How to Do an Industry and Competitive Analysis

Modified from the following source:
Dr. Stan Abraham, College of Business Administration, CA State Polytechnic University, Pomona
What is an Industry?

- Defined as “the collection of competitors that produces similar or substitute products or services to a defined market”

- Industry segments are formed as the products or services of the industry are targeted to particular subsets of the general market

- Whether it’s an industry or a segment, it’s still referred to as “the industry”
Why Study the Industry

• To make sure it has desirable characteristics
  • Best industries to enter are high-growth and profitable, with low barriers to entry
  • Worst industries to enter are declining, barely profitable, highly competitive and regulated, with higher barriers to entry
• To be prepared for the way it’s changing
• To understand better how to compete
Label the Industry or Segment

- Try to label the industry or segment as accurately as you can
  - Include geographic scope
  - Make up a label if none exists
- Imagining you are the customer for this industry helps to come up with an accurate label
  - What am I buying?
  - What are my choices?
What Lifecycle Stage?

- Emerging (very new, young industry growing at <5%/yr)
- Growth (growing at >5%/yr)
- Shakeout (competitors acquiring other competitors and/or companies failing)
- Mature (growth has slowed to <5%/yr)
- Declining (negative growth for a prolonged period)
Industry Driving Forces

- Driving forces are changes or trends that are causing an industry to change
  - Competition intensifying
  - Changing customers needs and tastes
  - Technological innovation
  - Globalization
  - Entry of major competitors
  - Sudden regulation or deregulation
  - Etc.
Porter’s Five-Forces Model

- Intensity of Rivalry
- Potential Entrants
- Bargaining Power of Buyers and Suppliers
- Suppliers
- Rivals
- Buyers
- Threat of Substitutes
- Substitutes
- Barriers to Entry

http://www.quickmba.com/strategy/porter.shtml
Key competitors

- Sometimes a firm has literally thousands of competitors
  - In which case treat them as a class or in categories
- More usually, it has a small number (less than 10) of key competitors
  - Focus on 3-5 of them
  - Go into as much detail on these as possible
Competitor Data

- Financial data (if a public company)
- Product or service details
- Geographic scope
- Strategic intent
- Strategies followed
- Core competence and competitive advantage
Competitor Comparisons

- Revenues and profits
- Market share
- Product or service characteristics
- Critical success factors
- Degree of diversification
A critical success factor (CSF) is something a company must do well in order to succeed in the industry.

**Example: ** *XYZ Industry*

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<th>B</th>
<th>C</th>
<th>D</th>
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Competitive Conclusion

• How does the company stack up with its competitors?
• Does it have a competitive edge?
• What can it do **better** than the competition?
• Where might it be vulnerable?
• Which competitor does it really have to watch out for?