. This enables Disney to **generate demand** not only for its films, but also for products and experiences linked to those stories.

The synergy across Disney's businesses is made possible through what can be called operational and strategic relatedness. **Operational relatedness** refers to using the same assets, such as distribution and marketing infrastructure, across multiple domains, allowing for economies of scale and scope. **Strategic relatedness**, meanwhile, captures the complementarity between its different lines of business, such as how new content feeds the demand for consumer products and themed attractions.

Ultimately, Disney's diversification is not just a **risk-management** tactic, but a deliberate growth strategy aimed at creating value. Through carefully aligned acquisitions and internal expansion, Disney ensures that its various business units reinforce one another, enhancing both customer engagement and long-term profitability.

Q4: Disney is using mainly acquisition as a tool for enabling its growth strategy. Why? Why doesn't it utilize alliances?

Disney chooses to pursue growth primarily through acquisitions because this strategy aligns with its financial strength, operational model, and long-term vision. As a financially healthy company with excess cash, Disney has the means to acquire firms instead of relying on slower, internal growth or more uncertain alliances. This financial flexibility enables Disney to seize attractive opportunities rapidly, giving it a competitive edge in a fast-evolving entertainment landscape.

Acquisitions also offer Disney **full control** over strategic assets. Instead of building new intellectual property from scratch, Disney integrates acquired content and capabilities into its broader ecosystem. This integration increases the value of acquired assets, as they become part of a system that includes theme parks, merchandise, streaming, and more. This system is designed to extract value from intellectual property across multiple platforms, enhancing overall returns and brand coherence.

Moreover, acquisitions ensure **strategic and brand alignment**. Disney can directly manage the **quality and values** of the content it incorporates, something more difficult to guarantee in joint ventures or alliances. Finally, acquisitions are faster than other growth modes. In markets where speed is critical to secure unique characters, technologies, or storytelling capabilities, buying an established entity ensures immediate access to essential resources and reduces the time required to bring new offerings to market.

Q5: What do you think are the main differences between the motivations of the acquisitions of Lucas film and Marvel?

Disney primarily relied on **acquisitions** as its growth strategy in order to gain access to valuable content, capitalize on strategic synergies, and strengthen its overall market position. One major difference between the acquisitions of Marvel and Lucasfilm lies in the specific resources and capabilities Disney targeted in each case.

Marvel was mainly acquired for its **content**. The strategic value of this acquisition lay in Marvel's **portfolio** of characters, plots, and stories, which had strong existing appeal among comic book readers. These creative assets provided a robust foundation for the production of new movies and the development of further merchandising opportunities. Marvel's intellectual property represented a reservoir of underused potential that Disney could scale and integrate into its ecosystem.

Lucasfilm, while also acquired for its content, brought an additional layer of **technological capability** to the table. Through Lucasfilm, Disney gained access to Industrial Light & Magic (**ILM**), a leading technology in special effects. This technology was particularly relevant for animated movies, where Disney could experiment with lower-risk productions and expand its technical frontier. Furthermore, ILM opened a door to the videogame sector, offering a strategic option for future expansion.

In both acquisitions, Disney leveraged these assets within its broader system, amplifying their value through cross-channel commercialization. Characters and stories were monetized not just through films, but also via merchandising, theme parks, games, and other platforms. This approach multiplied their profitability and strengthened brand coherence.

For these acquisitions, Disney applies branding, marketing, and media resources across industries that are operationally linked, thus benefiting from economies of scope and scale. By doing so, it keeps costs under control and maintains high strategic coherence, extracting more value than competitors from both resources and capabilities. These moves provide Disney with flexibility and options for sustainable growth in a shifting media landscape.

PRESSURE TEST: Tesla

Q1: Assess the relevance of the 4 CAGE dimensions for US-based Tesla's operations in Italy

The relevance of the CAGE framework for Tesla's operations in Italy highlights a range of challenges and considerations across four dimensions: cultural, administrative, geographical, and economic.

CAGE Dimension	Relevance	Explanation
Cultural	Medium	Differences in language and preferences exist, but since electric vehicles are standardized products, cultural distance is not a major hurdle. However, Italian consumers may have different tastes regarding car size and functionalities.
Administrative	High	This is the most significant barrier. The bureaucratic systems and languages differ considerably between the US and Italy. Additionally, regulatory hurdles, such as the Italian competition authority's investigation into EV battery performance claims and the presence of tariffs, further complicate operations.
Geographical	Medium	Although there is no shared border between the US and Italy, the relevance of this distance is reduced by the presence of the Berlin plant, which facilitates distribution in Europe. This barrier may become even less significant if production is established in Italy.
Economic	Moderate	US consumers generally have higher disposable income compared to Italian consumers, which may affect demand and pricing strategies in the Italian market.

