12.1 Industry and internal analysis

Name: _____ Class: _____ Date: _____ **Total: 14 marks**

KEY WORDS five forces • VRIO VRIO

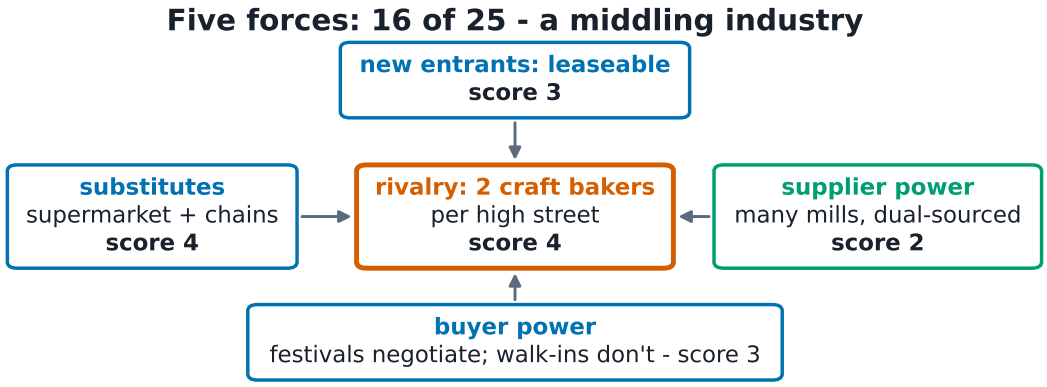
Objective

Score the five forces with evidence, run VRIO on the firm's resources, and locate the margin bridge.

1 Key knowledge and worked examples

■ Forces, VRIO, bridge

Forces 1-5 each (higher = worse), total of 25. VRIO: valuable, rare, hard to imitate, organised - the last question separates parity from sustained. The value chain locates the margin gap; the bridge closes it line by line.



A middling 16 of 25 - the profit comes from position

■ Worked example. The bakery

Forces 16/25; margin 0.20 on 2.50 = 8%; bridge +0.03 price +0.03 materials +0.02 labour to 11% ✓.

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2 Practice

A gym franchise: rivalry 3 (three gyms in town), entrants 5 (a franchise is a month away), substitutes 3 (park runs, home bikes), supplier power 2, buyer power 4 (members churn on price). Member revenue 38 a month; costs: staff 14, rent 9, equipment 6, other 4.

2.1 The five-forces total, of 25. [2]

2.2 The margin per member and as a percentage of revenue. [3]

2.3 VRIO on four resources: the brand (valuable, rare, 12 years of local history, organised), the equipment (valuable, not rare), the trainers (valuable, not rare), the member app (valuable, rare, imitable within a year). Verdicts. [5]

2.4 The margin bridge from your 2.1-2.2 answer to 18%: two levers with numbers. [4]

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Solutions

2.1

- $3 + 5 + 3 + 2 + 4 = 17$ of 25.

2.2

- $38 - (14 + 9 + 6 + 4) = 5$ a member.
- $5/38 = 13.2\%$.

2.3

- Brand: sustained (V, R, hard to imitate, organised).
- Equipment and trainers: parity (not rare).
- App: temporary (imitable within a year).

2.4

- Price +2.50: revenue 40.50. Staff scheduling -1.00: costs 32.00. Margin $40.50 - 32.00 = 8.50$, and $8.50/40.50 = 21\%$ - past the 18% target.

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