# INDUSTRY ANALYSIS 3

*Industry analysis is a part of strategic analysis of organizations. Industry analysis basically consists of analyzing the industry environment in which organizations operate their activities. The strategy managers need to analyze the industry along with an analysis of the general environment. In the previous unit we have discussed about the general environmental analysis. This unit will address the issue of industry analysis, to be followed by SWOT analysis in the next unit.*

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# Lesson-1: Concept of Industry Analysis and Competition

**Learning Objectives:**

After studying this lesson, you should be able to:

- Define industry from the standpoint of strategic management with examples of industries existing in Bangladesh.
- Understand the necessity of industry analysis.
- Understand why Porter's model is the most widely used model for the analysis of an industry's competition.
- Explain Michael Porter's Five Forces Model for competitive analysis.
- Discuss the strategic implications of Porter's Five Forces Model.

## Introduction

For formulating strategy we need relevant data. And we can get data from an analysis of company's external and internal environments. These environments actually represent company's situations which specifically include the following:

- Industry and competitive conditions (briefly, industry environment),
- Company's macroenvironment, and
- Company's own competitive capabilities, resources, strengths, weaknesses, and market position (briefly, internal environment).

Accurate diagnosis and sound analysis of a company's situations (i.e., industry environment, external status and internal situation) helps managers in establishing long-term direction for the company. They also get insights for setting appropriate objectives and formulating winning strategy. This chapter examines the industry environment and discusses the methods for industry and competitive analysis.

Before proceeding towards analyzing industry environment, let us look at the definition of industry.

## Industry Defined

An industry consists of a group of firms offering products or services that are close substitutes for each other. The products satisfy the same basic consumer needs. According to Thompson and Strickland, an industry is a group of firms whose products have so many of the same attributes that they compete for the same buyers. Byars, Rue and Zahra defined industry as a group of companies that offer products, goods or services that satisfy similar customers needs. For example, laundry bar soap and detergent powder are close substitutes for each other. The soap manufacturers are in the same basic industry as the companies that manufacture detergent powder. Both of these products serve the same consumer need – the need of washing clothes.

*An industry consists of a group of firms offering products or services that are close substitutes for each other.*

**Necessity of Industry Analysis**

Industry environment influences a company's business operations tremendously. Thus, it is absolutely essential for a company to fit its strategy to its industry environment. If it becomes very difficult or impossible to do it, the company must reshape the industry's environment to its advantage by adopting appropriate strategy.

*Industry analysis provides necessary information about the industry's situations.*

No organizations can expect good strategy-making without a detailed analysis of industry environment. That is why, it is widely recognized that good strategy-making should be preceded by good industry and competitive analysis. Industry analysis provides necessary information about the industry's situations. From this analysis, managers can obtain information regarding many industry-related issues such as the following:

(i) Economic features of the industry like market size, number of customers and sellers, technology, nature of standardization of product, market growth potential, prospect of making profit etc.

(ii) Strength of competition and competitive pressures.

(iii) Major driving forces in the industry that cause pressures for change.

(iv) Financial and competitive positions of the competitors in the marketplace.

(v) Strategies undertaken by the competitors.

(vi) Industry's key success factors such as design in garments industry.

(vii) Attractiveness of the industry in terms of growth prospect, degree of uncertainty in the future.

With these data, managers can achieve several purposes: [1]

1. Identifying and selecting the company's arena by defining its industry and served markets.
2. Identifying business opportunities and uncovering niche markets.
3. Providing a benchmark for evaluating the company relative to the competitors and, based on it, developing skills and capabilities necessary for success.
4. Shortening the company's response time to competitors' moves.
5. Restricting or preempting competitors' moves.
6. Encouraging organizational development through frequent interactions among the executives during the analysis.
7. Helping the company to gain a competitive advantage through identifying any area where the company holds a significant advantage over its rivals.
8. Enhancing organizational learning by exposing managers to the ideas land actions of their competitors.

9. Providing invaluable insights into the industry and competition, which help managers identify appropriate strategy and implement strategy successfully.

**Analysis of Competition in the Industry**

The most widely used model for an industry's competition analysis is Michael Porter's Five Forces Model. Managers can use this model to analyze the competitive environment in the industry in which their company is operating its business.

