

Gugk

Business, Industries



Industry-Competitive Factors Existing Competitors CHAPTER3 . ASSESSING OPPORTUNITIES AND THREATS: DOING AN EXTERNAL ANALYSIS 69 TABLE 3.

2 Evaluating the Five Competitive Factors Threat Opportunity Numerous competitors Few competitors Equally balanced competitors One or a few strong competitors Industry sales growth slowing Industry sales growth strong High fixed or inventory storage costs Low fixed or inventory storage costs No differentiation or no switching costs Significant differentiation or significant switching costs Large capacity increments required Minimal capacity increments required Diverse competitors Similar competitors High strategic stakes Low strategic stakes High exit barriers Minimal exit barriers .
 | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | Possible Competitors Significant economies of scale No or low economies of scale Cost disadvantages from other aspects No other potential cost disadvantages Strong product differentiation Weak product differentiation Huge capital requirements Minimal capital requirements Significant switching costs Minimal switching costs Controlled access to distribution channels Open access to distribution channels Government policy protection No government policy protection Consumers Consumer purchases large volumes Consumer purchases small volumes Products purchased are significant part of consumer's costs Products purchased aren't significant part of consumer's costs Products purchased are standard or undifferentiated Products purchased are highly differentiated and unique Consumer faces few switching costs Consumer faces significant switching costs Consumer's profits are low Consumer's profits are strong Consumer has ability to manufacture products being purchased Consumer doesn't have ability to manufacture products Industry's

products aren't important to quality of consumer's products Industry's products are important to quality of consumer's products Consumers have full information Consumers have limited information (Continued) 70 STRATEGIC MANAGEMENT IN ACTION TABLE 3. 2 (Continued) Industry-Competitive Resource Providers Resource provider industry has few companies and is more concentrated Resource provider industry has many companies and is fragmented There are no substitute products for resource provider's products There are substitute products for resource provider's products Industry being supplied is not an important customer Industry being supplied is an important customer Resource provider's product is an important input to industry Resource provider's product is not an important input to industry Resource provider's products are differentiated Resource provider's products aren't differentiated There are significant switching costs in resource provider's products There are minimal switching costs in resource provider's products Resource provider has ability to do what buying industry does Resource provider doesn't have ability to do what buying industry does Alternative Industry Providers There are few good alternative industry providers There are several not-so-good alternative industry providers There are no good alternative industry providers Factors. Threat ,/ Opportunity ,/ ,/ ,/ ,/ ,/ ,/ ,/ ,/ ,/ ,/ ,/ ,/ ,/ will be an opportunity or threat. Many changes may not even affect an organization. In addition, different industries will be affected differently by external changes. For example, rising interest rates will benefit some industries (i. e., be an opportunity) whereas for other industries, this trend is a threat. Economic In today's

environment, the opportunities and threats of the economic sector are painfully obvious to many industries. For instance, managers in industries ranging from transportation to banking to retailing recognize the impact that energy and fuel costs have on supplies of raw materials, general business activity, new orders, and order backlogs. Retailers are facing consumers who have lost their appetite for spending, leading strategic decision makers to find strategies to try to get buyers back in the stores. For some retailers-including Circuit City, Linens 'N Things, Sharper Image, and Steve and Barry's, among others-the economic threats proved too strong. But for one retailer, Wal-Mart, the economic challenges provided opportunities to grow revenues as consumers spent more cautiously and looked for ways to stretch their dollars. The economic sector includes macroeconomic data-current statistics and forecasted trends and changes-that reflect what's happening with the overall economy. The major economic data that might be important to scan and evaluate include interest rates; exchange rates and the value of the dollar; budget deficit or surplus; trade deficit or surplus; inflation rates; gross national product (GNP) or gross domestic product (GDP) levels and the resulting stage of the economic cycle; consumer income, spending, and debt levels; employment-unemployment levels; consumer confidence levels; and workforce productivity rates. You want to look at current information as well as forecasted trends when evaluating these economic statistics. What impact, if any, do they have for your organization? For instance, are rising interest rates good or bad-in other words, are they opportunities or threats? If the economy is growing moderately, what does this mean? What if the dollar falls in value against the Chinese yuan or against the euro? Is this

good or bad? What if workforce productivity has leveled off and is predicted to stay stagnant? What does this mean? Take consumer debt levels. What industries might be affected positively or negatively by increases in consumer debt levels? These are the types of questions