FUNDAMENTAL OF TECHNOPRENEURSHIP (UCSD2762)

Chapter 6
Industry and Competitors Analysis

Mohd Iskandar Illyas Tan

FSKSM

UTM

Chapter Objectives

1. Explain the purpose of a industry and competitor analysis.
2. Explain the Five Competitive Forces.
3. Explain the Blue Ocean Strategy.
4. Identify the differences between Red and Blue ocean
5. Describe the tools for Blue Ocean Strategy
6. Learn how to implement Blue Ocean Strategy

Minicase: BusinessAtoZ

- Identify your position in the existing market is important.

- The need to identify the strength and weaknesses of your competitors.

- Analyze these S&W and identify what you can offer to the market

- Success can be achieve if you provide something unique!

- Industry
  - A group of firms producing a **similar product** or **service**, such as airlines, fitness drinks, furniture, or electronic games.

- Industry Analysis
  - Is business research that focuses on the potential of an industry.

Industry Analysis: Why?

- Once it is determined that a new venture is feasible, a more in-depth analysis is needed to learn the **ins and outs of the industry**.

- The analysis helps a firm determine if the niche market it is **favorable for a new firm**.

Techniques Available to Assess Industry Attractiveness: How?

Industry Analysis

Trends Environments & Business
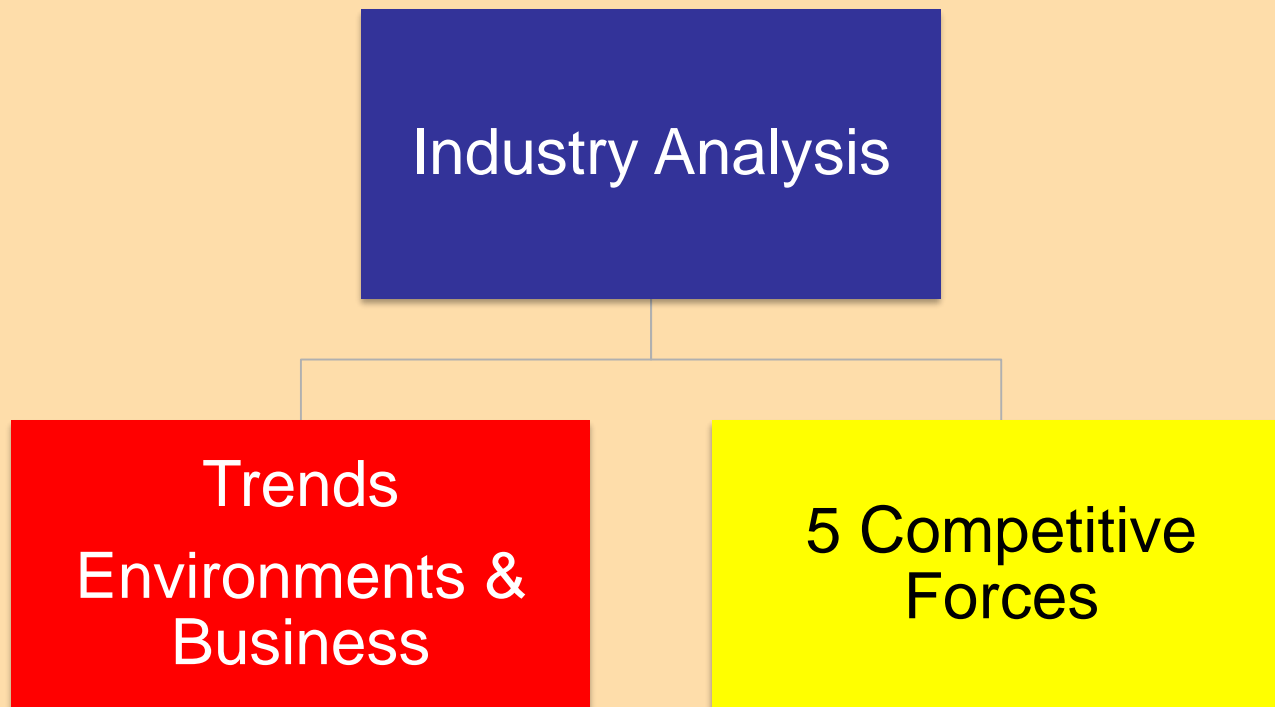
5 Competitive Forces

- **Environmental** Trends
  - Economic, social, technological advances, and political and regulatory changes.
  - Eg. Changes of taste of fashion - jeans.

