

INDUSTRY ANALYSIS

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INDUSTRY ANALYSIS AND COMPETITOR ANALYSIS

Scanning of Environment is complete only with
Industry Analysis and Competition Analysis

FRAMEWORK FOR ANALYSIS

INDUSTRY ANALYSIS

- ◆ General features / basic conditions of the industry
- ◆ Industry Environment
- ◆ Industry structure
- ◆ Industry attractiveness
- ◆ Industry performance
- ◆ Industry Practices
- ◆ Industry trends / the future of the industry

FRAMEWORK FOR ANALYSIS

COMPETITION ANALYSIS

- ◆ Five force shaping competition in the industry
- ◆ Profiling of competitors
- ◆ Firm's competitive position in the industry

INDUSTRY ANALYSIS

INDUSTRY STRUCTURE

- ✦ No. of players
- ✦ Total market size
- ✦ Relative share of the players
- ✦ Nature of competition : Monopoly, oligopoly, Perfect competition
- ✦ Differentiation practiced by various players
- ✦ Barriers in the industry - Entry Barriers - Mobility Barriers - Exit Barriers

INDUSTRY ANALYSIS

INDUSTRY PRACTICES

Distribution, pricing, promotion, methods of selling, service/field support, R&D, legal tactics

FMCG - reliance on carrying & forwarding agent (C&A) - Industry practice

Textiles - Wholesalers - Semi wholesalers-
retailers + retail showrooms (few players)

INDUSTRY ANALYSIS

EMERGING TRENDS

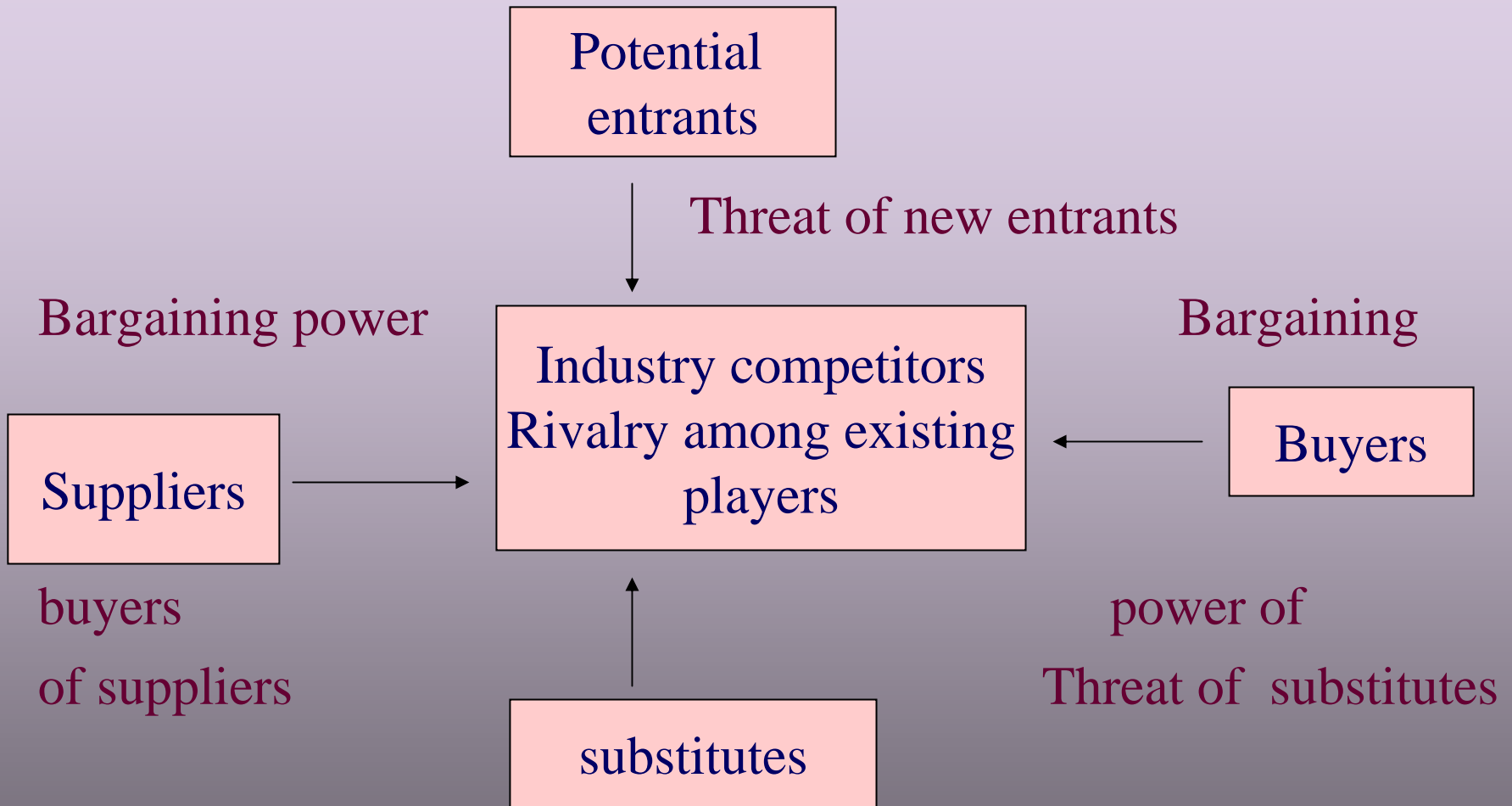
Product life cycle, rate of growth, changes in buyer needs, innovations in products/ processes, entry & exit of firms, changes in regulatory environment governing the industry

