



**Girish Kumara**

# CASE 1: The food retailing industry in France

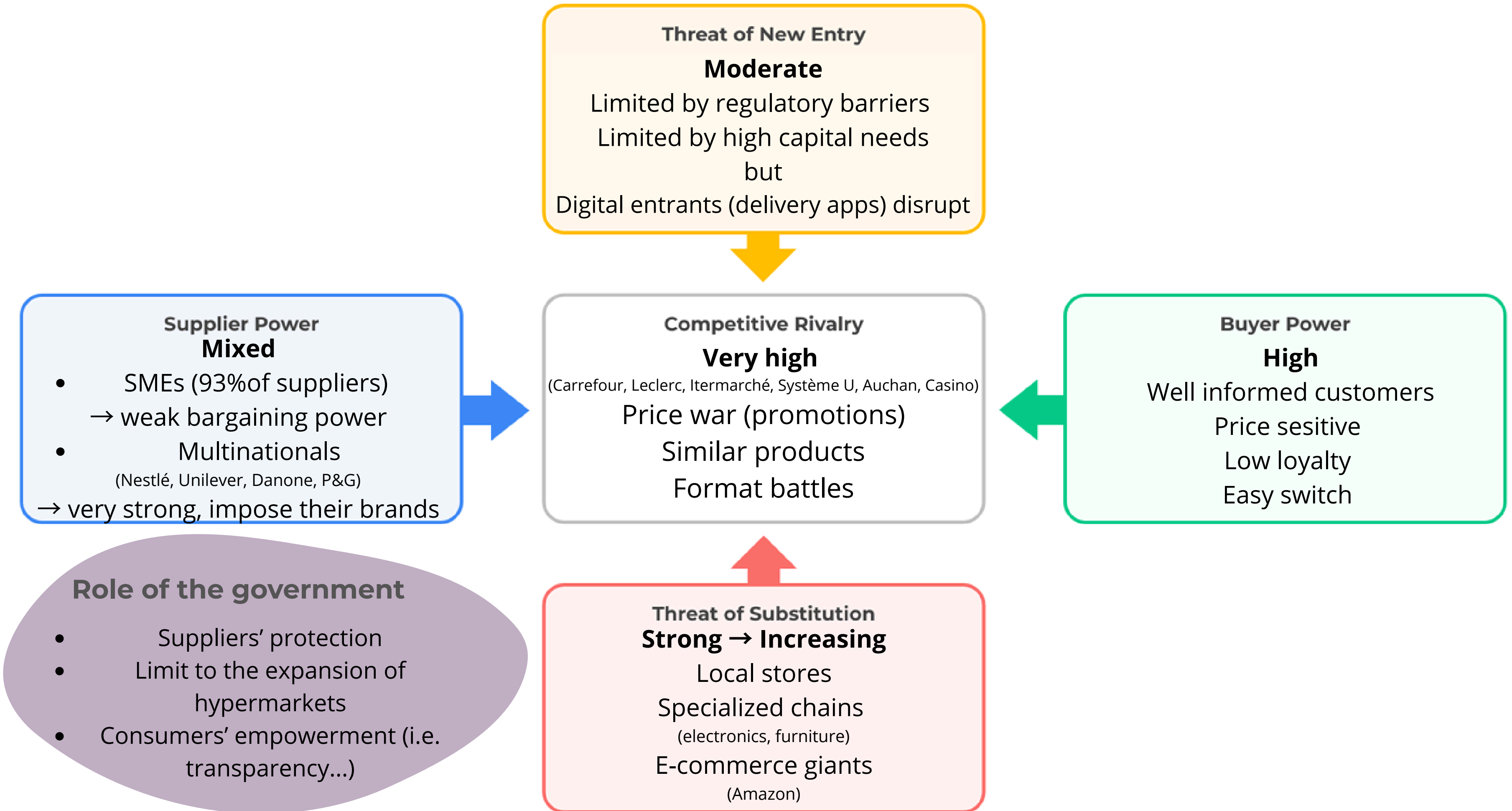
1. Identify the environmental factors that affect the sector's development.
2. Analyze the main competitive forces in the industry.
3. Identify and characterize the main strategic positions or strategic groups.



# 1. Identify the environmental factors that affect the sector's development.

ENVIRONMENTAL FACTORS	DRIVING FACTORS	NATURE	SIGNIFICANCE	EVOLUTION	POTENTIAL STRATEGIC CONSEQUENCES
<b>ECONOMIC</b>	Inflation, Strong suppliers' bargaining power, high customers's purchasing power, volatile purchasing behavior	Threat and Opportunity	Strong	Growth	Supply Chain Optimization and cost reduction
<b>TECHNOLOGICAL</b>	Online shopping, Express delivery (i.e. Uber Eats, Deliveroo...), "Quick commerce"	Opportunity	Strong	Growth	Crucial to anticipate competitors by investing in technology
<b>POLITICAL</b>	Regulations - Galland law, the Raffarin law, the Royer law, limit to the expansion of hypermarkets; the "food law"	Threat and Opportunity	Strong	Growth	Need for compliance teams and legal expertise
<b>LEGAL</b>	Prohibition of discounts below 34% and limits the quantity of discounted goods to 25%	Threat	Strong	Growth	Focus on differentiation strategy rather than aggressive pricing
<b>SOCIOCULTURAL</b>	Changes in the consumption habits - rejection of hyper consumption; authenticity and quality products; bio products and proximity stores; save time; move spending from groceries to spare time activities and health	Opportunity	Strong	Growth	Important to identify customers' needs and offer local and organic products and a speed delivery options.
<b>ENVIRONMENTAL</b>	Reasoned and sustainable consumption, Bio products	Opportunity	Moderate	Growth	Make sustainability a central pillar

## 2. Analyze the main competitive forces in the industry.



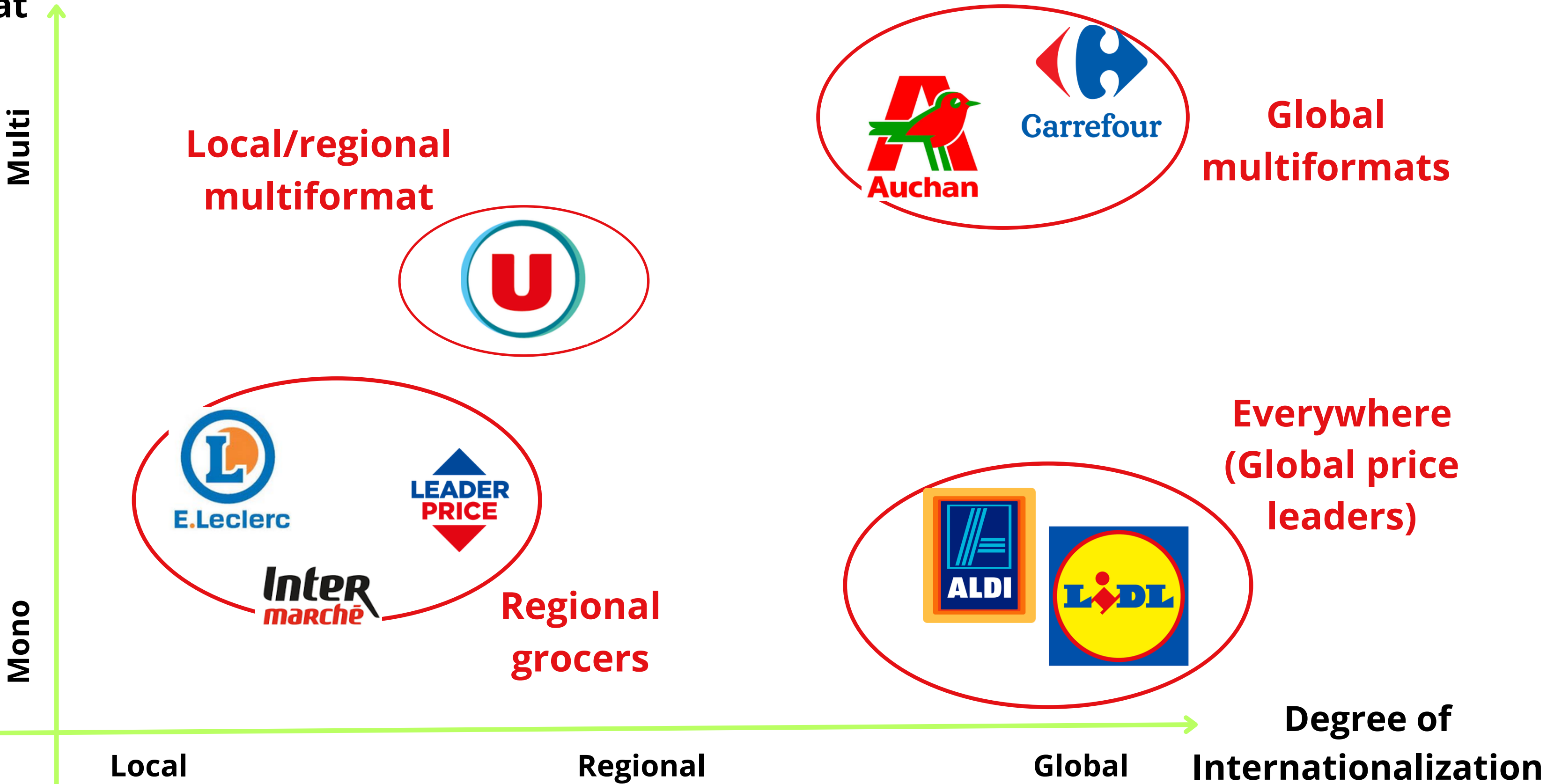
### 3. Identify and characterize the main strategic positions or strategic groups