- **Business** Trends
  - Other trends that impact an industry.
  - Eg. Are interest rate (car, house, etc) among banks increasing or falling?

1930   1940   1950   1960   1970   1980   1990   2000   2006

designer jeans. **evolved**

Porter Competitive Forces & Strategy

- A framework for understanding the structure of an industry
- 5 forces that determine the competitive intensity and therefore market attractiveness

- **Attractiveness**: the overall industry profitability
- **Unattractive industry**: the combination of forces acts to drive down overall profitability
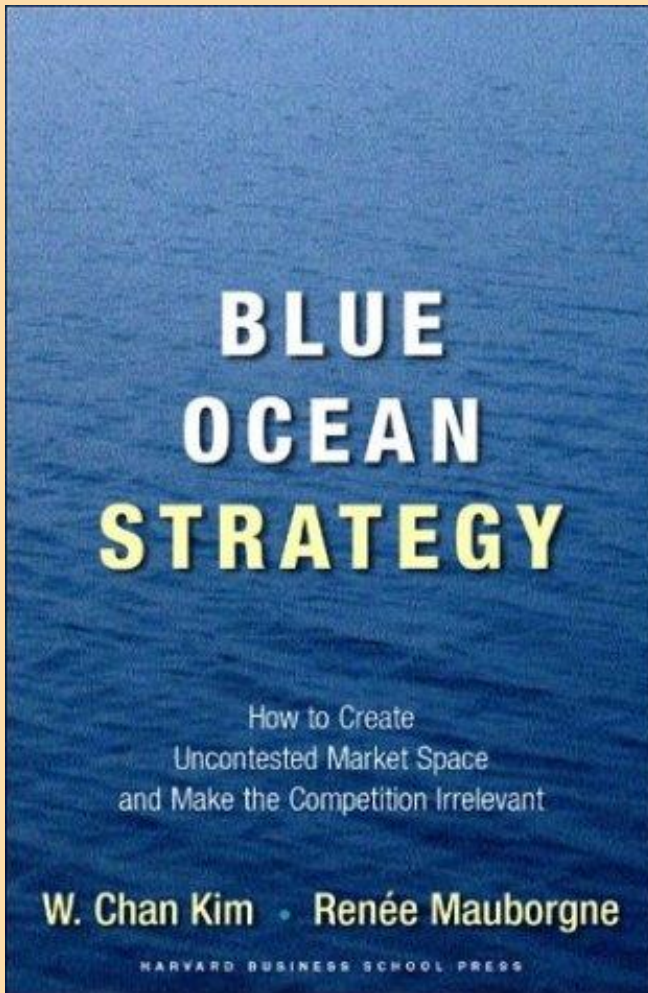- **Attractive industry**: the one that have potential of high profitability

