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Module Name: Marketing Management

Module Code: LCMB7024

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Work Count: 2674

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Introduction

The political–legal environment is one of the most turbulent forces in modern marketing, as governments seek to assert sovereignty over digital borders and platforms (Kotler et al., 2020). This turbulence is accelerating the emergence of a “Splinternet”: instead of one open internet, states are constructing fragmented digital spheres with their own rules, data-localisation demands and platform bans (ITTech-Pulse, 2025). At the same time, a race for AI supremacy is unfolding around chips, cloud infrastructure and foundation models, shaped by export controls and industrial policy (International Center for Law & Economics, 2025). This report analyses how Political (and Legal) and Technological actors shape competition between six pairs of firms, and then evaluates their strategic responses using Porter’s generic strategies.

Task 1: Critical analysis of Political–Legal and Technological actors

1.1 Actor A: Political (and Legal) actors

Trade policies (chips): Nvidia vs AMD

The U.S. has imposed significant restrictions since 2022 on exports of advanced AI semiconductors, which has dramatically changed the global semiconductor supply chain, making it impossible for Nvidia and other U.S.-based companies to sell their high-performance GPUs to China (International Center for Law & Economics, 2025). As a result of these political-legal regulations, industry structure has been significantly affected through the reduced attractiveness of the China market and a reorientation of strategy toward Western alliances.

Nvidia experienced a majority of its data-center revenue from China before strengthened U.S. regulations caused a dramatic drop-off in its AI-accelerator business. This led to a \$5.5 billion write-down of unsellable inventory (Investopedia, 2025). Therefore, Nvidia has shifted its focus toward increasing demand from U.S. hyperscalers and sovereign AI initiatives, and also developing new products that will meet U.S. export threshold requirements (International Center for Law & Economics, 2025).

AMD is experiencing the same types of challenges. China was AMD's second-largest market, accounting for 24 percent of AMD's 2024 sales. Thus, new restrictions could reduce AMD's 2025 revenue by as much as \$1.5 billion (TechMonitor, 2025). Also, like Nvidia, AMD expects to incur significant inventory-related charges as previously planned products no longer meet regulatory compliance (Investopedia, 2025)..

Table 1: Impact of Export Controls on Nvidia and AMD

Strategic Dimension	Nvidia (Pioneer)	AMD (Follower)
Financial Impact	US\$5.5 billion charge on unsellable H-series inventory (Investopedia, 2025).	Projected US\$1.5 billion revenue loss in 2025 (TechMonitor, 2025).
Market Exposure	Significant loss of dominant data-centre share in China.	Heavy impact on its second-largest market (24% of sales).
Strategic Response	Redesigning chips for compliance; pivoting to US/Allied hyperscalers (International Center for Law & Economics, 2025).	Forced diversification of geography; writing down non-compliant inventory.

Competition laws (app stores): Apple vs Epic Games Store

The Digital Markets Act (DMA) defines Apple as an EU "gatekeeper" and prescribes how Apple can run the iOS App Store. In June 2024 the European Commission released preliminary findings that Apple's anti-steering provisions violate the DMA because they prevent developers from directing users to other purchasing options — e.g., their own website or third-party payment providers (European Commission, 2024) — where the developer would avoid paying Apple's 30% commission to maintain some form of control over the apps on the App Store.

Gatekeeper status creates opportunities for competitors like Epic Games. Developers can sign new agreements with Epic Games Store that enable them to retain 100% of their first \$1 million in annual net revenue per product and then Epic will only take 12% — which is much less than Apple's 30% (Epic Games Store, 2025). It is clear that Epic Games is positioning itself as a friendly developer alternative, with the regulatory

environment created by government agencies and the EU's DMA creating a headwind against Apple's control over how developers distribute and monetize their apps (Apple Inc., 2023; Epic Games Store, 2025).

Government regulations (content): Meta vs TikTok

As governments respond to misinformation, child safety concerns and the social impacts of recommender algorithms, the regulation of online content is becoming increasingly strict. The UK Online Safety Act 2023 places new duties on “user-to-user” services — including Facebook, Instagram and TikTok — regarding removing illegal content, protecting children and making it easier for users to report illegal content, with the threat of fines of billions of dollars and the possible shutdown of their service if they fail to comply (GOV.UK, 2025).



