BSC · VALUE CHAIN MANAGEMENT (UAE)

Network Value Systems, Profit Pools & Activity-Based Competitive Advantage

Where value networks form, where the profit really sits, and how IT holds it together — LO6, LO7, LO8 & LO9

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INTRODUCTION

No company creates value alone anymore

- Porter's value chain looks inside one organization; a Network Value System extends across every partner.
- Suppliers, manufacturers, logistics firms, retailers, banks, IT companies, government and platforms all contribute.
- The goal: maximize customer value while cutting cost and increasing responsiveness.

1 → many

value creation moved beyond the single firm

LEARNING OBJECTIVES

Four outcomes — LO6 to LO9

- LO6 — Differentiate supply chain strategies and judge their fit for different industries.
- LO7 — Explain how IT improves coordination, visibility and decisions across the chain.
- LO8 & LO9 — Describe ERP, BI, CRM, WMS and TMS, and evaluate ERP / ASP / PaaS and cloud adoption risks.

NETWORK VALUE SYSTEMS

Complexity forced companies to collaborate

- Products are more complex, customers expect speed, and global sourcing cuts costs.
- Digital technology enables collaboration while firms specialize in core competencies.
- Benefits: lower cost, faster innovation, global expertise, risk sharing, faster launches.

UAE EXAMPLE

Nine partners behind one boarding pass

- Boeing & Airbus supply aircraft; GE Aerospace the engines; Dubai Airports the hub.
- Emirates Flight Catering, dnata ground handling, Dubai Customs, travel agencies, hotels and payment providers complete the trip.
- Together these organizations — not Emirates alone — create the customer experience.

9+

partners in the Emirates ecosystem

GLOBAL EXAMPLE

The strength is the network, not the factory

- TSMC (Taiwan) makes the chips, Samsung Display (South Korea) the screens, Foxconn (China/India) assembles.
- DHL and UPS move it; Apple Stores, retailers and app developers deliver the experience.
- Apple's competitive advantage depends on network strength — it manufactures almost nothing itself.

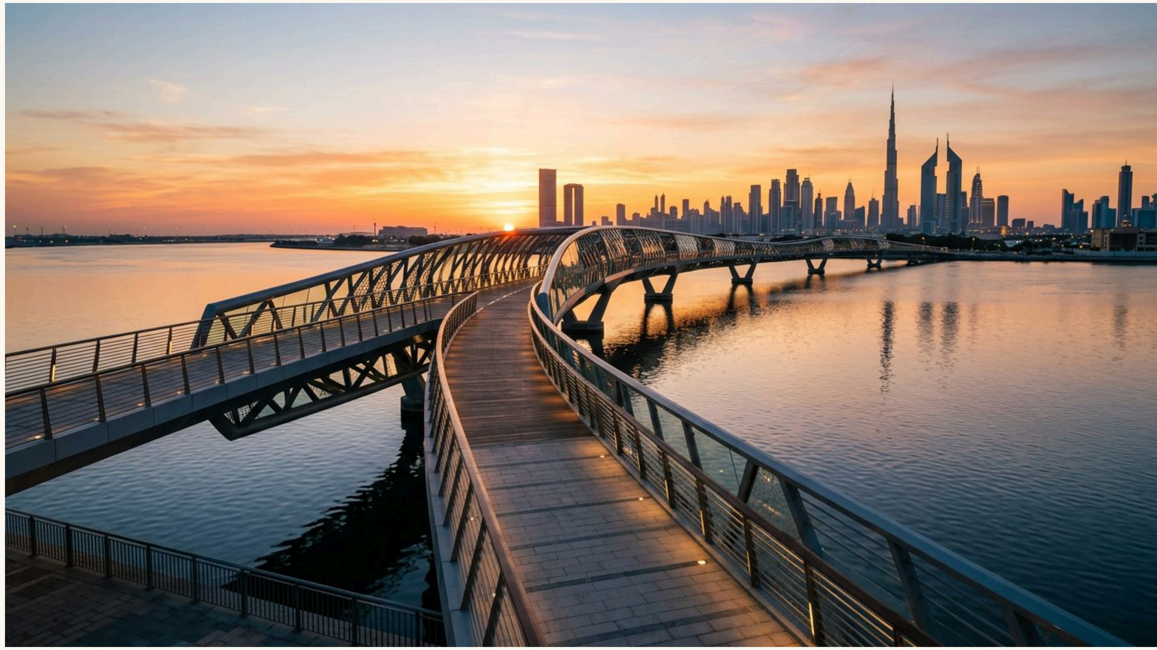
3 continent

co-produce every iPhone

FOUR TYPES OF LINKAGE

Relationships decide how fast value moves

- Supplier linkages (Toyota co-develops quality) and internal linkages (marketing → sales → production → logistics → service).
- Customer linkages: Amazon reads buying patterns to plan inventory.
- Strategic partnerships: Starbucks × PepsiCo distribute drinks globally; DP World links shipping lines to consumers.