Porter Competitive Forces
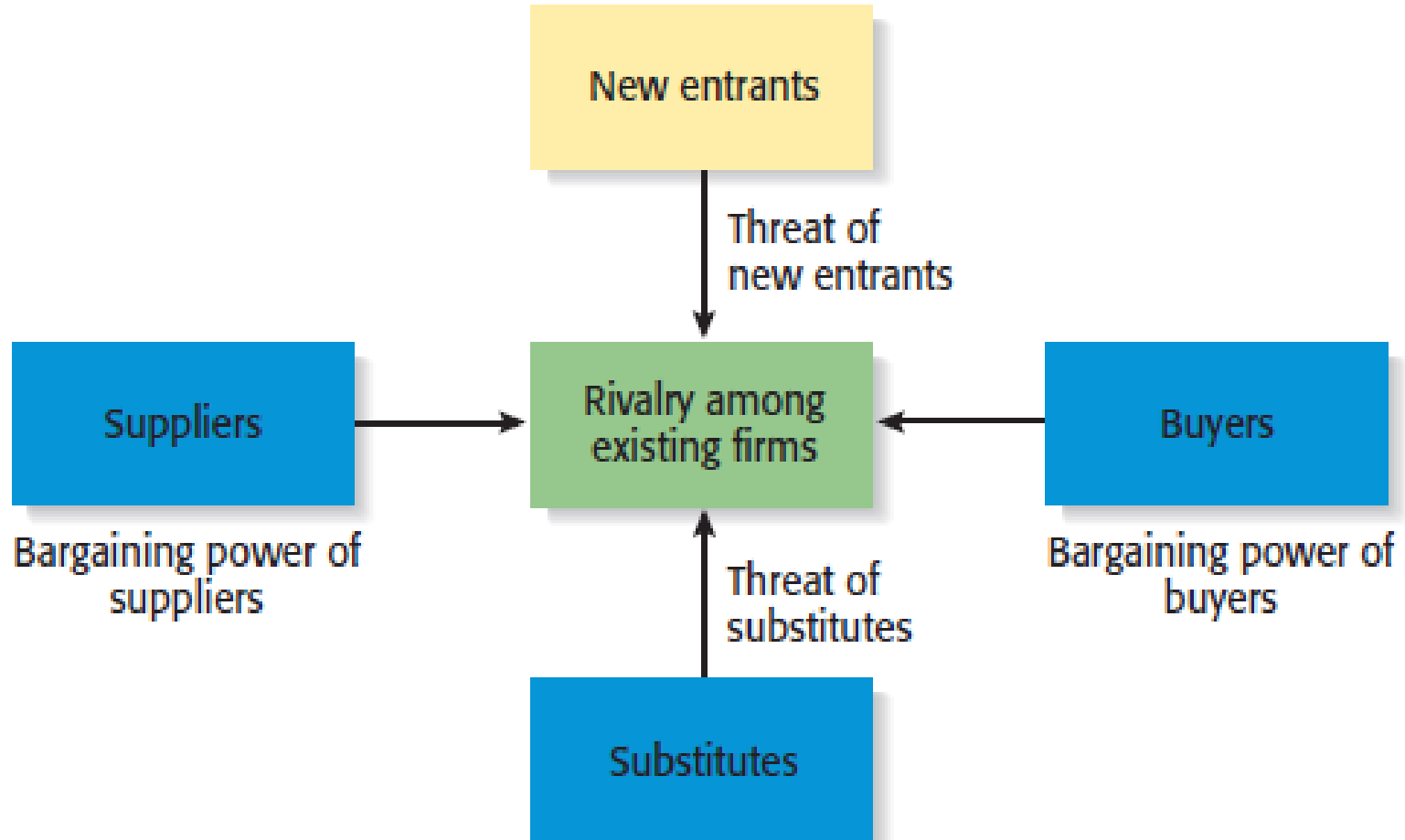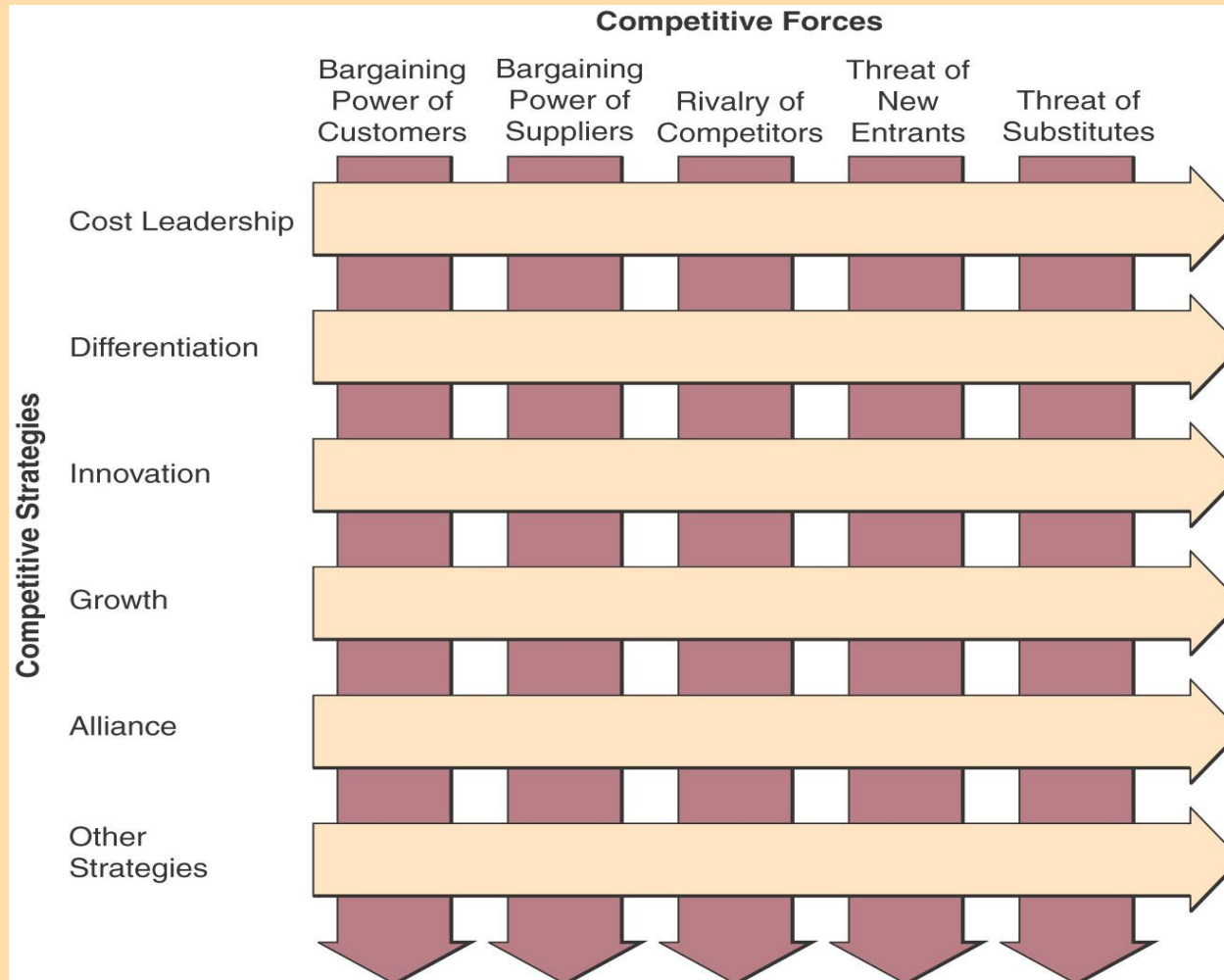
Porter Competitive Forces & Strategy