Value Proposition



# 3. Identify and characterize the main strategic positions or strategic groups

Multi format



# CASE 2: Hermès: a craftsman facing the giants of luxury

1. Identify Hermès' **value chain**, main resources and capabilities
2. Apply **VRIN** to Hermès. What are the bases of their competitive advantage?
3. Is their 20% growth compatible with the claimed sustainable model? What actions are highlighted in their 2023 Annual Results document?



- 1. Describe the value chain of Hermès and determine its main resources and competencies.**
- 2. Based on question 1, use a VRIN analysis to evaluate Hermès. What are the sources of its competitive advantage?**
- 3. Hermès' financial results are remarkable, with a 20% increase in operating income. Is this growth compatible with the claimed sustainable model? Hermès claims to have a sustainable and responsible model (see the 2023 Annual Results document, p. 3). What actions are highlighted?**

**1. Describe the value chain of Hermès and determine its main resources and competencies.**

# STEP 1: Characterize and represent the different activities and stages in the company's value chain

## PRIMARY FUNCTIONS

### Inbound and Internal Logistics

- Acquisition of livestock farms
- Selection of reliable and top-quality suppliers
- Long-term relationship with suppliers

### Production

- High-quality, hand-crafted manufacturing
- Prioritizing extensive in-house production facilities, primarily in France
- Maintaining quality control and ensuring consistent manufacturing standards
- Control of 100% of tanning
- Expansion and reinforcement of production capacity in leather goods, textiles, and watchmaking

### Sales, Marketing & Distribution

- Promoting and leveraging the 'Made in France' luxury image
- Directing the marketing strategy toward exclusive distribution, product uniqueness, and craftsmanship
- Using a branch-based sales model and providing training to sales staff
- Investing in strategically located retail stores worldwide
- Development of sales network
- Shops: elegance and family atmosphere
- Leveraging top photographers, designers, artistic partnerships, and prestigious events to promote the brand and engage customers

### Additional services

- Offering product customization services
- Offering workshops for special orders

## SUPPORT FUNCTIONS

### Infrastructure and system

- Maintain strong brand governance and management control to ensure consistent strategic direction and long-term positioning
- Centralized logistics and distribution management: inventories and quality control hub in Paris
- Implementation of sustainable development initiatives to control production conditions

### HR Management

- Investing in comprehensive recruitment and training programs, including internal schools and trainers
- Maintaining and developing a skilled workforce across locations, particularly in France
- Leveraging long-standing craftsmanship expertise to train and retain highly skilled artisans

### R&D

- Revisitation and modernization of cult and mythical products
- Continuous development of new products
- Acquisition of new modern sites and facilities

### Financial Management

- Implementing premium pricing strategies to protect margins against fluctuations in raw material costs and currency rate

## STEP 2: Analyze in detail the contribution of each activity and their interactions to value creation: main resources and capabilities

### Inbound Logistics

- Ownership of livestock farms and dyeing centers
- Long-term supplier relationships

*Perfect control and competitive advantage through quality*

### Production

- In-house production
- Internal and competent craftsmen
- 52 production sites

*Creation of a product excellence and long-term positioning*

### Sales, Marketing & Distribution

- Cured communication campaigns
- Centralized distribution
- International presence
- Exclusive distribution channels

*Strong brand image and customer loyalty*

### Additional services

- Competent craftsmen
- Workshops
- Product personalization

*Enhancement of product value, prestige and reliability*

### Infrastructure and system

- Governance structure: centralized logistics and distribution management

*Coordination among activities and strong brand identity*

### HR Management

- Internal training and recruiting structure i.e. "Cité des métiers"

*Constant skills development and acquisition of new talents*

### R&D

- Continuous investments in renovation of existing products and creation of new ones

*"Heritage" preservation without neglecting new market needs*

### Financial Management

- High pricing strategy to absorb increasing commodity prices

*Stable profitability and operating margins*

## STEP 3: Consider resource allocation and investment choices that will optimize the most significant areas of value creation (functions and/or inter-functional links and/or inter-organizational links)

+

Allocate additional resources to **artisan recruiting processes and training programs** to reduce struggles to meet demand while maintaining high-quality and expertise standards

P

Invest in the **acquisition** of new production sites and modernization of existing ones to expand capacity and reduce the risk of stock shortages

R

Support the **Sustainable Development Department** in complying with environmental and sustainability standards and regulation

O

R

Invest in the **R&D** division with a focus on developing IT systems to strengthen logistics, coordination among different sites and efficiency of the value chain

I

T

Allocate resources to the **Sales and Marketing** departments with the aim of creating tailored campaigns for international markets while preserving the firm's core values

Y

-

Maintain the creation of long-term **partnerships** to ensure quality and trust in order to face raw material scarcity

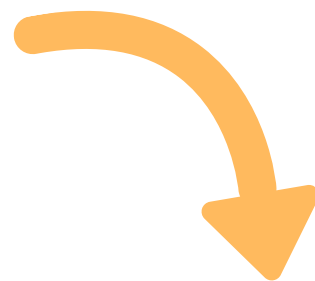
## 2. Apply VRIN to Hermès. What are the bases of their competitive advantage?

	Valuable	Rare	Inimitable	Non-Substitutable	Impact on Competitive advantage		
High pricing strategy	Yes	No			Sustained profitability and strong positioning	2	Competitive strength
International presence	Yes	No			Global demand and visibility	2	Competitive strength
Centralized logistics and distribution	Yes	Yes	No		Enhance exclusivity, consistency and control	3	Temporary competitive advantage
Cured marketing campaigns	Yes	Yes	No		Reinforce brand image and identity	3	Temporary competitive advantage
Workshops & product personalization	Yes	Yes	Yes	Yes	Unique customer experience and exclusive service	4	Sustainable competitive advantage
Internal HR training	Yes	Yes	Yes	Yes	Strong and continuous know-how	4	Sustainable competitive advantage
In-house production and craftsmen know-how	Yes	Yes	Yes	Yes	Ensure high-quality and preservation of heritage	4	Sustainable competitive advantage

### 3.1. Is their 20% growth compatible with the claimed sustainable model?

**YES!**

**Why?**



Because it is based on craftsmanship, quality, and long-term strategy rather than mass production.

***“Pursuing value, not volume”***

***“Quality over quantity”***

## 3.2. What actions are highlighted in their 2023 Annual Results document?

Key actions include:

### **Job creation:**

Over the past three years, Hermès has created more than 5,400 jobs, including 3,300 in France.

### **Sharing the fruits:**

a bonus of €4,000 to all its employees worldwide and a new plan for the allocation of free shares to all the employees.

### **Employee Development:**

education and knowledge transmission through the École Hermès des savoir-faire, which has extended its diploma courses in France.

### **Commitment to combat climate change:**

Reduction of its emissions in absolute terms and +80% of the leather goods division's suppliers with a LWG certified

### **Biodiversity Protection:**

the group is 1 of 120 companies that has initiated the Science Based Targets for Nature (SBTN) process to set scientific targets for nature, in particular in biodiversity, fresh water, forests and soils.