This model provides a framework to identify industry-related opportunities and threats. We discuss this model here in details.

***Michael Porter's Five Forces Model***

*Managers need to analyze competitive forces in the industry's environment in order to identify the industry-related opportunities and threats confronting their company.*

Managers need to analyze competitive forces in the industry's environment in order to identify the industry-related opportunities and threats confronting their company. Porter has developed a framework that helps managers in this analysis. His framework is known as Five Forces Model, which is shown in Figure 3.1

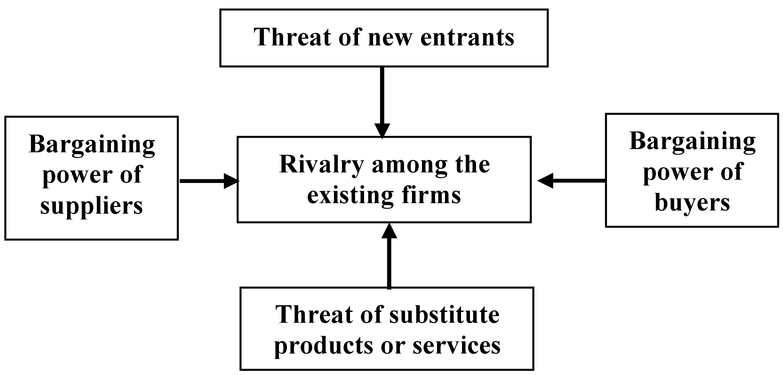


***Figure 3.1: Michael E. Porter's Five Forces*** **Model**
(Source: Michael Porter, "How Competitive Forces Shape Strategy," *Harvard Business Review*, (March-April, 1979).

***Explanation of the Forces in the Porter's Model***

**1. Threat of new entrants**

*Existing companies discourage potential competitors from entering into the industry by creating barriers to entry.*

In the marketplace some competitors are already operating their businesses. They are called ***existing competitors***. Some other competitors are not now competing in the industry but they can enter into the industry if they have the capability and desire to compete. They are ***potential competitors***. Bangladesh Telephone and Telegraph Board (BTTB) was once considered a potential competitor in the cellular telephone industry. In fact, BTTB entered into the industry with its cheaper mobile phones in April 2005, although it could not manage the market-situation well. Potential competitors create a threat to existing companies (or incumbent companies) because if they enter they can make competition tougher through taking away market share from the existing companies. Thus, existing companies discourage potential competitors from entering into the industry by creating **barriers to entry.** 'Barriers to entry' are created by undertaking some measures that are very costly for the competitors to adopt. Such barriers may be brand loyalty, absolute cost advantage, economies of scale, and government regulations.[2] On the other hand, if the risk of entry by potential competitors is low, the existing companies can raise prices and earn higher profits.

**2. Bargaining power of suppliers**

A company has to procure various types of supplies from the suppliers such as raw materials, components, parts and other materials necessary for producing a product. If the suppliers are powerful they can raise prices of materials. As a result, powerful suppliers are a threat to the companies who have to buy at that price. If suppliers are weak, company may be in an advantageous position and can demand high quality at a lower price from the suppliers. In Bangladesh, in the paper industry the number of suppliers is very few and they are very strong in bargaining prices. This has created a threat for the publishing industry. However, this threat has been to some extent diluted due to imported paper.

Suppliers have very little or no bargaining power if the materials they sell are available from different parties. Their power increases if the supply of the materials is limited or if the materials are such that they are inevitable for the company (buyer). For example, in the PC market Intel is the most powerful because of its unique position in producing microprocessor (Pentium).

**3. Bargaining power of buyers**

Buyers of products may be ultimate consumers or even the intermediaries such as dealers, wholesalers and retailers. Buyer's bargaining power becomes high when suppliers have to depend on them for some reasons such as uniqueness of the product or nonavailability of similar products. On the other hand, their bargaining power is weak when suppliers are capable to raise prices. Whether buyer-seller relationships represent a weak or strong competitive force depends whether buyers have sufficient bargaining power to influence the terms and conditions of sale in their favor, and the extent of seller-buyer strategic partnerships in the industry.[3] According to Porter, buyer's bargaining power is highest when:

(i) The supply industry is composed of many small companies and the buyers are few in number as well as they are large.