In sum, Tesla's expansion into the Italian market is most heavily impacted by administrative and regulatory factors, with cultural, geographic, and economic distances playing secondary but still meaningful roles. The firm must carefully navigate local institutional complexities while leveraging its standardized product offering and regional manufacturing footprint to address the remaining challenges.

Q2: Conduct an industry analysis of the European electric vehicle industry. Which forces are most relevant at the time the article was written and why?

Industry Competitors – High

The European EV industry is experiencing intense rivalry, primarily due to the growing presence of Chinese manufacturers entering the market. This heightened competition increases pressure on prices and forces firms to innovate rapidly in both product and technology. With a slowdown in sales growth and a proliferation of brands, companies must continuously find new ways to stand out to avoid being displaced. Explicit efforts by competitors to attract Tesla's dissatisfied customer base further intensify the rivalry.

Buyer Power – High

Consumers hold significant power in this market. With a wide range of EV options available, buyers can easily switch brands if dissatisfied, pushing firms to compete not only on price but also on features such as design, performance, software quality, and overall brand experience. The need for continuous over-the-air updates and innovation in user experience gives consumers a strong negotiating position, especially when brand loyalty is low.

Supplier Power – Moderate to High

Suppliers, especially those of batteries and semiconductor chips, have considerable influence due to the EV industry's heavy reliance on their components. These inputs are technologically sophisticated and not easily substitutable, granting suppliers leverage. Any disruption in supply chains or price increases directly impacts production costs and timelines, constraining manufacturers' flexibility.

Threat of Entry – Low to Moderate

Entering the European EV market poses major challenges. Substantial up-front capital investments are required for R&D, manufacturing plants, and compliance with strict environmental and safety regulations. While the market is attractive due to its growth potential, these structural and regulatory barriers protect incumbent players and deter many new entrants, especially smaller firms lacking scale.

Threat of Substitutes – Moderate

Although EVs are increasingly popular, substitutes remain viable. Traditional combustion engine vehicles still represent a large share of the market and continue to improve in efficiency. In addition, public transportation, car-sharing services, and even micromobility solutions like e-scooters or bikes serve as alternatives, particularly in urban areas where car ownership is less essential.

Overall Industry Assessment

Profitability: Moderate to High

While growth and innovation drive profitability, high rivalry and buyer power put downward pressure on margins. Success depends on scale, cost control, and constant technological advancement.

Attractiveness to New Entrants: Low

High capital requirements, regulatory hurdles, and intense competition make it difficult for newcomers to gain a foothold in the European EV market.

Q3: Name two aspects of Tesla's proposed manufacturing unit in Italy that could add to the company's competitive advantage and explain how?

Tesla's plan to establish a manufacturing unit in Italy could significantly contribute to its competitive advantage through both cost efficiency and increased local market alignment. One key benefit would be the **reduction of cost** by **avoiding tariffs**, paired with a **speed advantage** resulting from proximity to European markets. Additionally, the local presence could **increase willingness to pay** by strengthening **brand perception** and fostering **acceptance by local stakeholders**, which is especially important in Europe where community and regulatory trust play a major role. Moreover, the Italian location would allow for the **shortening of lead time**, achieved through **close collaboration with Idra Group** and enhanced by **economies of scale and learning**. This combination of logistical efficiency, relational trust, and operational scaling positions the unit as a strategic asset in reinforcing Tesla's market position in Europe.

Q4: To what extent can Tesla defend its competitive advantage in Europe and how? Please consider both defense strategies the company could use.

To defend its competitive advantage in Europe, Tesla should implement both **protection** and **adaptation** strategies. On the protection side, the company can leverage its **patents**, as these will be **protected within the European legal system**. This makes **expansion via manufacturing** not only legally viable but also strategically attractive, allowing Tesla to secure its innovations while scaling operations. On the adaptation front, Tesla must address the specific expectations of European consumers by **offering products they want**, which means localising features and aligning offerings with regional preferences. At the same time, it is essential to **work with regulators** to ensure compliance with European standards and actively maintain **product line updates**. These

adaptive efforts are necessary not only to meet local demands but also to remain competitive in a dynamic market where regulation and consumer expectations evolve quickly.

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