### **Sustainable Infrastructure:**

implemented its particularly demanding responsible real estate standard that integrates sustainability issues across the life cycle of real estate projects



# Mini-Case: Clothing Sector



- 1. Identify the competitive strategies implemented by the main players in the clothing industry. What resources are these strategies based on?**
- 2. Analyze the causes of H&M's difficulties**
- 3. Analyze H&M's pro-environment policy. Is it sufficient at this stage to improve its differentiation strategy?**

# 1. Identify the competitive strategies implemented by the main players in the clothing industry. What resources are these strategies based on?

PRIMARK®

## Cost Leadership

- No advertisement
- Discounted rents
- Direct importation from factories in countries with cheap labor.
- Efficient logistics
- Very low prices

### Resources base:

Low-cost supply chain, supplier relationships, logistics efficiency, strong brand reputation for “value for money.”

ZARA

## Speed + integration differentiation

- Very short product life cycles (sometimes 3 weeks, including production)
- Segmentation.  
*Zara (general), Massimo Dutti (higher end), Bershka (teenagers)*
- Upscale position which allows their → *Price incrementation >20% in 3 years*
- Efficient logistics

### Resources base:

Strong logistics infrastructure, in-house design and production network (Spain, Portugal, Turkey), data-driven trend analysis, strong brand image.

H&M

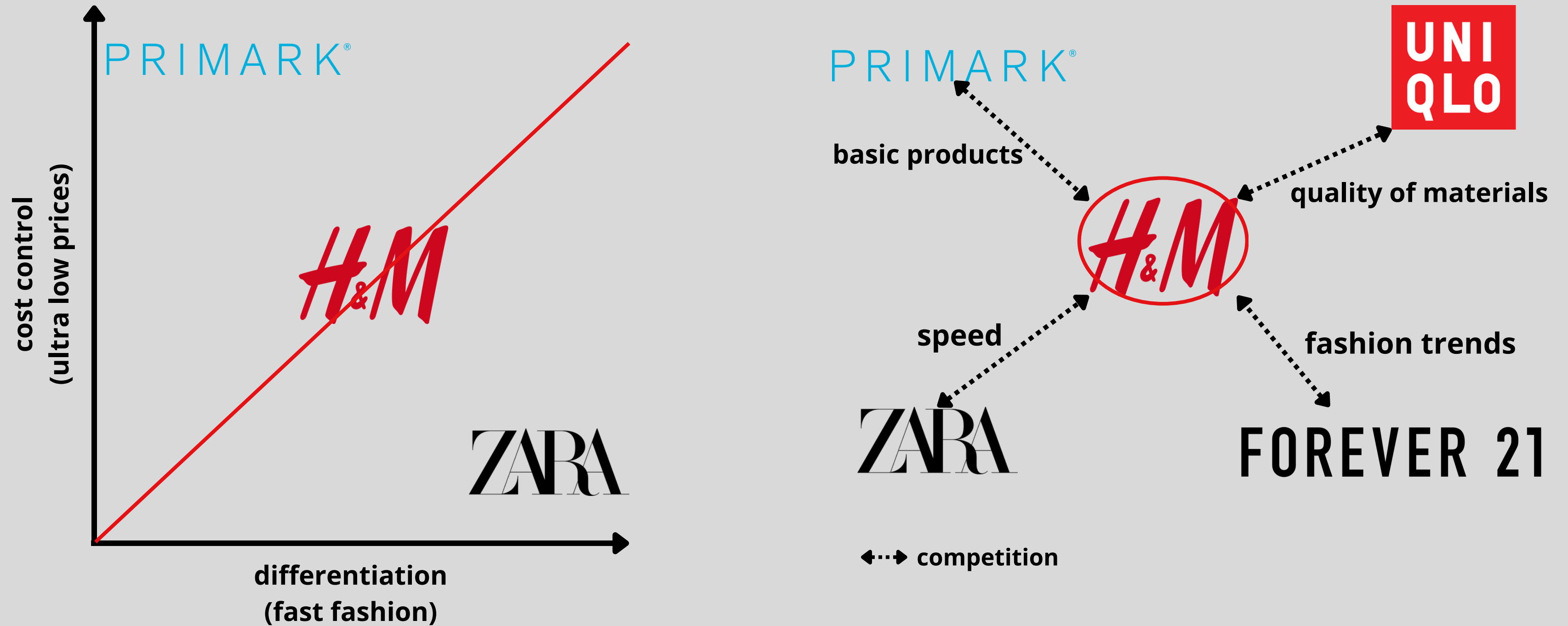
## Volume strategy + Brand differentiation (under pressure)

- Mini collections in collaboration with stars + designers
- No factories of its own → Relies on third-party suppliers (80% produced in Asia)
- Open physical stores rather than e-commerce activities

### Resources base:

Supplier network, strong brand recognition, global retail presence, growing IT and sustainability capabilities.

## 2. Analyze the causes of H&M's difficulties



**"STUCK IN THE MIDDLE"**

## 2. Analyze the causes of H&M's difficulties

- Increasing competitive pressure
- Collaborating with stars and designers for mini collections → costs about 4% of sales
- Third-party asian suppliers → wages rise in Asia and cheaper materials → dependence and vulnerable to delivery delays and quality problems + slower to react
- Neglected e-commerce activities → major investment plan to catch up → increase operating costs
- Development of emerging markets → declining profitability

# 3 Analysis of H&M's pro-environment policy

## long-term goals:

- 100% recycled or sustainably sourced materials by 2030.
- Entirely climate-positive value chain by 2040.

very ambitious goals , since nowadays the best company in this sector only uses 35% of recycled/sustainable sources

## Main Challenges:

- Exposed in scandals
- Perception gap → risk of being seen as greenwashing.
- Business model contradiction:

though the great intent, it is difficult to implement (cost/efficiency difficulties) and must be supported by good communication

## long-term goals:

- 100% recycled or sustainably sourced materials by 2030.
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very ambitious goals , since nowadays the best company in this sector only uses 35% of recycled/sustainable sources

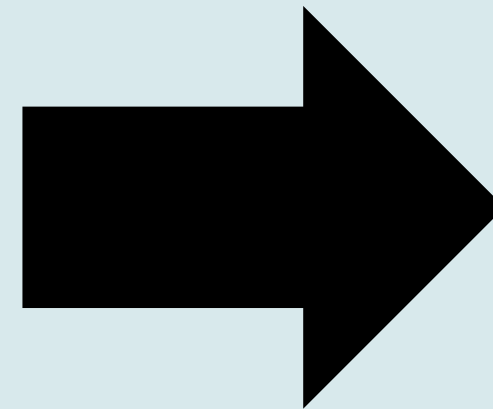
### **3. Analyze H&M's pro-environment policy. Is it sufficient at this stage to improve its differentiation strategy?**

#### **pros**

- **conceptually, a very ambitious and good strategy**

#### **cons**

- **A lot of difficulties for a good implementation**
- **Going green is a direction that many companies are taking**



#### **CONCLUSION:**

**A GOOD PLAN, BUT NOT ENOUGH FOR DIFFERENTIATE SUBSTANTIALLY**

 **RYANAIR**



**Wizz**

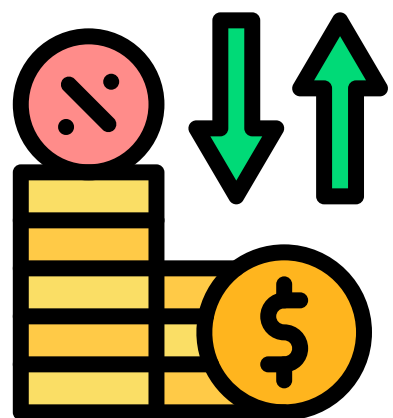
**PEGASUS**  
AIRLINES

**Southwest** 

**easyJet**

**Mini-Case:  
Low-Cost  
Aviation**

**4. Is the low-cost aviation model sustainable? What Key Performance Indicators (KPIs) could these companies use to reduce their environmental impact?**



## Is the low-cost aviation model sustainable?

# COST LEADERSHIP STRATEGY

### ADVANTAGES

- **Simplified** and standardized products
- High **variable** costs → less affected by disruptive events
- **Growing** market: attraction of price-sensitive customers but also of new ones
- **Ancillary services** (30%-40% of tot revenue): customers “pay for what they use” which allows to target low-income customer segments

### CHALLENGES

- **Pressure** on ticket prices due to environmental taxes
- **Increasing costs** caused by the continuous raise and instability of the price of oil
- **Customer segmentation:** Business travellers recovery is slow
- **Low-margin** industry: limited capacity to absorb taxes increases

### STRATEGIC COMMENTS

- **SHORT TERM** competitive advantage → **SUSTAINABLE** → due to cost advantage and leisure-driven customer segment
  - **LONG TERM** competitive advantage → **WEAK** → threat of regulatory and environmental measures
- SUGGESTIONS: **Adaption** of the business model (to target higher-margin customers), **investment** in **sustainable projects** to comply with evolving regulations and cost shocks (i.e. oil)

## 4. What Key Performance Indicators (KPIs) could these companies use to reduce their environmental impact?

ESG KPIs should be **few** but **highly meaningful**, focusing on the areas where low-cost airlines can most effectively reduce their environmental impact.