(ii) Buyers purchase in large quantities.

(iii) The supply industry depends on the buyers for a large percentage of its total orders.

(iv) Buyers can switch orders between supply companies at a low cost.

(v) It is economically feasible for the buyers to purchase the input from several companies at once.

(vi) Buyers can use the threat to supply their own needs through vertical integration (backward linkage) as a device for forcing down prices.

**4. Threat of substitute products**

A company needs to consider the competitive pressures from substitute products. The substitute products may come from either the same industry of the company or from other industries. For example, cotton producers are in direct competition with the producers of polyester fabrics. Newspapers compete against television in providing latest news. E-mail is a substitute for the overnight delivery of documents by the courier service companies. Coffee is a substitute of tea. Bottled water is a substitute of juice and soft drinks.

The major factors that determine the strength of the competition from substitutes are (i) attractiveness of the prices of substitutes; (ii) buyers' satisfaction with the substitutes in terms of quality and other features; and (iii) the easiness to switch to substitutes. When the substitutes are available at cheaper prices, the producers of the normal product are in a high competitive pressure to reduce prices. When substitute products are available, customers begin to compare prices, quality etc with the normal products. Similarly, when switching costs from the normal product to substitute products are low (and also not inconvenient), buyers become more prone to the substitutes.

Existence of substitute products in the industry poses a threat to a company. Thus, the company's profit is likely to depress due to cutting down prices. If a company has few substitutes, it has the opportunity to raise prices and thereby increase profits.

**5. Rivalry among the existing firms**

A very important force in the Porter's Model is the extent of rivalry among the established companies in the industry. In an environment of weak rivalry (competition), company can raise prices and make higher profits. When competition is strong, the industry may face severe price-war in which companies compete against each other on the basis of price cuts. If there is a severe competition among the firms in the industry, profitability decreases substantially. Thompson and Strickland regard this force of rivalry as the 'strongest of the five forces.'

Inter-company rivalry or competition stems from several factors, as identified by Porter in his famous book *Competitive Strategy.* These are as follows: [4]

a) Competition increases as the number of competitors increases.
b) Competition is usually stronger when demand for the product is growing slowly.
c) Competition is more intense when industry conditions encourage competitors to cut prices.
d) Competition is stronger when customers' costs to switch brands are low.
e) Competition is stronger when one or more competitors are dissatisfied with their market position and undertake other measures to win the battle for market share.
f) Competition tends to be more intense when it costs more to get out of a business than to stay in the industry.

g) Competition becomes more volatile when competitors are diverse in their objectives, strategies resources, etc.

h) Competition increases when powerful companies from outside the industry acquire the weak companies in the industry and launch aggressive campaigns to make the acquired companies profitable.

**Why is the Porter's Five Forces Model a Widely Used Technique for an Industry's Competition Analysis?**

*With Porter's Five Forces Model managers can assess the strength of each of the competitive forces.*

Managers can use this model to systematically diagnose the principal competitive pressures in a market. With this model they can assess the strength of each of the competitive forces. They can further understand how important each of these forces is. The major reason behind the wide use of his technique is that it is easy to understand and apply in practice when mangers analyze competition. Mangers find it comfortable to analyze the competitive pressures associated with each force in the model. They can clearly determine whether the pressures of the five competitive forces exert any strong or weak influence in the market place. Based on their understanding of the interplay of these forces, they can strategically think about the right type of strategy for their company.

**Strategic Implications of Porter's Model**

*Porter's Five Forces Model reveals most important strategic clues in an industry's competitive environment.*

Porter's Five Forces Model reveals most important strategic clues in an industry's competitive environment. These are strength of each of the five forces, nature of the competitive pressures of each force, and the overall structure of competition in the industry. Profit margins for all competing firms become thin if the suppliers and buyers have considerable bargaining leverage, competition among sellers is strong, low entry barriers allow companies to enter easily into the industry, and competition from substitutes is strong. The opposite happens when the competitive forces are not collectively strong.