Figure 2: How the Online Safety Act will help to protect children (Ofcom, 2023)

Ofcom's draft Children's Safety Codes of Practice require platforms to “tame toxic algorithms” that could recommend harmful content to minors, setting expectations around risk assessments, age-checks and changes to ranking and recommendation

systems (Ofcom, 2023). A subsequent report from the UK Parliament's Science, Innovation and Technology Committee linked recommendation algorithms to the rapid spread of misinformation and hateful content, highlighting riots in Southport as an example of online amplification producing offline violence (Parliament.uk, 2025).

These new regulatory requirements threaten the competitive advantage of both Meta and TikTok; for Meta, it threatens its ability to maximize engagement through its feed designs; for TikTok, it represents a threat to its ability to demonstrate algorithmic safety in order to continue operating in many of the countries where it currently operates. Therefore, government regulation is now extending its reach beyond content removal to include scrutiny of the algorithms and business models that provide competitive advantages to social platforms.

1.2 Actor B: Technological actors

Big data & cloud (infrastructure lock-in): AWS vs Microsoft Azure

The cloud infrastructure is the backbone of the artificial intelligence (AI) economy. In a recent market survey of the global cloud infrastructure spend, AWS was found to have approximately 30%; Microsoft Azure had approximately 20%; Google Cloud was found to have approximately 13%; with the "big three" (the largest cloud providers) accounting for approximately 60% of the \$99 billion Q2 2025 global cloud infrastructure spend (Cargoson, 2025). As part of a recent investigation into competition within the cloud infrastructure market, the UK Competition and Markets Authority (CMA) noted that "competition is not working well" in this market due to the combined dominance of AWS and Microsoft Azure, along with licensing practices that make it difficult for competing providers to offer equivalent services (Windows Central, 2025).

Technologically, both AWS and Azure entrench their positions through **data-gravity and integration**:

- High **data- egress fees** make moving large datasets off a provider expensive, creating de facto lock-in (CloudZero, 2024).
- AWS offers a vast array of managed databases, analytics and AI services that deepen dependency on its stack.
- Azure integrates tightly with Microsoft 365, Dynamics and GitHub, turning cloud adoption into an extension of existing enterprise relationships (Windows Central, 2025).

Cloud infrastructure and big data are thus **Technological actors** that shape industry structure by:

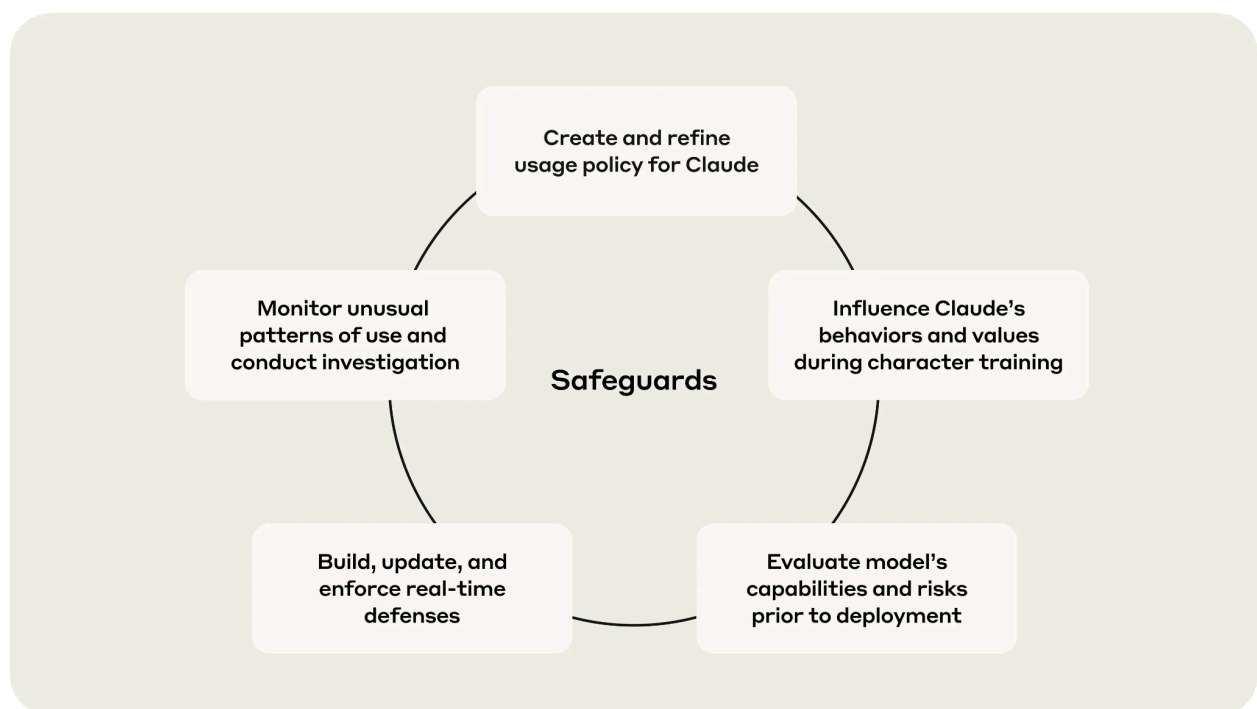
- Raising switching costs for enterprise customers.
- Giving dominant providers structural power over the AI ecosystem.
- Drawing regulatory attention to bundling and interoperability constraints.