*(Note. as this is a general discussion, no specific deadlines or targets are attached)*

### CLIMATE IMPACT

- % reduction in **fuel consumption** per passenger-kilometre
- % reduction in **absolute CO<sub>2</sub> emissions** (Mt)
- % of **Sustainable Aviation Fuel (SAF)** in total fuel mix
- % increase in **SAF supply agreements**

### RESOURCE USAGE

- % overall **waste reduction** per passenger
- % elimination of **non-recyclable plastics** from operations

### INNOVATION

- % of revenue invested in strategic **R&D partnerships** for green aviation
- % of passengers choosing **green flight options**

# SPACEX



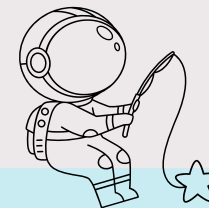
- 1 . Characterize the SpaceX Group's diversification strategy over the course of its history by examining the following dimensions: type of diversification, objectives, benefits sought and risks.**
- 2 . Characterize the SpaceX group's integration strategy over the course of its history by examining the following dimensions: type of integration, objectives, benefits sought and risks.**
- 3 . Discuss more specifically the success or failure of the various attempts at diversification and integration made by SpaceX over the course of its development to achieve its objectives.**

# 1. Characterize the SpaceX Group's diversification strategy over the course of its history by examining the following dimensions: type of diversification, objectives, benefits sought and risks.

## RELATED DIVERSIFICATION

SpaceX has mostly pursued *related diversification*, expanding into areas closely linked to its core space engineering technologies and operational strengths

- **Rockets & Launch Vehicles:** Falcon 9, Falcon Heavy, Starship
- **Crew & Cargo Spacecrafts:** Crew Dragon, Cargo Dragon
- **Satellite & Telecommunication:** Starlink



**DIVERSIFICATION OF INVESTMENT:**  
*strong market position + high sector attractiveness*  
=  
exploiting growth opportunities and reinforcing leadership in both launch services and related space tech markets

### BENEFITS

- Synergies between SBUs and efficiency
- Stronger competitive position
- Revenue differentiation
- Cross-section learning

### RISKS

- High investments required
- Operational complexity
- Regulatory hurdles

## 2. Characterize the SpaceX group's integration strategy over the course of its history by examining the following dimensions: type of integration, objectives, benefits sought and risks.

### TYPE of INTEGRATION

#### Vertical integration

- **Backward:** SpaceX designs and manufactures around 70% of its rocket components in-house; Acquisitions like Swarm Technologies (2021) extend integration upstream into satellite communications technology
- **Forward:** SpaceX has created its own distribution channel and customer network\* through Starlink

### OBJECTIVES

1. **Cost reduction and efficiency:**
  - a. Reducing launch costs (from ~\$20,000/kg → ~\$3,000/kg → goal of ~\$1,000/kg)
2. **Technological control and innovation**
3. **Securing supply and quality**
4. **Strategic autonomy and differentiation**
  - a. Developing a fully internal value chain (from rocket to Internet service) as a competitive moat

### BENEFITS

- Internal synergies between SBUs
- Fast innovation process and implementation
- Strategic independence → barrier to enter
- Control over costs → high long-term profit margins

### RISKS

- High investments required
- Limited flexibility due to centralized production
- Isolation from the market
- Uncertainty about the economic viability of SpaceX's business model
- Political and regulatory pressure

### 3. Discuss more specifically the success or failure of the various attempts at diversification and integration made by SpaceX over the course of its development to achieve its objectives.

#### DIVERSIFICATION STRATEGY

- **Starlink:** Expansion from space launches → global broadband network.  
→ Objective: secure independent revenues to fund Mars projects.  
→ Result: large user base & strategic autonomy, but high costs and uncertain profitability.
- **Crew + Cargo Dragon:** Manned & cargo missions for NASA.  
→ Result: big success – strengthened partnerships + reputation.
- **Swarm Technologies acquisition (2021):** Entry into IoT satellite communications.  
→ Result: early stage but strategically coherent with Starlink.

#### INTEGRATION STRATEGY

- **Vertical integration:**  
→ 70% of components produced internally (engines, software, rockets).  
→ Lower costs, faster innovation, better control.  
→ Enabled reusable rockets (Falcon 9, Falcon Heavy).
- **Horizontal integration:**  
→ Control of R&D, manufacturing, launch operations + Internet services.  
→ Ensures flexibility, independence, and learning across the value chain.

- **Integration** = key source of efficiency + innovation.
- **Diversification** = expands revenue streams + strategic autonomy, though costly.

Together, they move SpaceX closer to its long-term goal: making space accessible and sustainable.

ENVIRONMENTAL FACTORS	DRIVING FACTORS	NATURE	SIGNIFICANCE	EVOLUTION	POTENTIAL STRATEGIC CONSEQUENCES
<b>POLITICAL</b>	Strong governmental control over drug approvals and pricing; stricter health regulations after COVID-19; international coordination (FDA, EMA, Swissmedic).	Threat and Opportunity	Strong	Growth	Need for reinforced regulatory affairs and faster market-access capabilities.
<b>ECONOMIC</b>	Inflation and supply-chain disruptions increase production costs; global healthcare spending growth; high R&D investment requirements (~\$10B annually).	Threat and Opportunity	Strong	Growth	Focus on cost efficiency and strategic resource allocation post-Sandoz spin-off.
<b>SOCIOCULTURAL</b>	Ageing global population; rising awareness of healthcare access and ethical standards; demand for personalized and preventive medicine.	Opportunity	Strong	Growth	Expand in chronic and non-communicable diseases; strengthen patient-centric programs.
<b>TECHNOLOGICAL</b>	Artificial Intelligence, Machine Learning and Data Analytics in R&D; automation in production and logistics; expansion of gene & cell therapies.	Opportunity	Strong	Growth	Boost investment in innovative platforms (radioligand, xRNA, AI-based discovery).
<b>ENVIRONMENTAL</b>	Global climate policies and sustainability expectations; ESG reporting standards; pressure to reduce pharmaceutical waste and emissions (4.4% of global GHG).	Threat and Opportunity	Moderate	Growth	Integrate sustainability goals into manufacturing and reporting to maintain low-risk ESG rating.
<b>LEGAL</b>	Patent expirations (patent cliff); increasing price-control regulations; compliance and ethical AI frameworks; data protection (GDPR); ESG disclosure laws (EU Taxonomy, CSRD).	Threat	Strong	Growth	Strengthen legal defense of patents and compliance systems; ensure transparency in pricing and data ethics.

<p><b>THREAT OF NEW ENTRY</b> <i>Low</i></p>	<ul style="list-style-type: none"> <li>• Very high R&amp;D and regulatory barriers.</li> <li>• Enormous capital investment required for clinical trials and approvals.</li> <li>• Strict patent protection limits imitation.</li> </ul> <p>→ However, emerging biotech startups and digital health firms can disrupt niche segments.</p>
<p><b>COMPETITIVE RIVALRY</b> <i>Very high</i></p>	<ul style="list-style-type: none"> <li>• Global competition among <b>Roche, AstraZeneca, Pfizer, Sanofi, GSK</b>.</li> <li>• Constant innovation race in oncology, immunology, and neuroscience.</li> <li>• Short patent lifecycles increase pressure to replace expiring drugs.</li> </ul> <p>→ Focus on differentiation through advanced therapies (<i>radioligand, xRNA, cell &amp; gene</i>).</p>
<p><b>BUYER POWER</b> <i>High</i></p>	<ul style="list-style-type: none"> <li>• Buyers = governments, healthcare systems, and insurance companies.</li> <li>• Growing price transparency and reimbursement restrictions.</li> <li>• Strong negotiation power from public health authorities.</li> </ul> <p>→ Novartis must adopt <b>value-based pricing</b> and expand <b>access programs</b>.</p>
<p><b>SUPPLIER POWER</b> <i>Moderate</i></p>	<ul style="list-style-type: none"> <li>• Dependence on specialized biotech materials and API suppliers.</li> <li>• Few certified suppliers increase vulnerability.</li> <li>• Technological partners (AI, data analytics) gain strategic importance.</li> </ul> <p>→ Build <b>long-term partnerships</b> and diversify supply sources to reduce risk.</p>
<p><b>THREAT OF SUBSTITUTION</b> <i>Moderate → Increasing</i></p>	<ul style="list-style-type: none"> <li>• Growing competition from biosimilars and generics (previously under Sandoz).</li> <li>• New alternative therapies: gene &amp; cell treatments, digital therapeutics.</li> <li>• Patient preference for less invasive or preventive treatments.</li> </ul> <p>→ Strengthen R&amp;D on innovative patented medicines and next-generation therapies.</p>
<p><b>ROLE OF GOVERNMENT</b></p>	<ul style="list-style-type: none"> <li>• Tight regulation on drug approval and marketing.</li> <li>• Price control and patent law enforcement.</li> <li>• Promotion of patient access and transparency.</li> </ul> <p>→ Requires robust compliance teams and adaptive legal strategy.</p>



**NETFLIX**



1. Characterize and analyze Netflix's internationalization strategy (type and pace), particularly in Europe. Explain the reasons for these strategic choices.
2. What do you consider to be the main limitations of this strategy?