Porter argues that the stronger each of these forces is, the more limited is the ability of established companies to raise prices and earn greater profits. A strong competitive force can be regarded as a threat since it depresses profits. A weak competitive force can be viewed as an opportunity, for it allows a company to earn greater profits. The strength of the five forces may change through time as industry conditions change. The manager's task is to study how changes in the five forces give rise to new opportunities and threats. His/her next task is to formulate appropriate strategic responses. Manager's strategy-making task becomes easier when he/she can gauge the competitive insights from the analysis of the five forces. The information from the analysis of five forces helps managers formulate winning strategy that can ensure the company a sustainable competitive advantage.

*Porter's Model cannot explore such factors as the influential economic factors in the industry that are relevant to managerial strategy-making.*

Porter's Model has major drawbacks as a tool for industry analysis. It can be used for analyzing only the degree of competition in the industry. It cannot explore such factors as the influential economic factors in the industry that are relevant to managerial strategy-making. It also fails to identify the driving forces – major causes of changing industry conditions. It is also difficult to assess, with this model, the competitive position of rivals and their likely strategic moves, and overall industry attractiveness.

**Review Questions**

1. Define industry from the standpoint of strategic management. Cite a few examples of industry existing in Bangladesh.
2. Why is industry analysis necessary? Managers of a company can obtain information regarding many industry-related issues through industry analysis. What are those issues?
3. What is the most widely used model for the analysis of an industry's competition? Explain the various forces of this model.
4. Explain Michael Porter's Five Forces Model of competition analysis.
5. Why is the Porter's Five Forces Model a widely used technique for an industry's competition analysis?

**Application Discussion Questions**

1. You know that software industry in Bangladesh is an emerging industry. Competition is gradually growing in this industry. What actions could your firm take to create barriers of entry to this industry?
2. If your company is facing severe competition from substitute products, what actions would you adopt to retaliate aggressively against new entrants in the industry?
3. What are the strategic implications of the Porter's Model of Competition Analysis?

**NOTES**

1. Lloyd L. Byars, Leslie W. Rue and Shaker A. Zahra, *Strategic Management* (Chicago: Irwin, 1996), pp. 53-55.
2. See J.E. Bain, *Barriers to New Competition* (Cambridge, Mass: Harvard University Press, 1956) and C.W.L. Hill and G.R. Jones, *Strategic Management* (Boston: Houghton Mifflin Company, 2000).
3. A. A. Thompson and A. J. Strickland, *Strategic Management* (Boston: McGraw-Hill Irwin, 2001).
4. Michael E. Porter, *Competitive Strategy: Techniques For Analyzing Industries and Competitors* (New York: Free Press, 1980).

# Lesson-2: Methods of Industry Analysis

## Learning Objectives

After studying this lesson, you should be able to:

- Discuss the methods for the analysis of an industry.
- Identify dominant economic characteristics of an industry.
- Assess the main sources of competitive pressures.
- Define driving force and identify the major driving forces in the industries.
- Evaluate the market position of competitors.
- Define strategic group and use the procedure for constructing a strategic group map.
- Predict the strategic moves of the competitors in the industry.
- Find out the key success factors in the industry.
- Evaluate the attractiveness of an industry.
- Prepare an industry analysis plan.

## Introduction

*Thompson and Strickland model provides on comprehensive treatment for the analysis of the issues in an industry.*

Thompson and Strickland have used a model for the analysis of industry. This model is based on seven forces. Let's call this Thompson and Strickland's seven factors model for industry analysis. This model provides a comprehensive treatment for the analysis of the issues in an industry. It focuses on dominant economic characteristics of an industry, sources of competitive pressures, strengths of the competitive forces in the industry, driving forces, market position of the competitors, strategic actions undertaken by competitors, the key success factors in the industry and the overall attractiveness of the industry.

## Thompson and Strickland's Seven Factors Model

The model for industry and competitive analysis proposed by Thompson and Strickland has been able to overcome the drawbacks of Porter's Model. It seems to be comprehensive. It touches on all the relevant issues in an industry that need to be analyzed for assessing the overall industry situations, including the degree of competition in the industry.

The seven factors of the Thompson and Strickland are as follows: [1]

(i) Industry's dominant economic features.

(ii) Main sources of competitive pressure and the strengths of the competitive forces.

(iii) Driving forces.

(iv) Market position of the rival companies.

(v) Competitor's strategic moves.

(vi) Industry's key success factors.

(vii) Industry's overall attractiveness and profitability prospects.