AI & automation (generative models): OpenAI vs Anthropic

OpenAI's ChatGPT is widely documented as the fastest-growing consumer application in history, reaching an estimated 100 million monthly active users within two months of launch and later surpassing 200 million weekly active users (TechCrunch, 2025). This first-mover advantage has created a powerful flywheel:

- A large **developer ecosystem** around its API.
- Deep **enterprise integrations** via Microsoft and others.
- Widespread **brand recognition** that frames public debates about AI's risks and benefits (TechCrunch, 2025; OpenAI, 2025).

Anthropic positions its Claude models as a safety-focused alternative.



Safeguards' approach to building effective protections throughout the lifecycle of our models (Anthropic, 2025)

Its Safeguards team designs usage policies for high-risk domains such as elections, cybersecurity and biosecurity, embedding multi-layered protections into model training

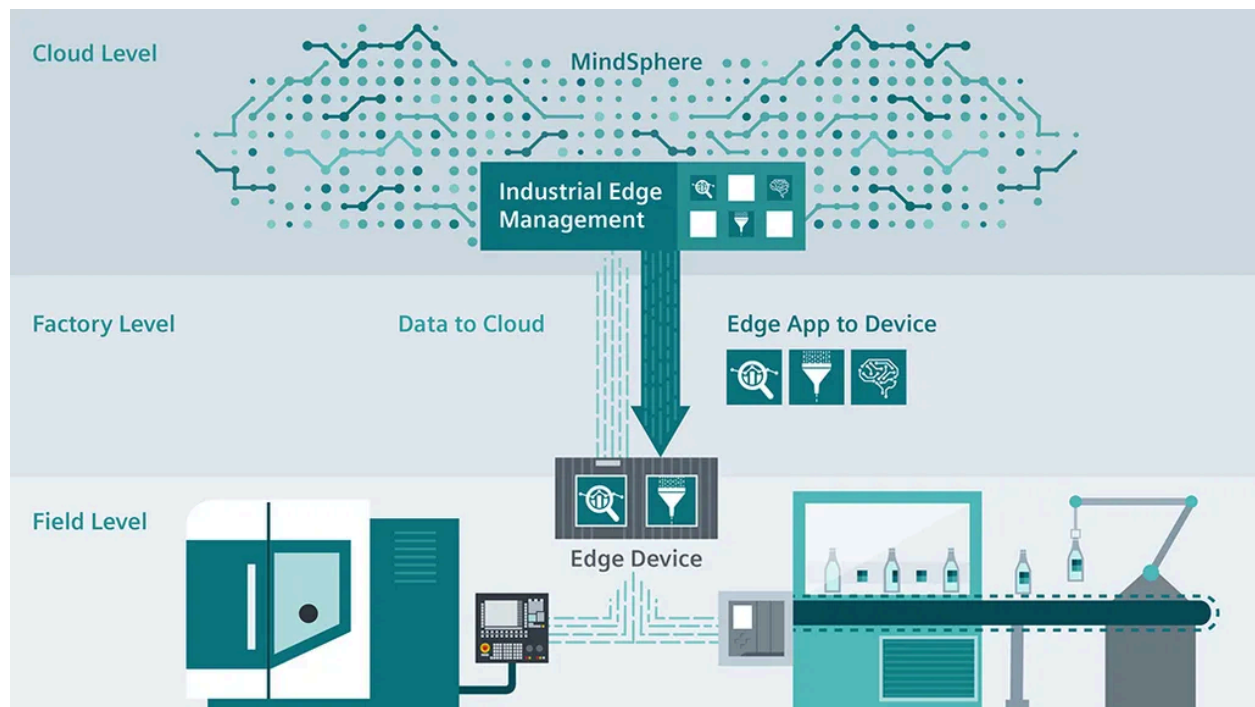
and deployment (Anthropic, 2025). Guidance on Claude's "AI Safety Level" and features such as stricter refusal behaviours in sensitive areas underscore this emphasis on responsible use (Anthropic, 2025; OpenAI, 2025).