- W. Chan Kim and Renée Mauborgne in 2005

- Organization can generate profits by **creating new demand in an uncontested market space** (**Blue Ocean**)

Red Oceans

- The known market space which contains all the industries in existence today

- Demand are defined and accepted, and the competitive rules of the game are known

- Companies try to outperform their rivals to grab a greater share of product or service demand

- As the market space gets crowded, prospects for profits and growth are reduced.

- Products become commodities or niche, and cutthroat competition turns the red ocean bloody

Red Oceans - Circus

Failure in Business

Industry	Company
Apparels	Converse
Computer & Telco	Silicon Graphics, Nortel, Atari, Compaq, DEC
Optics	Polaroid, Vivitar
Retail	Woolworths, Borders UK, Empire Direct, Circuit City
Automotive	MG Rover, De Tomaso, Daewoo, Ssang Yong Motor
Airlines	SwissAir, PanAm, ATA Airlines, SkyBus, XL Airways, Aloha, Oasis Hong Kong Airlines, Nationwide, Frontier, TWA

Blue Oceans

- Denote all the industries not in existence today – the unknown market space, untainted by competition

- Demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid.

- Competition is irrelevant because the rules of the game are waiting to be set.

- An analogy to describe the wider, deeper potential of market space that is not yet explored

Blue Oceans - Cirque Du Soleil

- They entered the circus business when it was a failing industry - leaders like Ringling Bros were losing money.

- Cirque Du Soleil reinvented the circus - eliminating the animals and brought in a whole new type of customer - the one willing to spend $50-100 for theatre or opera.

- They experienced rapid growth and profit because they tapped into a Blue Ocean customer base.

