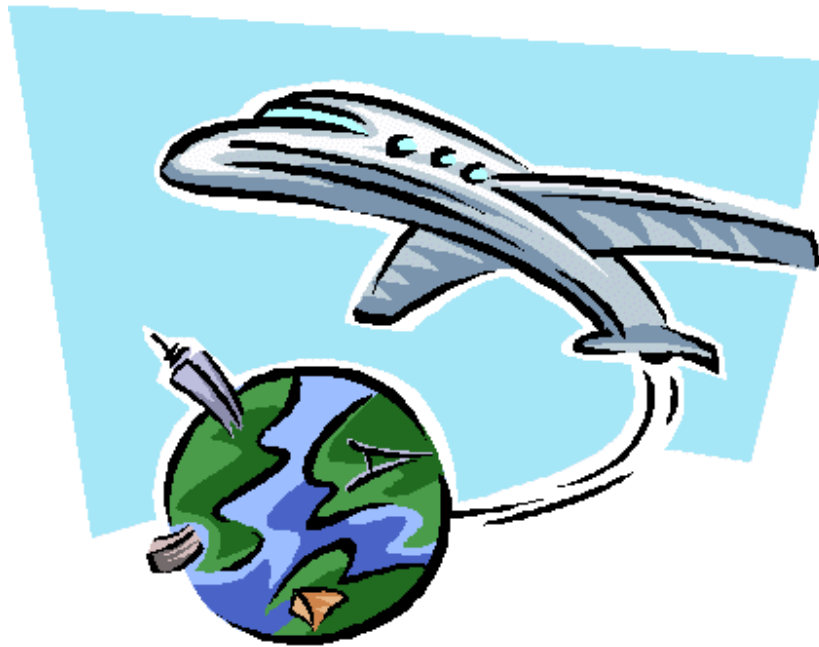


BUSI 502 Integrating Management I

Assignment Three:

Applying Porter to Case: ACIS



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Executive Summary

American Council for International Studies (ACIS) is an organisation specialising in package educational travel outside the US that is becoming impaired by an increasingly competitive and squeezed educational travel industry. Catering to groups of teachers and students, limited airline and hotel capacity results in limited rents, and combined with clients being especially aware of crashes and acts of terrorism creates considerable external pressures and decreasing sales. The industry is heavily influenced by external forces, most notably power of upstream suppliers due to the dependence on air travel, with no ready substitutes in sight to break the stranglehold. Downstream customers also wield considerable power as the switching costs are low and the product is not easily differentiable. Forward integration is difficult to achieve due to high levels of competitiveness in vertical forward industries.

As a result of the five forces analysis, recommendations include pursuing a differentiation strategy building on the loyal customer base and reputation for exceptional service garnered by ACIS in its industry and charging a premium price. Because of the strong forces influencing the industry, neither lowest cost nor focus strategies look promising to yield sustainable rents. Backward integration has been achieved through the buyout by AIFS that created a rounded portfolio of both national and outbound travel operators. Forward integration does not seem to offer any viable actions at this point.

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