WHERE PROFIT REALLY SITS

The highest profit is rarely where the highest sales are

- Smartphone industry: raw materials, manufacturing and assembly earn low margins.
- Branding, software, the App Store, accessories and after-sales earn high to very high margins.
- Apple's real profit engines: iCloud, App Store, AppleCare, accessories, premium brand.

Very high

software & services margin vs 'very low' for assembly

UAE EXAMPLE

Ticket sales are not the main profit source

- Business and First Class, cargo services and Skywards loyalty drive margin.
- Holiday packages and in-flight sales add further pools.
- Lesson for managers: invest in high-margin activities, not just sales volume.

6 pools

beyond the economy ticket

KNOWING YOUR COSTS

Charge costs to the activities that consume them

- Cost pools group similar costs: procurement, production, warehousing, distribution, marketing, IT.
- Noon's pools: warehouse operations, delivery fleet, packaging, tech platform, support, marketing.
- ABC beats even-spread overhead: a product needing extra inspections carries that inspection cost — true product profitability appears.

6 pools

of cost inside a typical e-commerce firm

PORTER'S CORE IDEA

Competitive advantage = superior activities

- Cost leadership (IKEA) · differentiation (Apple) · innovation (Tesla).
- Operational excellence (Amazon: fast, high quality, low defects).
- Customer intimacy (Emirates Skywards relationships).

TWO ROUTES TO ADVANTAGE

Do it better — or do it differently

- Efficiency: reduce cost, waste, and time — DP World's automated cranes cut container handling time.
- Innovation: create new value — Careem's ride-hailing transformed urban mobility in the region.
- Efficiency standardizes; innovation invents new business models. Winners pursue both.

Both

successful companies refuse to choose

LO6 · STRATEGY FIT

Match the strategy to the market

- Lean = cost efficiency (IKEA) · Agile = rapid response (Zara) · Responsive = demand swings (Amazon).
- Resilient = recovers from disruption (Apple after COVID-19) · Green = sustainability (Unilever).
- Noon turns agile during shopping festivals; Emirates Flight Catering runs lean with resilient backup suppliers.

5 strategies

lean · agile · responsive · resilient · green

LO7 · TECHNOLOGY

Real-time visibility from supplier to customer

- IT delivers real-time information, better forecasting, inventory visibility and data-driven decisions.
- DP World runs IoT sensors and AI to monitor cargo and optimize ports.
- Amazon tracks every order with RFID, AI, cloud and predictive analytics — customers watch delivery live.

LO8 · MODERN IT SYSTEMS

ERP · BI · CRM · WMS · TMS

- ERP (SAP, Oracle, Dynamics 365) integrates finance, HR, procurement, inventory and sales into one source of truth.
- BI (Power BI, Tableau) turns data into dashboards; CRM (Salesforce) manages customer relationships.
- WMS controls receiving-to-picking accuracy; TMS optimizes routes, vehicles and freight costs.

5 systems

that run the modern value chain

LO9 · OPPORTUNITIES & RISKS

Rent the software, weigh the risk

- ASP: subscription software over the internet — low upfront cost, fast deployment; but internet dependence, security concerns, limited customization.
- PaaS (Azure, Google Cloud, AWS): build and deploy apps without managing infrastructure — fast and scalable.
- Risks to evaluate: vendor lock-in, compliance, integration, and organizational readiness.

2 models

ASP for renting apps · PaaS for building them

PUTTING IT ALL TOGETHER

Every concept of this lecture, live in one company

- Amazon: network of suppliers + 3P sellers; profit pools in AWS, ads and Prime; cost pools in warehousing and transport; advantage via automation and AI forecasting.
- DP World: shipping lines, customs and free-zone partners; Port Community System, IoT tracking, AI berth planning, BI dashboards.
- Both win through digital integration, efficiency and network reach.

COMPETE ON ACTIVITIES, WIN AS A NETWORK

For the tutorial: identify the profit pools of the smartphone industry, compare lean vs agile vs resilient strategies for a UAE e-commerce firm, and evaluate a cloud ERP move for a mid-sized UAE retailer.

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