

# What is Value Chain Analysis?

## Worksheet

Value chain analysis maps how a company transforms inputs into outputs through primary and support activities. It helps identify cost reduction opportunities, differentiation points, and competitive advantages that drive profitability.

## Questions

1. Which activity is NOT part of Porter's 5 primary value chain activities?

- A) Operations
- B) Procurement
- C) Outbound Logistics
- D) Marketing & Sales

2. What is the main goal of value chain analysis?

- A) Increase employee salaries
- B) Identify where value is created and reduce costs
- C) Expand internationally
- D) Hire more managers

3. In value chain analysis, what does 'differentiation' mean?

- A) Cutting all costs equally
- B) Creating unique value that justifies premium pricing
- C) Operating in multiple countries
- D) Reducing product quality

4. Which company uses value chain analysis to emphasize speed and convenience?

- A) Ford (early 1900s)
- B) Amazon (logistics dominance)
- C) Coca-Cola (distribution)
- D) Both A and B

5. How does Nike use value chain analysis for competitive advantage?

6. How can a caf reduce costs using value chain analysis?

7. What gives Amazon competitive advantage through its value chain?

8. Define: What is value chain analysis?

9. Define: Who developed value chain analysis?

10. Define: Name the 5 primary activities in the value chain.

## Answer Key

1. B) Procurement - Procurement is a support activity. The 5 primary are: inbound logistics, operations, outbound logistics, marketing & sales, and service.
2. B) Identify where value is created and reduce costs - Value chain analysis reveals competitive advantages by showing where value is created and where inefficiencies exist.
3. B) Creating unique value that justifies premium pricing - Differentiation is when a company creates something unique - like Apple's design or Tesla's technology - allowing higher prices.
4. B) Amazon (logistics dominance) - Amazon's entire value chain is optimized for speed and convenience in delivery and customer service.
5. Nike focuses on design & marketing (premium brand perception) while outsourcing manufacturing to reduce costs. This allows high margins through brand differentiation rather than internal production efficiency.
6. Analyze: equipment maintenance (operations), supplier contracts (inbound), delivery frequency (outbound), staff training (service). Cost savings: negotiate bulk coffee bean contracts, optimize delivery schedules, reduce waste.
7. Amazon dominates logistics (warehousing, delivery), customer service (fast returns), and operations (fulfillment centers). This creates cost and speed advantages competitors struggle to match.
8. A strategic framework that breaks a business into primary and support activities to identify where value is created and costs can be reduced.
9. Michael Porter, in his 1985 book 'Competitive Advantage.'
10. Inbound logistics, operations, outbound logistics, marketing & sales, and service.

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