

*Industry analysis and
competitive positioning*
Telecommunications management &
strategy

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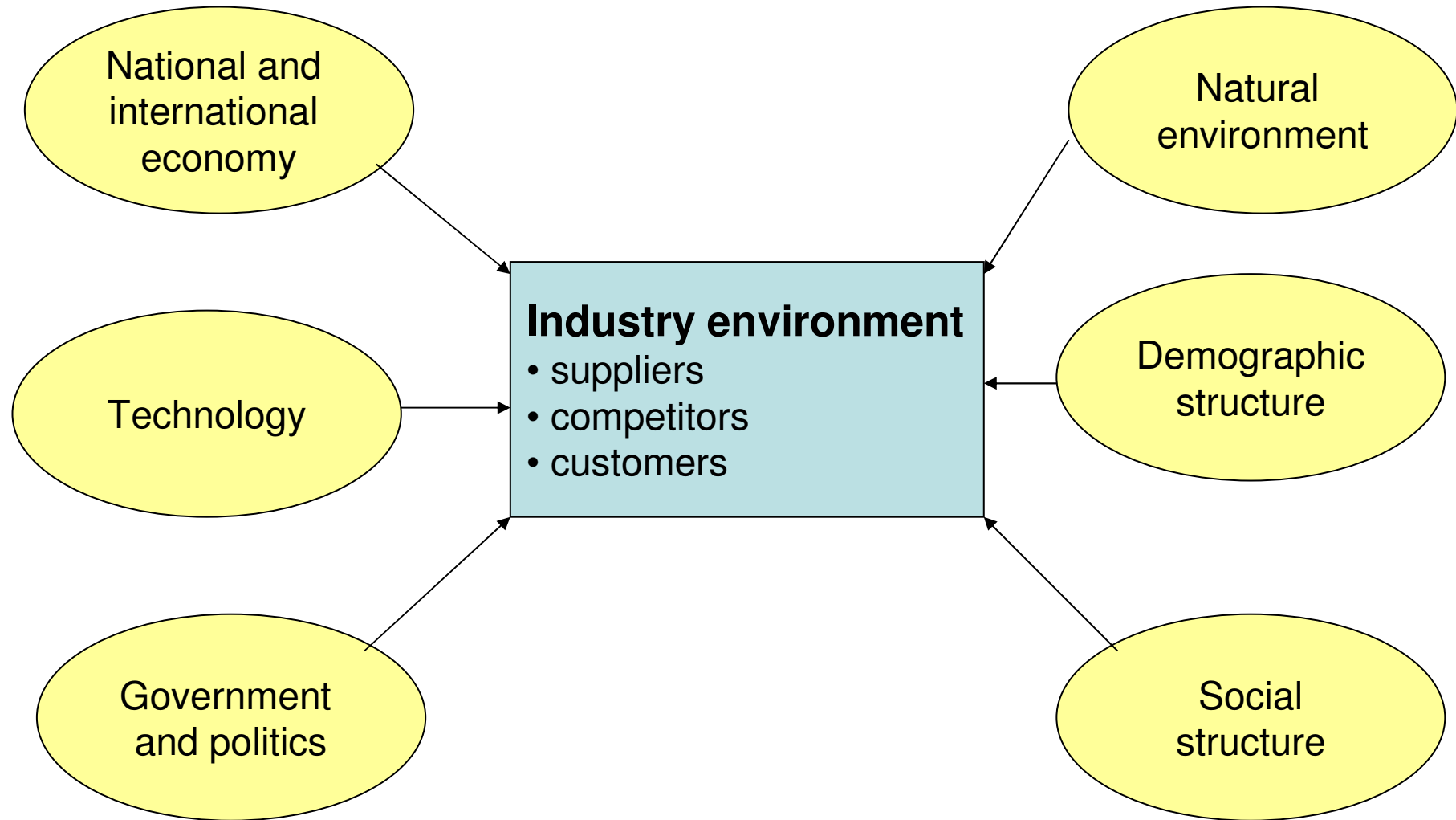
Introduction

- Case study: Madonna
- Chapter 3 of Grant *Contemporary strategy analysis*
- Analysing the industry:
 - entry barriers
 - bargaining power of suppliers and buyers (monopoly to monopsony)
 - intensity of existing competition
 - threat of substitutes
 - uses of industry analysis
- Case study: United States airline industry in 2004