# 1. STRATEGY TYPE and PACE

## GLOBAL strategy (NOT MULTI-domestic)

### STRATEGIC FEATURES

- Globalized digital platform → worldwide reach
- Variety of genres and languages
- High level of accessibility (unlimited streaming, offline, many devices...)
- Personalized experience
- Subscription revenue model
- Data-driven strategy

### PACE

- 1997: established in California (USA)
- 2010: first step towards internationalization → Canada
- 2011-2014: European expansion
- 2016-2017 : + 130 new countries (primarily in Asia and Africa)
- 2021 : + 190 countries

## REASONS FOR STRATEGIC CHOICES

- **Slow growth** of the US market → need for expansion in international markets to:
  - Increase revenues
  - Economies of scale
- **Data collection** advantages → storing more information about customers increases exclusivity and personalized services
- **Differentiation** → through original contents and productions

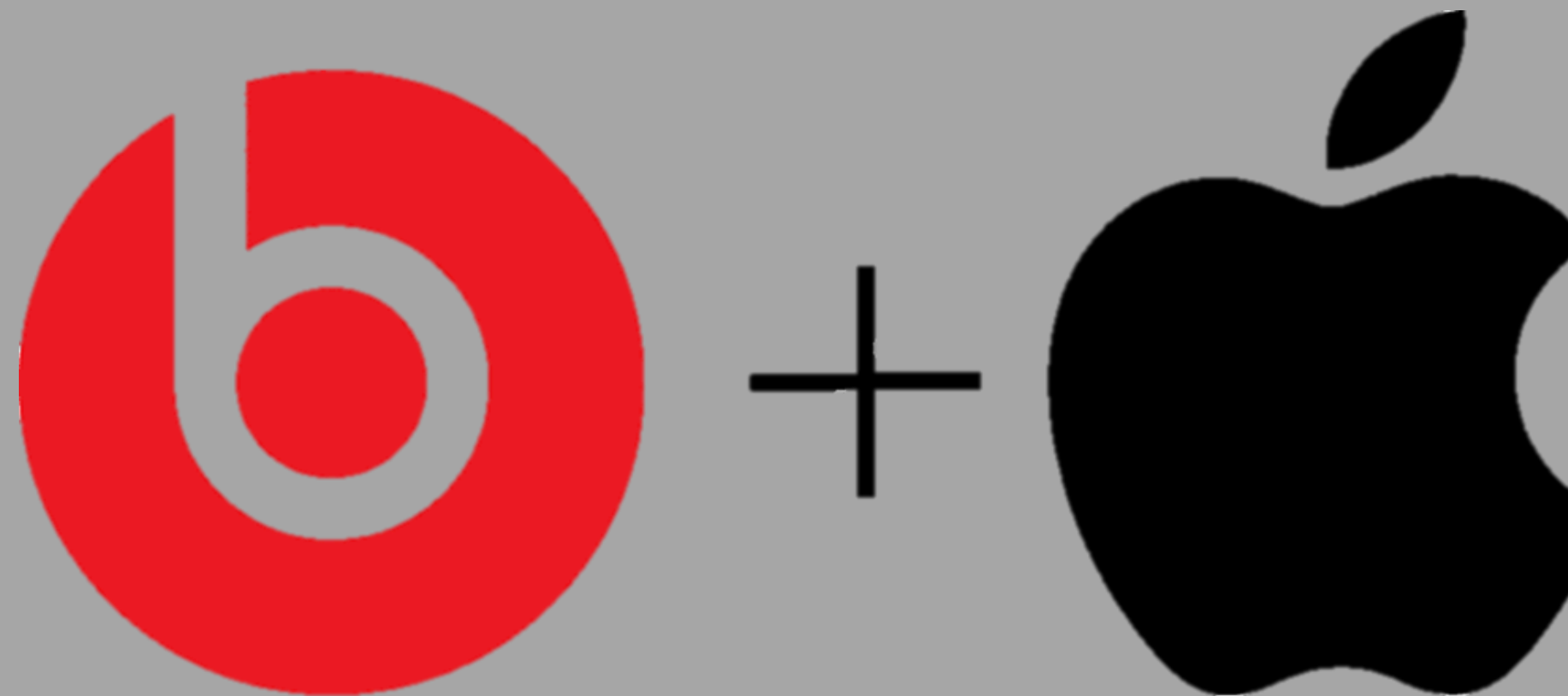
## 2. LIMITATIONS OF THE STRATEGY

- **Internationalization costs:** due to geographical differences (taxation, release windows...) → causes troubles in terms of PROFITABILITY
- Impossibility of acquiring **global streaming rights** → high fixed costs, many negotiations...
- **High Localization costs** → big and risky investments to produce local content
- **High cost of debt** → growth is mainly through debt → threat to operational margin
- Strong and increasing **competition** → Disney+, HBO, Amazon prime Video, Apple...



beats apple

- 1 . Analyze the main **resources** and **competencies** of Beats. Applying **VRIN analysis**, determine the **basis of its competitive advantage** in the music industry.
2. Analyze **Apple's acquisition of Beats**. Can you identify the **path/type** (session 7: horizontal, vertical, internationalisation) **and mode of growth** (session 8: internal, external, alliances) that this strategy represents? What are the **advantages** and **limitations** of this strategy?



# 1 . VRIN analysis



	Valuable	Rare	Inimitable	Non-Substitutable	Impact on Competitive advantage
Music streaming service	Yes	No			Increase accessibility to new markets
Celebrities ambassadors	Yes	Yes	Yes		Increase brand visibility and popularity
Partnerships	Yes	No			Enhance market reach and opportunities
Product coolness	Yes	Yes	No		Source of attraction for customers
Marketing	Yes	Yes	No	No	Enhance the perceived value and brand image
Founders' competences	Yes	Yes	Yes	Yes	Unique credibility and expertise
Manufacturing know-how	Yes	Yes	No	No	Product quality, innovation and uniqueness

- 2 Competitive strength
- 2 Competitive strength
- 2 Competitive strength
- 3 Temporary competitive advantage
- 4 Sustainable competitive advantage
- 4 Sustainable competitive advantage
- 4 Sustainable competitive advantage

## 2. Analyze Apple's acquisition of Beats

WHY DID THEY ACQUIRE?? investment objective  
(NOT survival)

### TYPE OF GROWTH: horizontal

- Apple acquired a firm operating in a closely **related** market (consumer electronics), especially in audio products that complement its existing ecosystem;
- Related diversification → acquisition added new but complementary products and competencies to Apple's existing value chain;
- Beats owned Beats Music, a streaming platform, giving Apple a direct entry into digital music services

### MODE OF GROWTH: external

- Apple did not develop its own headphone or streaming service internally → chose to buy an already successful and culturally powerful company
- Gave Apple access to Beats' marketing expertise, brand value, and music industry networks (Dr. Dre, Jimmy Iovine, Trent Reznor) → intangible resources that would be hard to replicate internally

### ADVANTAGES

- **Speed of entry** for Apple to compete with Spotify
- Brand and marketing power
- **RELATED diversification** = Complementarity = Synergies (tech+prod+ commercial)
- Talent and **expertise** acquisition → Beats is powerful!
- Strategic **fit** with industry trends → Beats has a similar strategy/image/culture compared to Apple
- **REFRESH Apple**

### LIMITATIONS

- High cost and uncertain return = difficult to estimate **acquisition P**
- Brand **integration challenges**
- Competitive disadvantage in streaming
- Dependence on fashion trends
- Limited technological synergy at first



# asmodee

Inspired by Players

The logo for Asmodee features the word "asmodee" in a bold, lowercase, sans-serif font. The text is centered on a white rectangular background. This white background is layered over several overlapping, semi-transparent colored rectangles in shades of blue, orange, yellow, and purple, creating a vibrant, multi-colored effect.

asmodee

1. Describe the major **stages** of Asmodee's **evolution** and define its **strategic mission**.
2. Analyze the **environment** in which Asmodee operates (the macroenvironment of the toy and game industry and the competitive structure of game publishing) to determine the **key variables (PESTEL), competitive forces (PORTER), success factors (KEY SUCCESS FACTORS (outcome of EXTERNAL analysis), and strategic groups (SEGMENTATION))**
3. What is Asmodee's **competitive advantage (VRIN + value chain)** based on?
4. Analyze and discuss Asmodee's **growth choices (types and modes)**.