Foundational generative models are therefore **Technological actors** that:

- Redefine product categories from search to productivity suites.
- Pull regulators into questions of **alignment, transparency and systemic risk**.
- Allow firms like OpenAI and Anthropic to differentiate on both capability and governance.

5G, connectivity and industrial IoT: Siemens vs General Electric

The Industrial Internet of Things (Industrial Internet of Things, IIoT), is dependent upon connectivity, sensor generated data and analytics. The Siemens Insights Hub (previously called MindSphere) is marketed by Siemens as a leading Industrial Internet of Things-as-a-Service (IIoTaaS) product that will provide connections "edge-to-cloud" for customers' assets through advanced analytics and artificial intelligence (AI) to optimize processes, minimize downtime, and enable new services-oriented business models for its customers (Siemens, 2023; Siemens, 2024).



The platform integrates operational technology (OT) and IT, enabling manufacturers to collect and analyse data from thousands of machines, with 5G used where low-latency control is required.

The **General Electric (GE) Predix** platform plays a similar role in the development of the “industrial internet”. Predix combines predictive analytics with digital twins of turbines, power-grid assets and aircraft engine components to enhance operational performance and improve maintenance scheduling (GE Digital, 2020). GE’s own transformation playbook describes Predix as an **edge-to-cloud** industrial platform designed to help companies keep pace with rapid technological change, offering continuous monitoring, anomaly detection and optimisation across complex asset portfolios (GE Digital, 2020).

Here, industrial IoT stacks and 5G connectivity act as **Technological actors** that:

- Determine which firms become **gatekeepers of industrial data**.
- Allow providers like Siemens and GE to embed themselves deeply in customers’ processes.

- Raise new regulatory questions about **cybersecurity, data sovereignty and critical-infrastructure resilience**.

Task 2: Strategic responses using Porter's Generic Strategies

2.1 Differentiation strategies of incumbents

Apple: privacy-led differentiation under DMA pressure

Apple has consistently emphasized privacy as a primary competitive advantage and utilized campaigns like "Privacy. That's iPhone" and technical features like on-device processing and App Tracking Transparency to reinforce premium pricing for both their devices and services. When regulators challenge Apple's App Store policies, this also creates a narrative that can be used to explain those policies. As a result of the DMA, Apple signals compliance — by establishing alternative methods of distribution and payment options within the EU — while emphasizing that regulatory requirements need to be implemented to ensure user protection and the quality of applications available via the App Store (Apple Inc., 2023; European Commission, 2024). Strategically, Apple is pursuing minimal necessary change: adapting enough to avoid harsher sanctions while preserving an integrated, privacy-centred ecosystem for high-value users.

Nvidia: performance differentiation with geopolitical hedging

Nvidia competes on **performance** and **ecosystem depth**: its GPUs, networking hardware and CUDA software stack are a de facto standard for AI training and inference. Export controls have forced it to write down billions of dollars in China-focused inventory and accept a reduced China footprint (Investopedia, 2025). Nvidia's response is classic differentiation:

- Redouble investment in next-generation architectures for allied markets.
- Partner closely with hyperscalers and "sovereign AI" initiatives.

- Redesign some products to remain within regulatory limits while sustaining a performance lead (International Center for Law & Economics, 2025; Investopedia, 2025).

By broadening its high-end global footprint, Nvidia seeks to ensure that losing one major geography does not collapse the overall strategy.

Meta and AWS: scale-based differentiation

Meta uses scale and network effects across Facebook, Instagram and WhatsApp to differentiate itself. Meta identifies investments in AI-based moderation techniques, age verification and reporting tools as examples of responsible innovation rather than merely the costs associated with complying with regulatory obligations (GOV.UK, 2025; Ofcom, 2023). As a result of this effort, Meta is able to turn what could have been regulatory pressure into a narrative regarding online safety and technological leadership.