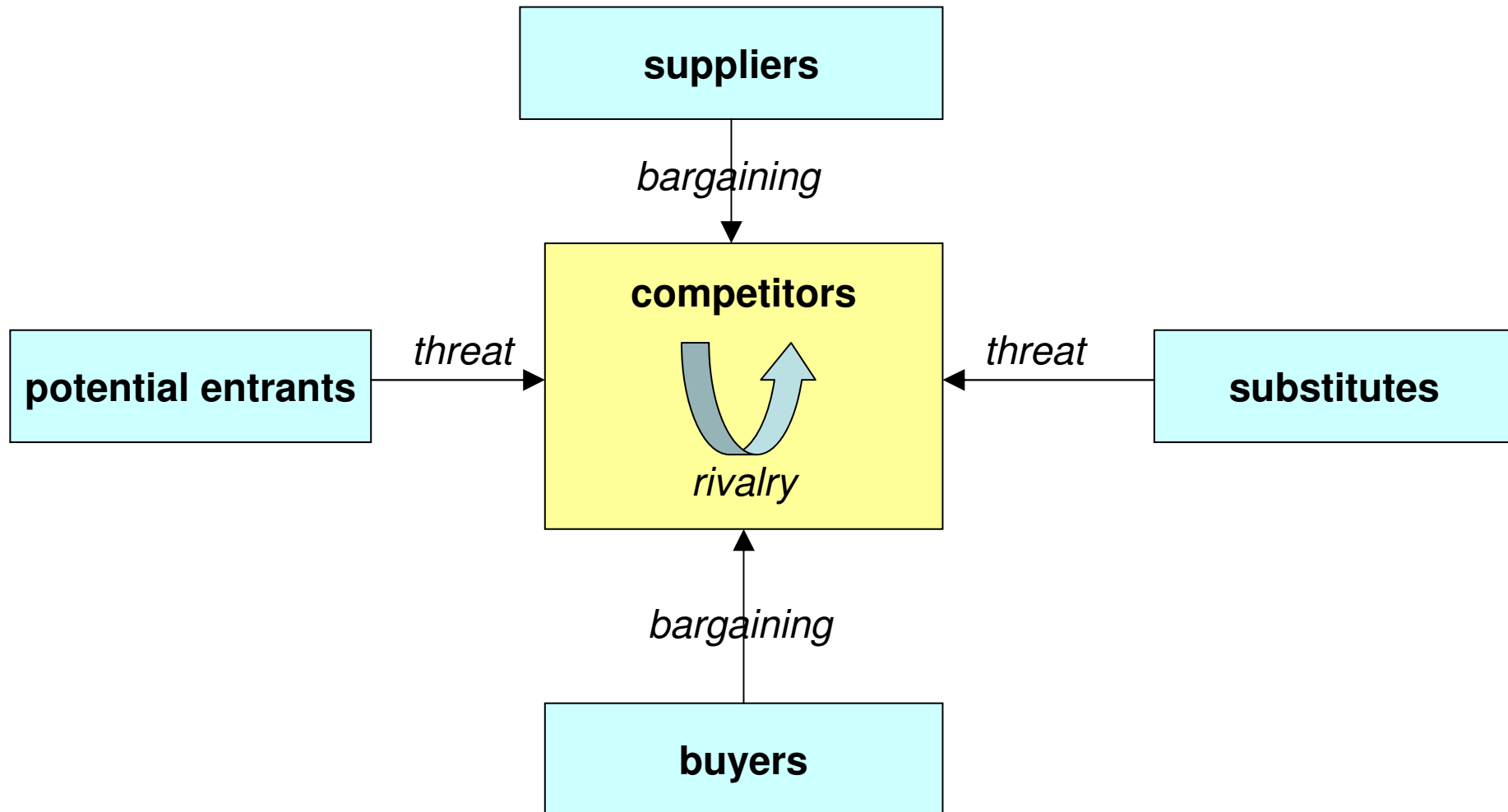
Industry analysis

- Identify the main structural features influencing:
 - competition
 - profitability
- Explain why in some industries competition is more intense and profitability lower
- Use evidence of structural trends to forecast competition and profitability
- Develop strategies to improve profitability
- Identify competitive advantage within an industry by analysing the competition and customers' requirements

From environment to industry



Porter competitive framework



Barriers to entry

- Capital requirements
- Economies of scale
- Absolute cost advantage
(related to being established)
- Differentiation
- Access to channels:
 - supply
 - distribution
- Customer loyalty
- Governmental and legal barriers
- Retaliation

Established rivalries

- Concentration
- Diversity of competitors
- Product differentiation
- Excess capacity
- Barriers to exit
- Cost conditions:
 - economies of scale
 - ratio of fixed to variable costs

Bargaining power of suppliers

- Price sensitivity
- Size and concentration
- Suppliers' information
- Ability to integrate vertically

Bargaining power of buyers

- Price sensitivity
- Size and concentration
- Buyers' information
- Ability to integrate vertically

Vertical integration

- Linking the acquisition of the raw materials to the sale of the finished product
- A common parent owning more than one part of the chain
- Andrew Carnegie:
 - iron ore to finished rails for railways
- Telecom New Zealand:
 - undersea cable to last mile wiring

Threat of substitutes

- Substitution of product or service
- Substitution of need
- Substitution of spending:
 - shifting spending away from your product

Substitutability

- A test to define a market
- Do customers consider the goods or services to be interchangeable?
- Will customers consider buying at that location?
- Is a “rival” in the same market or a substitute?

Uses of industry analysis

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