# 1. Major Stages of Asmodee's Evolution and Strategic Mission

Founded in 1987 by enthusiasts of role-playing games in the Paris region. Early success was rooted in distributing role-playing games and acquiring popular games like Jungle Speed in 1998, moving gradually towards board games. The company secured the French license for Pokémon trading cards in 2003, entering mass-market retail with large volumes. From 2007, backed by Montefiore Investment, Asmodee prioritized international expansion through acquisitions and setting up subsidiaries abroad.

**Talk about strategic DEVELOPMENTS (vision stays the same over time)**

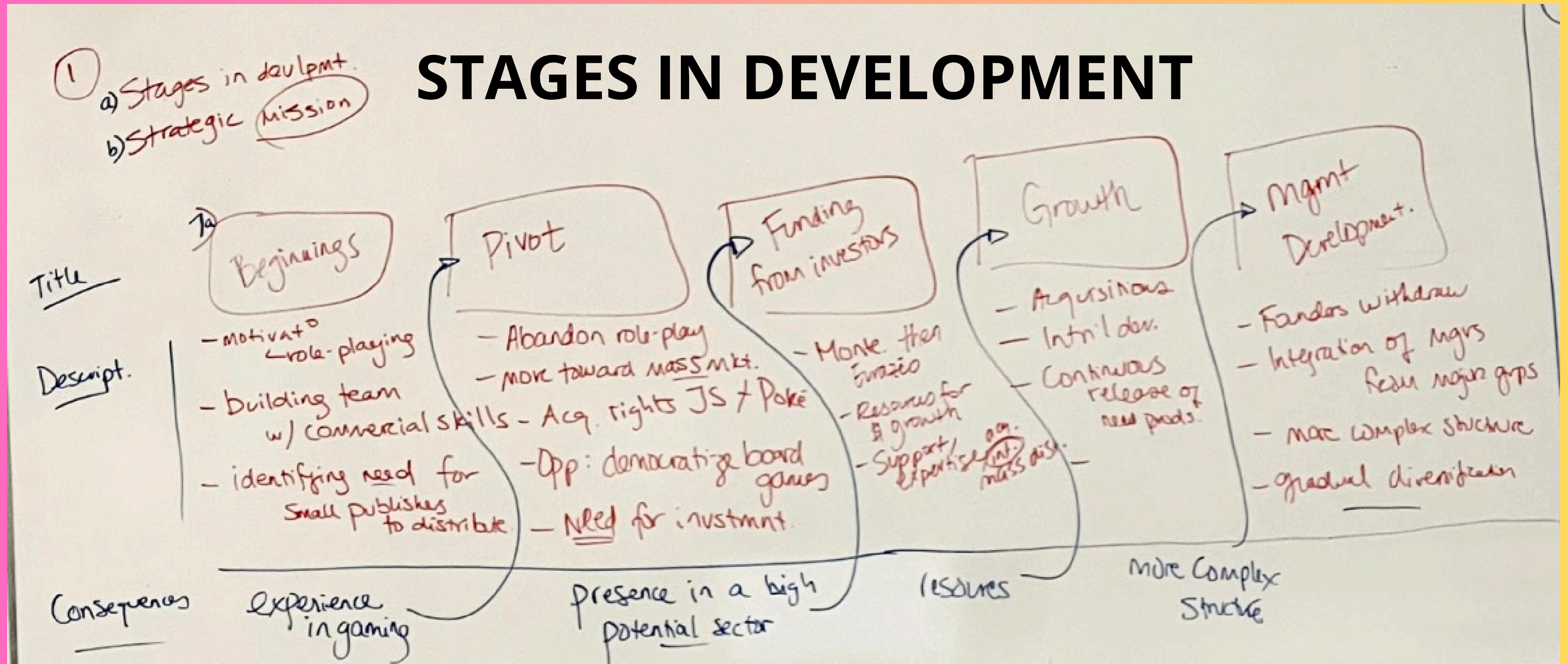
**STRATEGIC MISSION: position they want to hold, activities in the value chain, experience...**

Its strategic mission has been to **"become the world leader in games"** by innovating, creating original games, promoting social play experiences, and building a strong relationship with customers and the game community. Sharing, expertise, original ideas, and innovation are pillars of this mission. The company strives to offer new experiences that go beyond traditional gaming, uniting players physically in social contexts

In 2012, a major leap was the acquisition by Eurazeo, which enabled substantial financing of purchases such as Days of Wonder and Fantasy Flight Games around 2014-2015, making Asmodee a global leader.

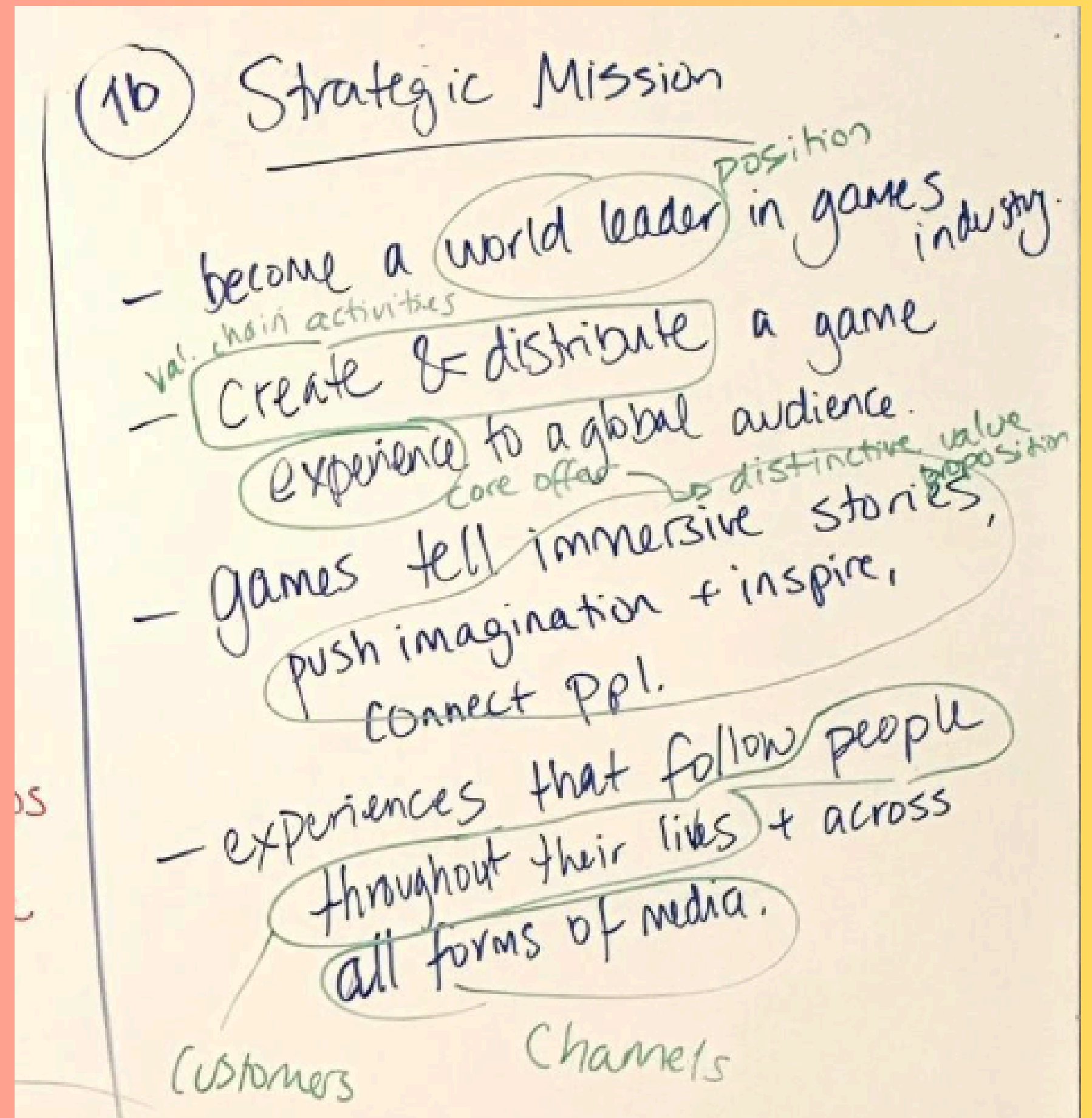
Over time, Asmodee transitioned from a small gaming circle to the world's second-largest player in the general board game market and the leader in specialist games