- Southwest Airlines, created a totally blue ocean by attracting car drivers.

- Southwest did not compete head-on against other airlines by offering better meals or other incentives.

- Instead, they attracted car drivers by making <u>flying closer to the car-driving experience</u>. They offered the speed of the airplane with the economics and flexibility of driving.
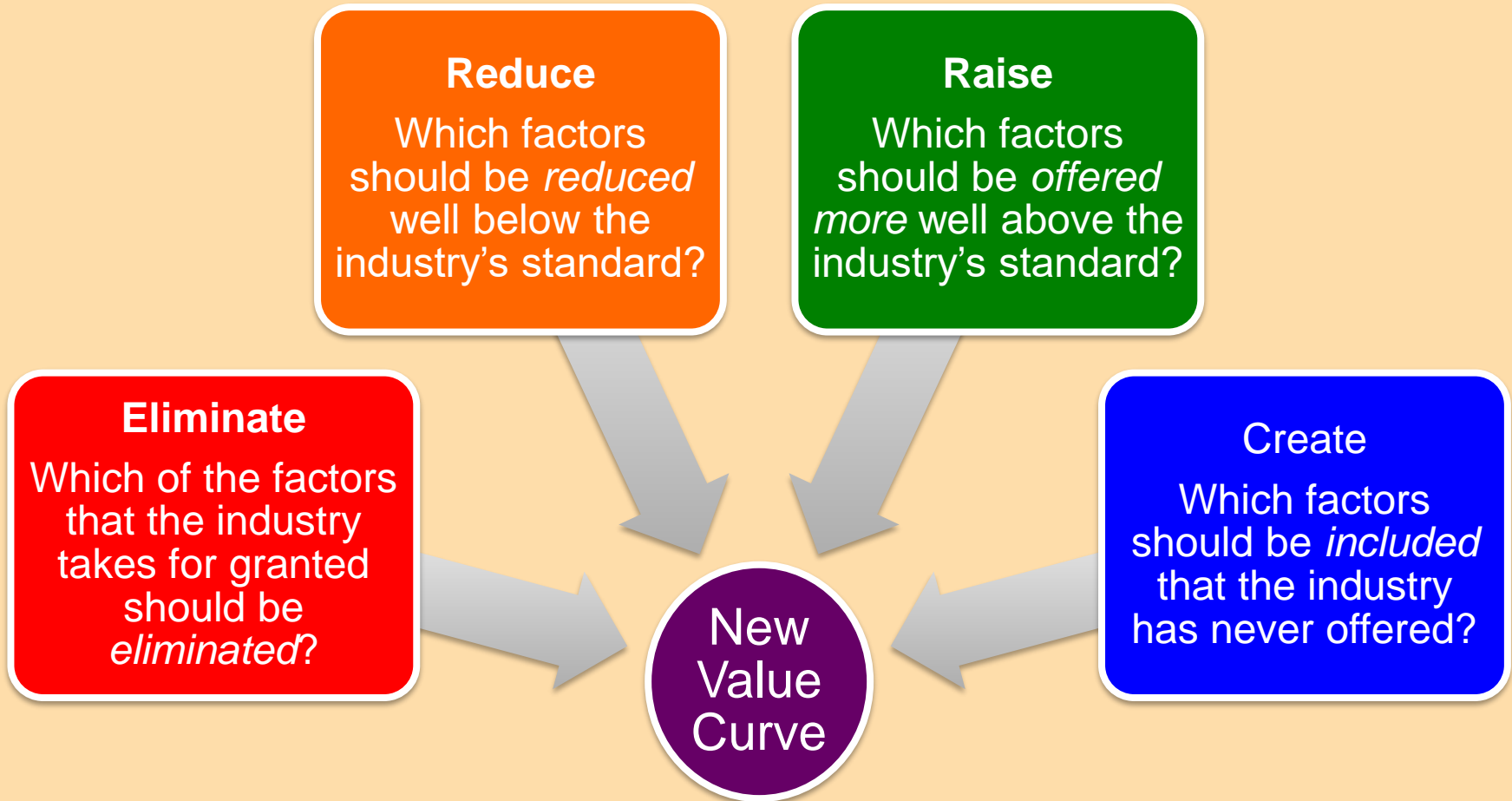
Value Innovation

- A blue ocean is created when a company achieves **value innovation that creates value** simultaneously for both the **buyer** and the **company**.