*An analysis of Strickland seven factors reveals competitive structure of the industry.*

An analysis of these factors reveals competitive structure of the industry. Let's discuss the factors one by one. The information generated through the analysis of these factors would build understanding of a firm's surrounding environment and form the basis for matching strategy to changing industry conditions and competitive forces

**Factor-1: Dominant Economic Features of the Industry**

An industry's economic features are important because their implications for strategy making are great. Economic features of an industry generally include: Market size; scope of competitive rivalry (local, regional etc); market growth rate and position; stage in life cycle (early development, rapid growth and takeoff, decline and decay etc); number of companies in industry; number of customers; extent of backward linkage or forward linkage (i.e., degree of vertical integration in the industry); ease of entry into the industry; ease of exit from the industry; types of distribution channels; level of differentiation of competitors' products; technology/innovation; opportunities to realize economies of scale by the companies; capacity utilization; and industry profitability.

An industry's economic features are relevant to managerial strategy making in various ways. Here are some examples. The strategic importance of 'market size' is that small markets do not usually attract big competitors but big markets do it. The strategic importance of 'entry barriers' is that high barriers protect market position and profits of existing firms and low barriers invite more and more potential competitors to enter into the industry. Similarly, big capital requirements create barriers to entry of potential competitors.

**Factor-2: Main Sources of Competitive pressures**

An important component of industry analysis is sources of competitive pressures and the strengths of each competitive force. An understanding of the competitive character of the industry helps managers develop successful strategy. Thompson and his colleague suggested the use of Michael Porter's Five Forces Model for the analysis of competitive pressures and the strength of each force of competition. They are of the view that the state of competition in an industry is a composite of five competitive forces identified by Porter.

**Factor-3: Driving Forces**

Economic characteristics say a very little about the ways in which the environment may be changing because of new developments in the industry. New developments take place in the industry because important forces are always driving the competitors, customers and suppliers to alter their actions. These forces in the industry are the major underlying causes of changing competitive conditions in the industry. These are called driving forces. The most common driving forces are changes in the long-term industry growth rate, changes in buyer demographics, product innovation, technological change, marketing innovation, entry or exit of major firms, diffusion of technical know-how, increasing globalization of the industry, changes in cost and efficiency, emerging buyer preferences, government policy changes, changing attitudes and life-styles etc. Early detection of driving forces is possible through systematically and regularly scanning the industry environment as well as other external factors. Known as **Environmental Scanning,** this qualitative technique of investigating into external factors involves itself in monitoring and studying current events, constructing scenarios and identifies the driving forces. Many large companies employ environmental scanning on a continuous basis such as Coca-Cola, Motorola, Shell Oil, etc.

There may be many forces of change in an industry but in reality all do not qualify as 'driving forces'. Managers need to carefully evaluate the forces so that they can intelligently separate the major changes from the minor changes. This would help mangers formulate sound strategy.

**Factor-4: Market Position of Competitors**

Market position of competitors in the industry has a bearing on the overall competition in the industry. Therefore, the strengths of competitive forces need to be analyzed. Such analysis is important to discover the main sources of competitive pressures and how strong they are. Attempt is made to study the market position of rival companies.

One technique for revealing the competitive (market) positions of industry participants is *strategic group mapping*. It is most useful when an industry has so many competitors that it is not practical to examine each one in depth. Strategic group mapping endeavors to determine the strategic group for a product of a company. So, naturally, the question arises: What is a strategic group?

**Strategic Group:** Companies in an industry often differ with respect to several factors: distribution channels, market segments, quality of products, technological leadership, customer service, pricing policy, advertisement policy and promotion policy, etc. As a result, some companies follow the same basic strategy and follow a different strategy than that of companies in other groups. These groups are known as **strategic groups**. The competitors that pursue similar strategic approaches and have similar positions in the market constitute a strategic group. For instance, although Maruti car is in the automobile industry, it is not a competitor of Civic Honda. Subaru is not competing with Mercedes-Benz.

Figure 3.2 shows two main strategic groups - Proprietary Group, and Generic Group - in the pharmaceutical industry.