# 1. Major Stages of Asmodee's Evolution and Strategic Mission



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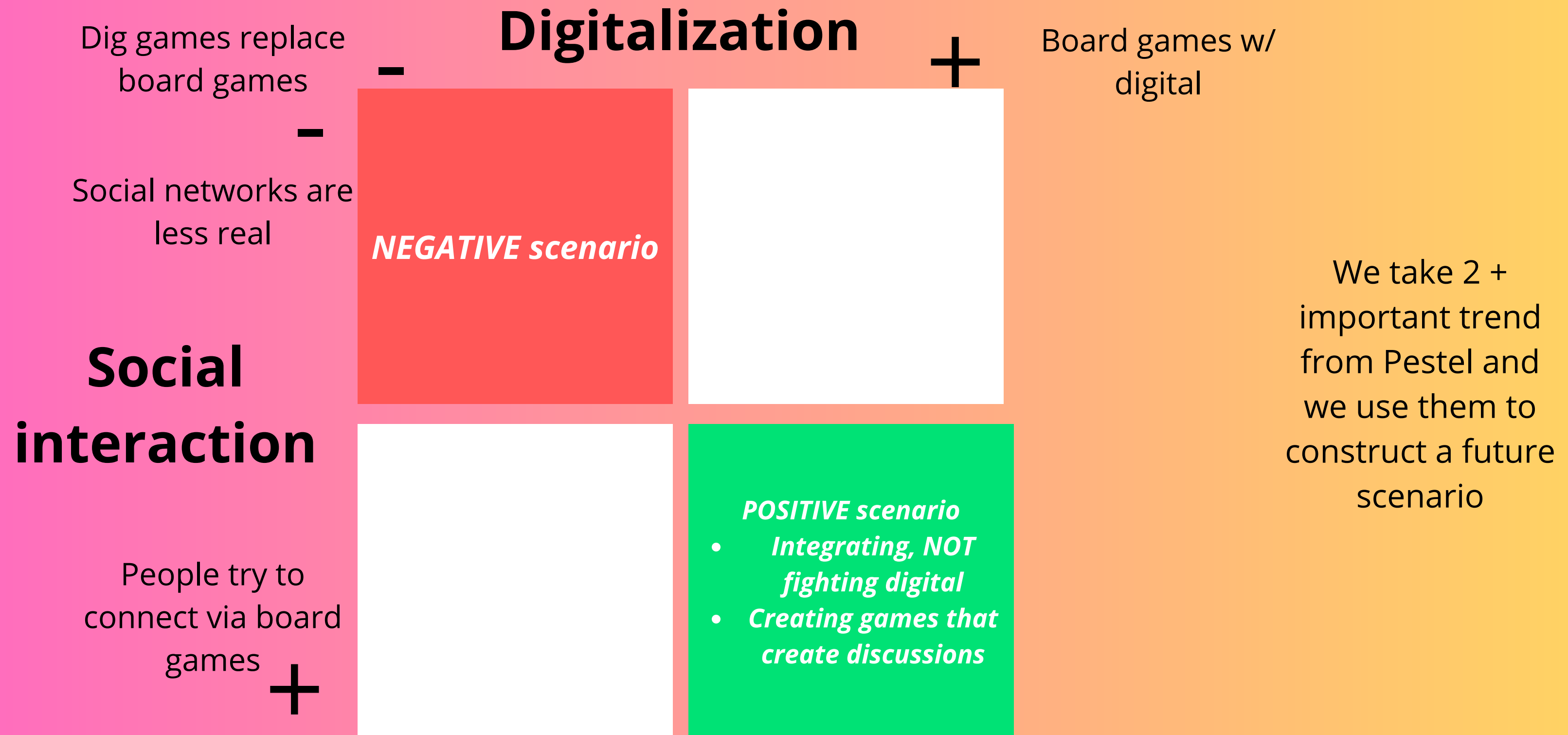
## STAGES IN MISSION



## 2a. Analyze the environment in which Asmodee operates: PESTEL

ENVIRONMENTAL FACTORS	DRIVING FACTORS	NATURE	SIGNIFICANCE	EVOLUTION	POTENTIAL STRATEGIC CONSEQUENCES
<b>ECONOMIC</b>	<p>Highly seasonal sales (58 % in Oct–Dec, 33 % in Dec).</p> <ul style="list-style-type: none"> <li>Household purchasing power declining → demand for low-cost family leisure.</li> <li>Growth of adult board game consumption.</li> </ul>	Threat and Opportunity	Strong	Growth	Develop affordable “party games” ( <i>Dobble</i> , <i>Jungle Speed</i> ); maintain low production costs and high margins through global scale.
<b>TECHNOLOGICAL</b>	<ul style="list-style-type: none"> <li>Rise of <b>digital board games</b> and mobile adaptations (<i>Les Aventuriers du Rail</i>, <i>Dobble</i> app).</li> <li>E-commerce, click &amp; collect, online communities (<i>TricTrac</i>, <i>BoardGameGeek</i>).</li> </ul>	Opportunity	Strong	Growth	Expand <b>Asmodee Digital</b> ; exploit data & online communities; hybridize physical + digital gaming.
<b>POLITICAL</b>	<ul style="list-style-type: none"> <li>Safety and import regulations (EU Directive 2009/48/EC).</li> <li>80 % of toy production in Asia → need compliance with EU standards.</li> </ul>	Threat	Strong	Growth	Maintain strong compliance and quality control to protect brand image.
<b>LEGAL</b>	<ul style="list-style-type: none"> <li>Strict intellectual-property protection (copyright on game artwork/brands, not rules).</li> <li>Copying risk due to limited patentability of mechanics.</li> </ul>	Threat	Strong	Growth	Invest in <b>IP ownership</b> through acquisitions ( <i>Days of Wonder</i> , <i>Catan Studio</i> , <i>Fantasy Flight Games</i> ).
<b>SOCIOCULTURAL</b>	<ul style="list-style-type: none"> <li>Growing rejection of purely digital leisure; search for <b>social and family interaction</b>.</li> <li>“Game bars” and “ludothèques” expanding.</li> <li>Rise of “modern board games” appealing to adults.</li> </ul>	Opportunity	Very strong	Growth	Reinforce marketing around <b>conviviality and sharing</b> ; target adult players (15–35 yrs).
<b>ENVIRONMENTAL</b>	<ul style="list-style-type: none"> <li>Consumers’ preference for durable, non-toxic materials and “Made in France/Europe” quality.</li> <li>Criticism of Asian mass production.</li> </ul>	Opportunity	Moderate	Growth	Emphasize eco-friendly sourcing and European production; communicate on sustainability.

# 2 PIVOTAL VARIABLES of PESTEL (useful for KSF):



## 2b. Analyze the environment in which Asmodee operates: PORTER'S 5 FORCES

**The analysis needs to focus on PUBLISHERS (not distributors)**

### THREAT OF NEW ENTRANTS

**Moderate**

- Low barriers to entry for independent creators using Kickstarter/self-publishing.
- However, brand reputation, IP ownership, and distribution networks are hard to build.
- Economies of scale (production & logistics) protect big players like Asmodee.  
→ Asmodee defends position through acquisitions and global presence.

### POWER OF BUYERS

**Average/High**

- Retailers (mass distributors, Amazon) demand high discounts & returns.
- Final consumers: well informed, low loyalty, influenced by reviews/forums.  
→ Asmodee reduces dependency via direct channels, own events, and community engagement.

