INDUSTRY ANALYSIS

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INDUSTRY ANALYSIS AND COMPETITOR ANALYSIS

Scanning of Environment is complete only with Industry Analysis and Competition Analysis
FRAMEWORK FOR ANALYSIS

INDUSTRY ANALYSIS

- General features / basic conditions of the industry
- Industry Environment
- Industry structure
- Industry attractiveness
- Industry performance
- Industry Practices
- Industry trends / the future of the industry
FRAMEWORK FOR ANALYSIS

COMPETITION ANALYSIS

- Five force shaping competition in the industry
- Profiling of competitors
- Firm’s competitive position in the industry
INDUSTRY ANALYSIS

INDUSTRY STRUCTURE

- No. of players
- Total market size
- Relative share of the players
- Nature of competition: Monopoly, oligopoly, Perfect competition
- Differentiation practiced by various players
- Barriers in the industry - Entry Barriers - Mobility Barriers - Exit Barriers
INDUSTRY ANALYSIS

INDUSTRY PRACTICES

Distribution, pricing, promotion, methods of selling, service/field support, R&D, legal tactics

FMCG - reliance on carrying & forwarding agent (C&A) - Industry practice

Textiles - Wholesalers - Semi wholesalers-retailers + retail showrooms (few players)
INDUSTRY ANALYSIS

EMERGING TRENDS

Product life cycle, rate of growth, changes in buyer needs, innovations in products/ processes, entry & exit of firms, changes in regulatory environment governing the industry
COMPETITION ANALYSIS

- Porter’s Five Forces Model
- Value Chain Analysis
PORTER’S FIVE FORCES MODEL

Five forces shaping competition & determining profitability in industry

- Threat of new entrants
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitutes
- Industry competitors (Rivalry among existing players)
PORTER’S FIVE FORCES MODEL

1. THREAT OF NEW ENTRANTS
   ★ Powerful source of competition (New capacity & product range)
   ★ Bigger the entrant - more severe
   ★ Limit prices, affect profitability

2. BARGAINING POWER OF CUSTOMERS
   ★ Groups/ cartels (Industrial products), formal/informal groups,
   ★ Pressure on price, quality, delivery
   ★ Affect cost & investment (demand by customers)
PORTER’S FIVE FORCES MODEL

3. BARGAINING POWER OF SUPPLIERS
★ Specialized product
★ Limited supply
★ Affects cost of raw materials Industry attractiveness & profitability

4. RIVALRY AMONG EXISTING PLAYERS
★ Influence price
★ Cost of competing in industry
★ Production facilities - product development
★ Advertising, sales force etc.
PORTER’S FIVE FORCES MODEL

5. THREAT FROM THE SUBSTITUTES

- Price advantage
- Performance improvement
- Coir decreased demand synthetic fiber
- Substantial invest - R&D
- Limit price & profitability
VALUE CHAIN

- Tool for identifying ways in which value could be created/enhanced by a firm
- Used for competitor analysis - to analyze competitive position within the industry
- (compare value chain - own vs. Competitors)
# VALUE CHAIN

**Generic Value Chain**

<table>
<thead>
<tr>
<th>Support Activities</th>
<th>Inbound Services</th>
<th>Operations</th>
<th>Outbound Logistics</th>
<th>Marketing &amp; Sales</th>
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<tbody>
<tr>
<td></td>
<td>Logistics</td>
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<tr>
<td>Firm Infrastructure</td>
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<td>Procurement</td>
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**MATRIX OF VALUE CREATING ACTIVITIES**
VALUE CHAIN

SUPPORT ACTIVITIES

- Firm Infrastructure - General management, accounting, finance, strategic planning
- HRM - recruiting, training, development
- Technology development - R&D, Product & process improvement
- Procurement - Purchasing of raw materials, machines, supplies

4 support activities occur through all primary activities
VALUE CHAIN

PRIMARY ACTIVITIES

- Inbound logistics - raw material handling & warehousing
- Operations - Machining, assembling, testing
- Outbound logistics - Warehousing & distribution of finished product
- Marketing & Sales - Advertising, promotion, pricing, channel relations
- Services - Installation, repair, parts
VALUE CHAIN

VALUE CREATION - FUNCTION
- Performance of each department
- Coordination of activities within a department

BUSINESS PROCESS
- Value creating & value delivering process
- Locate activities which would add value
- Customers patronage - organizations - highest delivered value
- Examine cost & performance
- Value chain - own vs. competitors
INDUSTRY ANALYSIS – STRATEGIC GROUP ANALYSIS

STRATEGIC GROUPS - To understand competitive environment

A Strategic Group is a set of business units or firms that pursue similar strategies with similar resources

Units in the same strategic group - strong rivals and are similar to each other
<table>
<thead>
<tr>
<th>S.Group I</th>
<th>S.Group II</th>
<th>S.Group III</th>
<th>S.Group IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulations medium Size</td>
<td>R&amp;D Oriented Formulation &amp; Bulk Large</td>
<td>Marketing Intense MNC Form</td>
<td>Bulk Drug Indian</td>
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<td>MNC: Abbot Labs</td>
<td>MNC: Glaxo (India)</td>
<td>MNC: Infar (India)</td>
<td>Indian Aurobindo</td>
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<tr>
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<td>Hoechet</td>
<td>SmithKline Beecham</td>
<td>Cheminor Drugs</td>
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<td>E-Merck India</td>
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<td>Fulfold (India)</td>
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**STRATEGIC GROUPS IN PHARMACEUTICALS INDUSTRY (1995 - 1999)**