AWS uses the breadth of its service portfolio and the global nature of its infrastructure footprint to create an environment where it is differentiated based on reliability, functionality and the perceived richness of the ecosystem offered relative to other cloud providers. Due to the scale of the offerings made by AWS, there is a perception among customers that they will be able to obtain a wider variety of services and functionality than would otherwise be possible (Cargoson, 2025; CloudZero, 2024). Due to this scale-based differentiation, it is difficult for smaller cloud providers to compete with AWS, which is something that competition authorities are beginning to investigate (Windows Central, 2025).

2.2 Cost leadership and focus strategies of challengers

Epic Games Store: cost-focus against Apple's commission

Epic Games pursues a **cost-focus strategy** targeted at developers. By charging **0% revenue share on the first US\$1 million** in net annual revenue per product and only 12% thereafter, Epic significantly increases developers' take-home margins, particularly

for indie studios and mid-tier publishers (Epic Games Store, 2025). Coupled with legal challenges to Apple's anti-steering rules and new opportunities created by the DMA, this strategy sacrifices short-term platform profitability to grow share and shift expectations about "normal" platform fees (European Commission, 2024). According to porters (1980) this as a focused attack on a specific buyer segment—developers—using price to undercut the incumbent's core monetisation lever.

AMD: value-for-money rival in the GPU race

Without Nvidia's software lock-in, AMD emphasises **price-performance** and flexibility. Export controls hurt both firms, but they arguably hit Nvidia harder because Nvidia's China market share and product dependence are larger (Investopedia, 2025). AMD responds by:

- Positioning its accelerators as cost-effective alternatives for cloud and enterprise buyers.
- Targeting regions and workloads less affected by US controls.

This is closer to **cost leadership within a focused segment**: AMD aims to be the preferred second source or value-for-money option for customers who wish to diversify away from Nvidia (TechMonitor, 2025).

Azure: integrated challenger to AWS

Microsoft/Azure's pricing vs. AWS isn't based solely on lowest-cost pricing lists, however, because of its use of "integration" economics to provide a lower Total Cost of Ownership. Using bundled pricing such as Microsoft 365 plus enterprise-wide licensing and also bundling the integration of AI and data services into familiar Microsoft productivity suites allows Azure to continue increasing market share, approximately 20% of all global IT spending (Windows Central, 2025; Cargoson, 2025). The strategy combines cost leadership (at the solutions level), discounting and reducing integration costs along with differentiation (by providing an integrated experience).

GE: cost-saving industrial IoT challenger

GE Digital's Predix platform offers Siemens' competitors such as GE Digital operational cost savings through predictive maintenance and digital twins which help to reduce unplanned downtime and improve asset utilization (GE Digital, 2020). At a practical application level this represents cost leadership at the solutions level, in that GE provides customers with measurable OPEX cost savings which enables them to make investment decisions related to Industrial Internet of Things (IIoT) technologies regardless of whether they have capital budget or not. Siemens is focused on the breadth of their ecosystem while GE focuses on the ROI and the specific optimization of each customer's assets.

Both of these examples illustrate how Political–Legal and Technological actors are interacting closely. Trade restrictions create new opportunities for non-U.S. semiconductor suppliers and cloud service providers; Enforcement of Digital Markets Act (DMA) rules enable cost-conscious App Store challengers; Online safety rules require both cloud service providers and AI Labs to compete on accountability and governance as well as on engagement and power. As seen from Porter's five competitive forces framework, companies will need to internalize both regulatory and technological infrastructures when determining where to position themselves strategically within their markets, not just determine their customer segment and value proposition.

Conclusion

Political–legal interventions and technological infrastructures now co-determine power in digital markets. Export controls on AI chips, DMA gatekeeper rules and online-safety regulation constrain how Nvidia, Apple, Meta and TikTok pursue growth and monetisation, while cloud concentration and generative-AI platforms create new forms of lock-in. Incumbents primarily defend their positions through differentiation—privacy branding, ecosystem breadth, capability leadership and safety narratives—whereas challengers such as Epic Games, AMD, Azure and Anthropic rely on cost focus, integration advantages or “responsible AI” positioning to prise open markets. As the Splinternet deepens and the AI race accelerates, sustainable competitive advantage will depend on aligning market strategy not only with consumer needs but also with an increasingly fragmented and assertive political–legal environment and with the architectures of cloud, data and AI. Firms that anticipate these political and technological constraints—and build them into their choice of cost leadership, differentiation or focus—will be better placed to achieve resilient, long-term advantage.

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