



# 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?



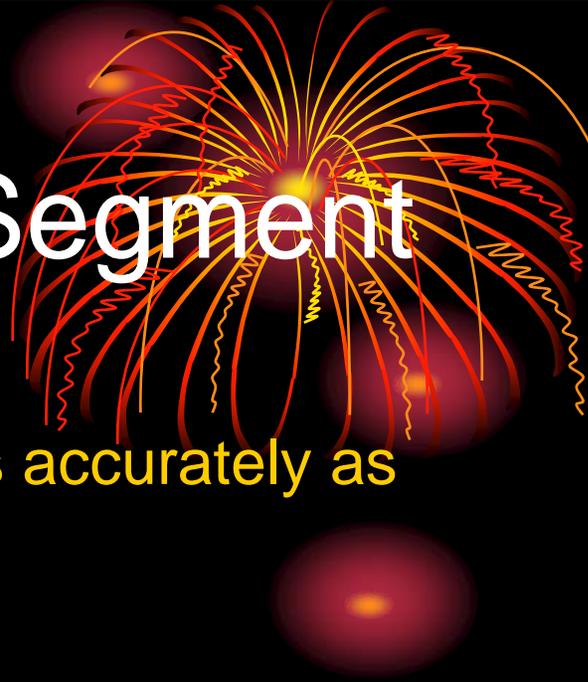
- Defined as “the collection of competitors that produces similar or substitute products or services to a defined market”
- Industry segments are formed as the products or services of the industry are targeted to particular subsets of the general market
- Whether it’s an industry or a segment, it’s still 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?



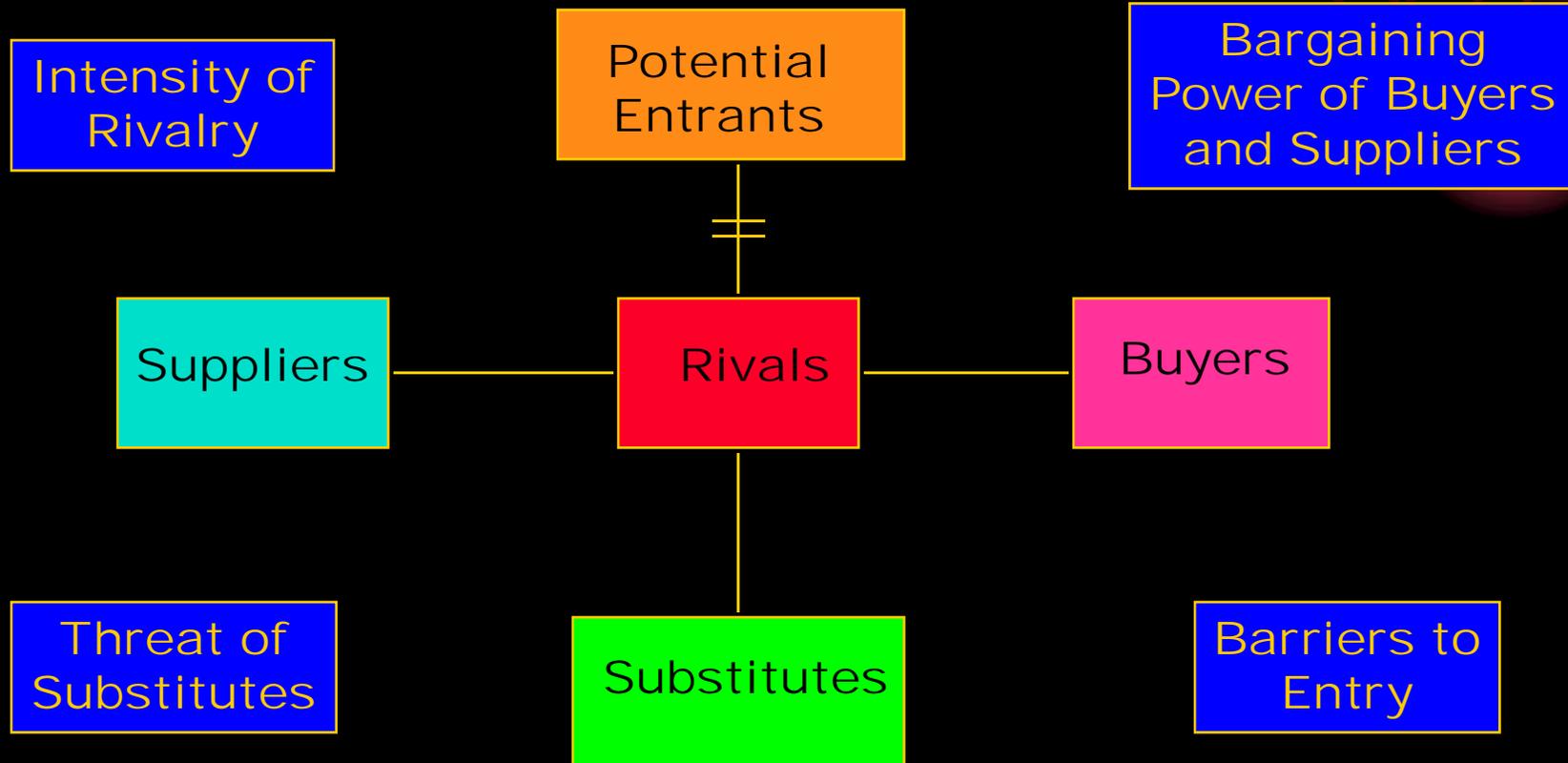
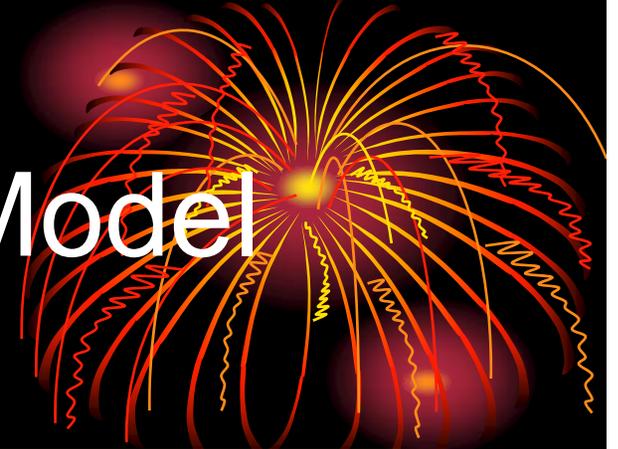
- Emerging (very new, young industry growing at  $<5\%/yr$ )
- Growth (growing at  $>5\%/yr$ )
- Shakeout (competitors acquiring other competitors and/or companies failing)
- Mature (growth has slowed to  $<5\%/yr$ )
- Declining (negative growth for a prolonged period)

# 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



# 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



# CSF Analysis



A critical success factor (CSF) is something a company must do well in order to succeed in the industry.

Example: XYZ Industry

Critical Success Factor	Co.	Competitors				
		A	B	C	D	E
Engine technology	8	9	9	7	6	10
Styling and features	9	8	9	8	7	9
Brand reputation	10	8	9	7	6	9
Strong distribution network	7	8	9	6	7	10
Efficient manufacturing	6	8	8	7	8	9
Effective marketing	9	8	9	8	7	9

# 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?