### ROLE OF THE GOVERNMENT

- Toy safety standards (EU Directive 2009/48/EC).
  - IP and copyright law (to protect designs).
  - Environmental and ethical sourcing regulations.
- Compliance and sustainability strengthen brand credibility.

### SUPPLIER POWER

**Moderate → LOW**

- Manufacturing often outsourced to Asia → cost pressure, limited differentiation.
- But suppliers are numerous → low individual power.
- Dependence on quality materials (printing, cardboard, plastic).  
→ Asmodee mitigates risks via large volumes, multiple suppliers, and in-house design.

### COMPETITIVE RIVALRY

**Average → increasing**

- Many competitors: Hasbro, Mattel, Ravensburger, and small publishers.
- Fast innovation cycle (3,000+ new games/year).
- Price pressure and battle for shelf space and licenses.  
→ Asmodee competes through innovation, strong IPs (Catan, Ticket to Ride, Dobble) and digital presence.

### THREAT OF SUBSTITUTES

**Strong → Increasing**

- Digital & mobile gaming increasingly attractive.
- Also substitutes: movies, streaming, video games for leisure time.  
→ Asmodee answers with digital versions of its games and emphasis on social experience ("real connection").

## **KEY TAKE AWAYS PORTER**

- **attractive sector**
- **average threats**
- **it's increasing consolidation as a market (in terms of market share and customers)**

## 2c. Analyze the environment in which Asmodee operates:

### KEY SUCCESS FACTORS (KSFs)

relation with suppliers

Being part of the gaming ecosystem (i.e. events)

#### PRODUCT & INNOVATION

*Continuous Product Innovation & Creativity*

*Product Safety & Regulatory Compliance*

*Valuable IPs & Licences*



Ability to continuously innovate and renew, while upholding the highest safety and compliance standards, and maximizing the value of strong IPs and licenses to drive **recognition, trust,** and **sustained customer engagement**

#### BRAND & MARKET POSITIONING

*Strong Brand Reputation*

*Community Engagement & Seasonality Management*

*Trend Responsiveness*

*Marketing*



Ability to build and sustain brand trust and recognition through strong community engagement and strategic management of the seasonality of purchases and trends, to **stay relevant** and foster **lasting consumer loyalty**

#### EFFICIENCY

*Robust Supply Chain*

*Multi-Channel Distribution*

*Cost Efficiency*

*Operational independence*

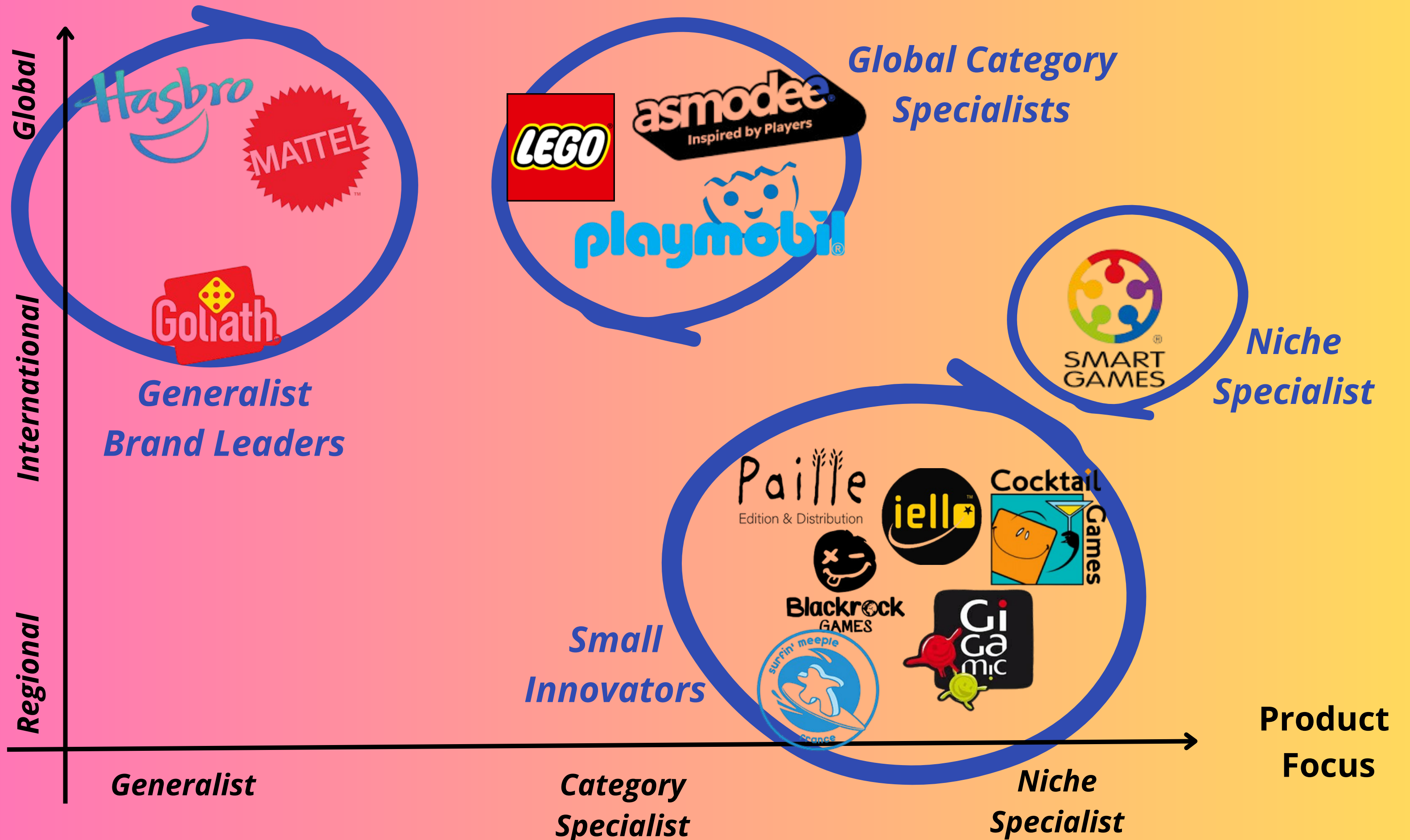


Ability to ensure efficient, and resilient operations through strong supplier partnerships, multi-channel distribution, and cost-effective production models to support **profitability** and **consistent market coverage**

## 2d. Analyze the environment in which Asmodee operates:

### MARKET SEGMENTATION

Geographic Scale



*Generalist  
Brand Leaders*

*Global Category  
Specialists*

*Niche  
Specialist*

*Small  
Innovators*

*Generalist*

*Category  
Specialist*

*Niche  
Specialist*

**Product  
Focus**

## **KEY TAKE AWAYS from SEGMENTATION:**

- **attractive sector but still small %**
- **issue of digital gains**
- **important to adapt to consumers' expectations**
- **exploiting intellectual property**
- **Financial resources needed**

### 3. Asmodee's Competitive Advantage

## VRIN + VALUE CHAIN!!!!

Asmodee's competitive advantage stems from its large and diverse portfolio of intellectual properties combined with an integrated publisher-distributor model.

The company frequently acquires smaller publishers to diversify its offerings and reach wider markets. It emphasizes innovation in game design, marketing to niche and mass markets, and leveraging digital tools to engage communities (e.g., Asmoclub app).

This integration secures better control over production, inventory, marketing, and sales channels.

Its role as both publisher and distributor enables greater influence over the supply chain and customer experience, allowing it to respond swiftly to market trends.

## 4. Growth Choices (Types and Modes)

**TYPES: horizontal, vertical, internationalization**

**MODES: internal, external (merger/acq), alliances**

**Organic Growth:** Launching new games and expanding existing titles with continuous innovation in game mechanics and shorter play times to attract younger audiences. Investment in digital platforms and community-building supports organic sales growth.

**Inorganic Growth:** Aggressive acquisition strategy since 2010, including Days of Wonder, Fantasy Flight Games, Asterion Press, and Pearl Games, fueling geographic expansion and market share.

**Geographic Expansion:** Growth focused on key markets including Europe, the USA, and Asia, supported by opening subsidiaries and localized marketing.

**Diversification:** Expanding into digital extensions of games, licensing, and gaming-related events and communities.

**Channel Strategy:** Differentiated marketing and pricing strategies between specialized retail, big-box stores, and online e-commerce allow effective product launches and wider distribution



**ZENITH**  
— Consulting —

*THANK YOU...*

*LET'S CONNECT*

