MB 301 ENTREPRENEURSHIP & PROJECT MANAGEMENT

LECTURE 8

Industry and Competitor Analysis

INDUSTRY ANALYSIS

❖Industry analysis is a market assessment tool used by businesses and analysts to understand the competitive dynamics of an industry.

❖The goal of market analysis is to determine the attractiveness of a market and understand the opportunities and threats arising along with the strengths and weaknesses of the firm.

❖David A. Aaker gave seven dimensions of market analysis namely market size, market growth rate, market profitability, industry cost structure, distribution channels, market trends and key success factors

INDUSTRY ANALYSIS

❖ Market size:- It is evaluated based on present sales and potential sales on expanding the product use. Market size can be determined from government data, trade associations, financial data of major players in the industry, customer surveys, etc

❖ Market growth rate:-This can be obtained by extrapolating historical data into the future along with a study of growth drivers(demography wise, etc), sales growth in complementary products, etc.

❖ Market profitability:- The average profit potential(average of different players) for a market helps in understanding the prospects of earning in the market. Porter's five forces framework can form a guideline. It identifies buyer power, supplier power, barriers to entry, threats of substitute products and firm rivalry in the industry as factors influencing market profitability

INDUSTRY ANALYSIS

❖ Industry cost structure:-Porter's value chain model helps in identifying where value is added and in identifying the costs. This helps in strategizing competitive advantage. Porter's value chain consists of Inbound-logistics→Operations→Outbound-logistics→Marketing&sales→Service. Effective performance of these activities leads to greater profit margin through cost advantage and differentiation.

❖ Distribution channels:-Study of existing distribution channels, emerging new channels is a part of market analysis. Channel power structure i.e. their negotiation power in deciding margins also play a part.

❖ Market trends:- Changes in market trends are a source of new opportunities and threats.

INDUSTRY ANALYSIS

❖Key success factors:-These elements are necessary for a firm to achieve an edge in the market like access to unique essential resources, ability to achieve economies of scale, access to distribution channels, technological supremacy, etc

TYPES OF INDUSTRY ANALYSIS

❖ **The three popular methods are :**

❖ **Competitive Forces Model (Porter's 5 Forces)**

❖ **Broad Factors Analysis (PESTLE Analysis)**

❖ **SWOT Analysis**

Broad Factors Analysis (PESTLE Analysis)

Broad Factors Analysis, also commonly called the PESTLE Analysis stands for Political, Economic, Social, Technological, Legal and Environmental. PESTLE analysis is a useful framework for analyzing the external environment.

P Political	E Economic	S Sociological	T Technological	L Legal	E Environmental
Political Stability	Economic Growth	Population Growth Rate	Technology Incentives	Employment Laws	Environmental Policies
Government Policy	Exchange Rates	Age Distribution	Level of Innovation	Consumer Protection Laws	Climate Change
Tax Policy	Interest Rates	Career Attitudes	Automation	Copyright and Patent Laws	Pressures from NGO's
Foreign Trade Policy	Inflation Rates	Lifestyle Attitudes	R&D Activity	Health & Safety Laws	Climate
Corruption	Unemployment Rates	Safety Emphasis	Technological Awareness	Discrimination Laws	Weather
Labour Law	Disposable Income	Health Conciousness	Technological Change	Antitrust Laws	
Trade Restrictions		Cultural Barriers			

TYPES OF INDUSTRY ANALYSIS
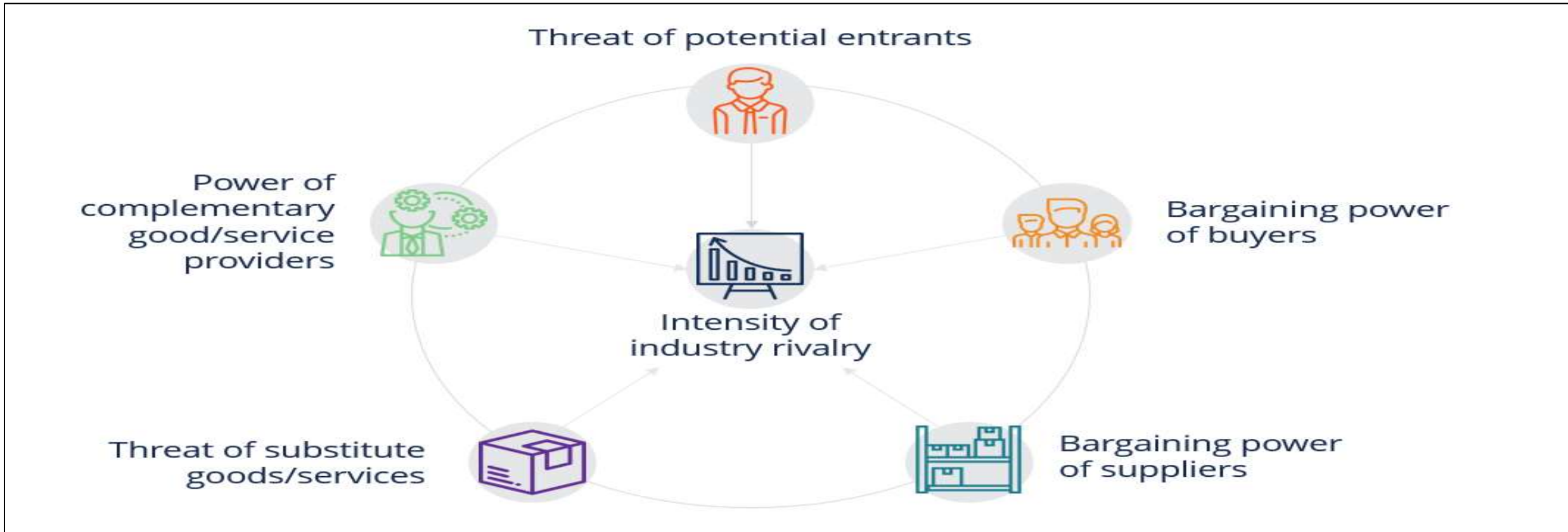
Competitive Forces Model (Porter's 5 Forces): According to Porter, analysis of the five forces gives an accurate impression of the industry and makes analysis easier.

TYPES OF INDUSTRY ANALYSIS

The three popular methods are:

- Competitive Forces Model (Porter's 5 Forces)

- Broad Factors Analysis (PEST Analysis)

- SWOT Analysis

SWOT Analysis stands for Strengths, Weaknesses, Opportunities, and Threats. It can be a great way of summarizing various industry forces and determining their implications for the business in question.

Strengths Characteristics of a business which give it advantages over its competitors	**Weaknesses** Characteristics of a business which make it disadvantageous relative to competitors
Opportunities Elements in a company's external environment that allow it to formulate and implement strategies to increase profitability	**Threats** Elements in the external environment that could endanger the integrity and profitability of the business

DEMAND-SUPPLY ANALYSIS

❖ The law of supply says higher the price, more is the quantity of a product supplied.
❖ The law of demand says higher the price, lesser is the quantity of a product demanded.
❖ Equilibrium is the point where demand equals supply.
❖ If the actual price is above the equilibrium price, there is a surplus of the product.
❖ If the actual price is below the equilibrium price, there is a shortage of the product.
❖ A shift in demand takes place due to a change in income of the population, any changes in real interest rates, changes in the consumer outlook about the economy, changes in government spending and increases or decreases in taxes.
❖ A shift in supply may take place due to a change in the prices of raw material, fuel, etc

- TILL WE MEET AGAIN IN THE NEXT CLASS..........