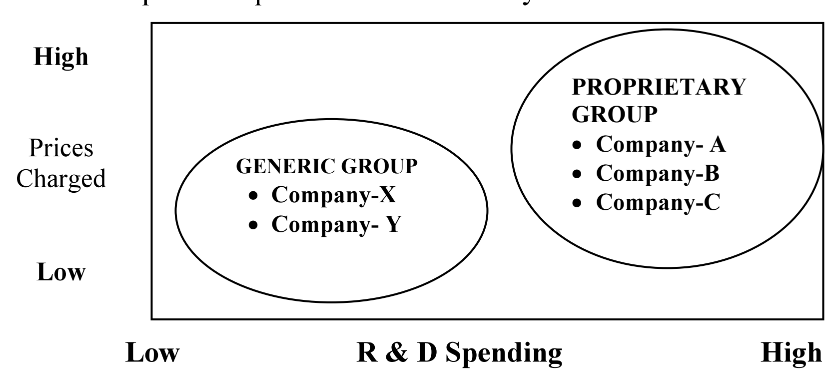


***Figure 4.2: Two strategic groups in the pharmaceutical industry.***

Companies in the same strategic group can resemble one another in any of several ways:

- comparable product line breadth
- using same kind of distribution channels
- offering buyers similar services and tech assistance
- using essentially the same product attributes
- depending on identical technological approaches or
- selling in the same price/quality range.

Proprietary group (companies) members are characterized by heavy R&D spending and high prices. They focus on developing new proprietary blockbuster products. They pursue a high risk/high return strategy. Generic group members focus on the manufacture of generic products – low cost copies of products previously patented by the proprietary group (now patents have expired). They are characterized by low R&D spending and an emphasis on price competition. They pursue a low-risk, low-return strategy.

The implications of strategic groups are:

b. A company's closest competitors are those in its strategic groups, not those in other strategic groups. A major threat to a company's profitability can come from within its own strategic group.

c. Porter's five-forces can all vary in intensity among different strategic groups within the same industry.

***Procedure for Constructing A Strategic Group Map***

Thompson and Strickland suggested the following procedure for the construction of a strategic group map:

a. Identify the competitive characteristics that differentiate firms in the industry (variables: price, quality range, geographical coverage, degree of vertical integration, product line breadth, use of distribution channels, degree of service offered)

b. Plot the firms on a two-variable map using pairs of these differentiating characteristics.

c. Assign firms in that fall in about the same strategy space to the same strategic group.

d. Draw circles around each strategic group, making the circles proportional to the size of the group's respective share of total industry sales revenues.

The closer the strategic groups are to each other on the map, the stronger the competition among the member companies. The next closest competitors are in the immediately adjacent groups.

**Factor -5: Strategic Moves of the Competitors**

*Strategic moves refer to strategic steps or actions undertaken by a company.*

Strategic moves refer to strategic steps or actions undertaken by a company. Every company must be informed of the strategic moves of the competitors. Information about the competitors' strategic moves can be obtained through an analysis of their moves in a systematic way. The analysis involves (i) identifying competitors' strategies, (ii) analyzing the strategies, (iii) watching the actions of the competitors, (iv) understanding their strengths and weaknesses, and (v) anticipating what moves they will make next. After scouting the competitors' strategic moves, managers can decide about the appropriate counter-moves. They can plan their own actions to defeat the competitors. It is simply impossible to outcompete a competitor without monitoring their actions and predicting their future moves.

Managers of a company can gather information about the strategies of competitors by:

(a) Examining what the competitors are doing in the marketplace;

(b) Monitoring what the management of the competing companies is saying about their plans;

(c) Considering competitors' geographical market arena, strategic intent, market share objective and willingness to take risks;

(d) Trying to understand whether competitors' recent moves are offensive or defensive;

(e) Directly visiting the competitors' offices to get information about prices, wage and salary levels, introduction of new products, etc.;

(f) Pumping competitors' representatives at trade shows/exhibitions/ trade fairs; and

(g) Searching through garbage dumpsters outside competitors' offices (may be considered unethical, although not illegal).

**Factor-6: Industry's Key Success Factors**

There are certain factors in every industry that determine a product's success in the market. These may include attributes of the product, resources of the company, competitive capabilities etc. these factors are called 'key success factors' (KSF). A sound strategy incorporates industry key success factors. They are prerequisites for industry success. That is why, all firms in the industry must pay close attention to the KSF. For example, KSF in the juice industry include: full utilization of juice-producing capacity (to lower down costs), strong network of middlemen (to have a wider distribution of products over a region or the country), unique flavor and taste, etc. Even packaging can be a success factor if the juice is targeted to young groups.

