

Explain the key strategic factors to analyze the economic viability of an online firm.

A strategic analysis of the **economic viability of an online firm** focuses on the industry and the company as a whole.

Key industry strategic factors:

- **Barriers to entry** – Can you prevent new investors from entering an industry with a high cost of capital?
- **Power of suppliers** – Can suppliers charge higher prices for the industry or can they effectively negotiate lower prices? Do companies get enough coverage to negotiate lower prices with suppliers?
- **Power of customers** – Can consumers choose from many competing suppliers and challenge higher prices and higher margins?
- **Existence of substitute products** – Can the goods or service role be attained during substitute goods or opposing products in diverse industries?
- **Industry value chain** – Does the industry's production and distribution chain change the company's profit or loss?
- **Nature of intra-industry competition** – Is the source of competition in the industry stands on diverse goods and services, cost, range of offers, or concentration of offers? How is the personality of competition varying?

The key strategic factors to analyze the economic viability of an online firm include:

1. **Firm's Value Chain.** It should be evaluated to determine if the company has adopted business systems that allow it to operate with maximum efficiency and if there are technical changes that force the company to change its operations or methods.
2. **Core Competencies.** These refer to unique skills that a firm has that cannot be easily duplicated. When analyzing a firm's financial viability, it is important to consider whether technological changes can invalidate these institutions.
3. **Synergies.** Refers to the availability of the assets and capabilities of the relevant company or its strategic partnership.
4. **Firm's current technology.** It has proprietary strategies that balance on demand and must be estimated to decide if customer relationships, sourcing, supply chain management, and human resource systems are growing.
5. **The social and legal challenges.** The business must consider consumer trust issues, such as privacy and protection of personal information, and determine whether the business is subject to legal challenges.