

Industry and rivalry

Industry = firms with in essence the same product/service; all *competitors*, not all *rivals*. Never write "competition" for rivalry. The analysis is about the industry, not about one firm.

Five Forces

Force	Strong with
Threat of entry	low barriers: no scale/experience, low switching costs, little capital needed, open access to distribution
Threat of substitutes	from outside the industry; good price/performance; low switching costs
Buyer power	concentrated, low switching costs, backward integration, price sensitive
Supplier power	few suppliers, high switching costs, differentiated, forward integration
Rivalry	equal players, little differentiation, low growth, high fixed costs, high exit barriers

Forces are mutually independent. High entry barriers are good for the players in the industry.

Six steps

1 Define the industry (vertical, product, geography) - 2 players - 3 factors and strength - 4 attractiveness - **5 changes** - **6 position (exploit, neutralise, influence)**. Steps 5 and 6 weigh most.

Industry life cycle

Development - **growth** (rivalry low) - shake-out - maturity (barriers higher, buyer power higher, experience curve) - decline (high exit barriers: extreme rivalry).

Strategic groups and segments

Strategic group = similar strategy (scope, resource commitment); **mobility barriers** between groups. Segment = customers with the same needs.

Generic strategies (Porter)

- **Cost leadership**: systematically lowest costs with sufficient quality. Four drivers: input costs, economies of scale, experience curve, product/process design. Not necessarily lowest price, not a price fighter.
- **Differentiation**: price premium through product features, customer relationship, complements.
- **Focus**: cost focus or differentiation focus; distinct needs, distinct value chains, viable economics.
- Protects against the forces relative to the **average** player.

Ecosystems

Complementors, coopetition, ecosystem leader, network effects, non-generic unique complementarities.

Business model

Value creation, value configuration, value capture (Teece); not a synonym for strategy. Canvas, 9 blocks: customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partners, cost structure. Elements logically consistent. Patterns: razor and blade, freemium, peer-to-peer, multi-sided platform.

Exam tip

Per question: term - definition - fact from the case - conclusion (stronger/weaker, advice, judgement).

Key terms (never translate)

industry competitors rivalry Five Forces industry analysis threat of entry barriers to entry threat of substitutes price/performance ratio buyer power supplier power switching costs backward integration forward integration exit barriers economies of scale experience curve industry life cycle shake-out maturity strategic group mobility barriers market segment generic strategies cost leadership cost leader input costs product/process design differentiation price premium focus business ecosystem complementors coopetition ecosystem leader network effects business model Business Model Canvas razor and blade freemium multi-sided platform