*All firms in the industry must pay close attention to the key success factors.*

Key success factors usually vary from industry to industry. The variations occur mainly because of changes in the driving forces and competitive conditions in the industry. This warrants that the managers of companies need to give careful attention to identifying the major KSF and avoid the minor ones.

**Factor-7: Industry Attractiveness**

Strategy-makers in a company must be able to give answer to the question: "Is the industry attractive and what are its prospects for above-average profitability?" In order to answer to this question, strategists review the overall industry situation and develop reasoned conclusions about the relative attractiveness or unattractiveness of the industry. The factors that they usually analyze for assessing industry attractiveness include:

a. industry's growth potential
b. favorable or unfavorable impact by the prevailing driving forces
c. competitive position of the company in the industry
d. potential entry or exit of major firms
e. stability and/ or dependability of demand
f. possibility of competitive forces becoming stronger or weaker
g. severity of problems/issues confronting the industry as a whole
h. degrees of risk and uncertainty in the industry's future.

**Preparing an Industry Analysis Plan**

*Industry analysis provides information about the industry situations that help strategy-makers concentrate on strategic thinking and predicting the future of the industry.*

Industry analysis provides information about the industry situations that help strategy-makers concentrate on strategic thinking and predicting the future of the industry. An insight about the overall industry situations facilitates effective and pragmatic strategy-making. On the basis of the above analyses, managers can prepare a document containing all the information related to the competitive forces in the industry. Below is given a sample format for jotting down the information in a document form.

| | |
|---|---|
| INFORMATION ABOUT ECONOMIC FEATURES | Market size, growth potential, technology, vertical integration, number and sizes of buyers and sellers, and so on |
| SOURCES OF COMPETITION | Status of competition among competitors, power of buyers and suppliers, competition from substitutes, threat of potential entry and so on. |
| DRIVING FORCES | Changes in long-term industry growth, globalization of competition in the industry, product innovation, changing buyer preferences, etc. |
| MARKET POSITION | Market leaders, runner-ups, weak companies, strategic group members. |
| STRATEGIC MOVES OF RIVALS | Competitors' strategic moves and intents, whom to be watched and so on. |
| KSF | Product attributes, competencies, capabilities and so on. |
| INDUSTRY'S OVERALL ATTRACTIVENESS | Factors making industry attractive. Factors making industry unattractive, special industry problems, favorable or unfavorable profit outlook. |

After making an analysis of the industry environment, managers have no reason to suffer from complacency. They cannot really make winning strategy unless they gather information regarding the company's internal situations and the general macroenvironmental factors. In the industry analysis, managers look at the industry-specific macroenvironmental factors only. This analysis provides only industry-related external opportunities and threats. But they cannot know about the general opportunities and threats that arise from the general economic environment, political and legal environment, social and cultural environment, natural environment and demographic environment. Against this backdrop, we devote the next Unit to making SWOT analysis that helps in identifying internal strengths and weaknesses and external opportunities and threats of an organization.

*Industry Analysis provides only industry-related external opportunities.*

**Review Questions**

1. Discuss the methods for the analysis of an industry.
2. What are the dominant economic characteristics of an industry?
3. State the main sources of competitive pressures.
4. Define driving force and discuss the major driving forces in the industries.
5. What is the importance of evaluating the market position of competitors?
6. Define strategic group and explain the procedure for constructing a strategic group map.
7. Why should a company assess the strategic moves of the competitors in the industry?
8. What are the key success factors in an industry? Explain your answer with examples from the jute industry in Bangladesh.
9. How can you evaluate the attractiveness of an industry?
10. Prepare an industry analysis plan.

**Application Discussion Questions**

1. Suppose your company is operating its business in the pharmaceutical industry. What are the key success factors in this industry?
2. Prepare the strategic group for your firm, which is doing business in the textile industry. What factors would you consider for strategic group mapping?

**NOTES**

1. This section draws on Thompson and Strickland, op.cit. pp. 74-113.