The Bottom Line: Marketing and Firm Performance
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Introduction

Ups and Downs of measuring competitive advantage

Strategy - Business Models

Match the Business model

Questions of the LEGO case

Conclusion and Questions

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Competitive advantages are conditions or circumstances that allow a company or country to produce a good or service at a lower price or in a more desirable fashion for customers.

Accounting Profitability
Shareholder Value Creation
Economic Value Creation
Accounting Profitability

Enables us to conduct direct comparison between companies

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Some commonly used ratios: Return on Assets
Return on Revenue
Return on Invested Capital
Return on Equity

ROA = Net Income / Average Assets
ROE = Net Income / Average Equity
ROIR = Net Income / Average Invested Capital
ROEY = Net Income / Average Equity

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\begin{align*}
ROA &= \frac{\text{net income}}{\text{total assets}} \\
ROE &= \frac{\text{net income}}{\text{SH's equity}} \\
ROR &= \frac{\text{net income}}{\text{revenue}} \\
ROIC &= \frac{\text{net income}}{\text{invested capital}}
\end{align*}
\]
Accounting Profitability

Ups:
- Guidelines such as GAAP
- 10K report
- Good information for comparison between firms

Downs:
- Historical and backward looking.
- Does not consider:
  - Intangibles
  - Off balance sheet items
  - Intellectual property
Shareholder Value Creation

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Shareholders
Risk Capital
Market Capitalization
Total return to shareholders

Answers in here
Individuals or organisations who own one or more share of a company, they are the legal owners of said company.

The amount of money an investor provides for an equity share. Money that is risked to be lost in order to gain profits.
Share price x Number of outstanding shares at a given moment. (in dollars)

The returns on a risk capital in the form of price appreciation and / or dividends over a specific period of time.