COMPETITION ANALYSIS

 Porter's Five Forces Model

 Value Chain Analysis

PORTER'S FIVE FORCES MODEL



Five forces shaping competition & determining profitability in industry

PORTER'S FIVE FORCES MODEL

1. THREAT OF NEW ENTRANTS

- ★ Powerful source of competition (New capacity & product range)
- ★ Bigger the entrant - more severe
- ★ Limit prices, affect profitability

2. BARGAINING POWER OF CUSTOMERS

- ★ Groups/ cartels (Industrial products), formal/informal groups,
- ★ Pressure on price, quality, delivery
- ★ Affect cost & investment (demand by customers)

PORTER'S FIVE FORCES MODEL

3. BARGAINING POWER OF SUPPLIERS

- ★ Specialized product
- ★ Limited supply
- ★ Affects cost of raw materials Industry attractiveness & profitability

4. RIVALRY AMONG EXISTING PLAYERS

- ★ Influence price
- ★ Cost of competing in industry
- ★ Production facilities - product development
- ★ Advertising, sales force etc.

PORTER'S FIVE FORCES MODEL

5. THREAT FROM THE SUBSTITUTES

- Price advantage
- Performance improvement
- Coir decreased demand synthetic fiber
- Substantial invest - R&D
- Limit price & profitability

VALUE CHAIN

- ❁ Tool for identifying ways in which value could be created/enhanced by a firm
- ❁ Used for competitor analysis - to analyze competitive position within the industry
- ❁ (compare value chain - own vs. Competitors)

VALUE CHAIN

Generic Value Chain

Support Activities	Firm Infrastructure				M
	Human Resource Management				A
	Technology Development				R
	Procurement				G
	Inbound Services Logistics	Operations	Outbound Logistics	Marketing & Sales	I
					N

MATRIX OF VALUE CREATING ACTIVITIES

VALUE CHAIN

SUPPORT ACTIVITIES

- Firm Infrastructure - General management, accounting, finance, strategic planning
- HRM - recruiting, training, development
- Technology development - R&D, Product & process improvement
- Procurement - Purchasing of raw materials, machines, supplies
- 4 support activities occur through all primary activities

VALUE CHAIN

PRIMARY ACTIVITIES

- Inbound logistics - raw material handling & warehousing
- Operations - Machining, assembling, testing
- Outbound logistics - Warehousing & distribution of finished product
- Marketing & Sales - Advertising, promotion, pricing, channel relations
- Services - Installation, repair, parts

VALUE CHAIN

VALUE CREATION - FUNCTION

- ❖ Performance of each department
- ❖ Coordination of activities within a department

BUSINESS PROCESS

- ❖ Value creating & value delivering process
- ❖ Locate activities which would add value
- ❖ Customers patronage - organizations - highest delivered value
- ❖ Examine cost & performance
- ❖ Value chain - own vs. competitors

INDUSTRY ANALYSIS – STRATEGIC GROUP ANALYSIS

STRATEGIC GROUPS - To understand competitive environment

A Strategic Group is a set of business units or firms that pursue similar strategies with similar resources

Units in the same strategic group - strong rivals and are similar to each other

STRATEGIC GROUPS IN PHARMACEUTICALS INDUSTRY (1995 - 1999)

S.Group I	S.Group II	S.Group III	S.Group IV
Formulations medium Size	R&D Oriented Formulation & Bulk Large	Marketing Intense MNC Form	Bulk Drug Indian
MNC: Abbot Labs Astra –IDL Burroughs Wellcome E-Merck India Fulfold (India)	MNC: Glaxo (India) Hoechet Marion Int. Indian: Cipla Ltd Dr.Reddy Lab	MNC: Infar (India) SmithKline Beecham	Indian Aurobindo Cheminor Drugs Kopran Ltd. Morpen Labs