- The innovation (in product, service, or delivery) must **raise and create** value for the market, while simultaneously **reducing or eliminating** features or services that are less valued by the current or future market.
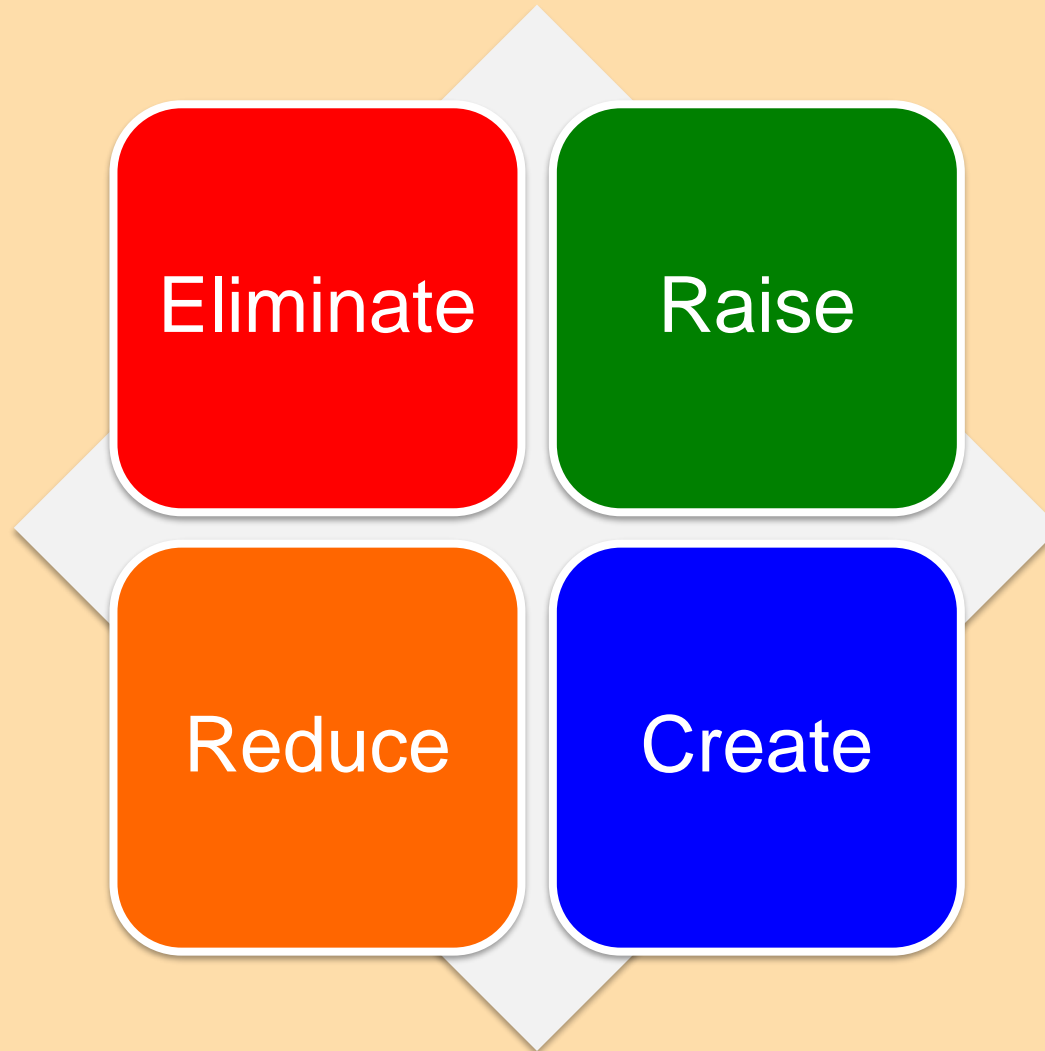
- The Four Actions framework (ERRC Grid)
  - Eliminate
  - Reduce
  - Raise
  - Create
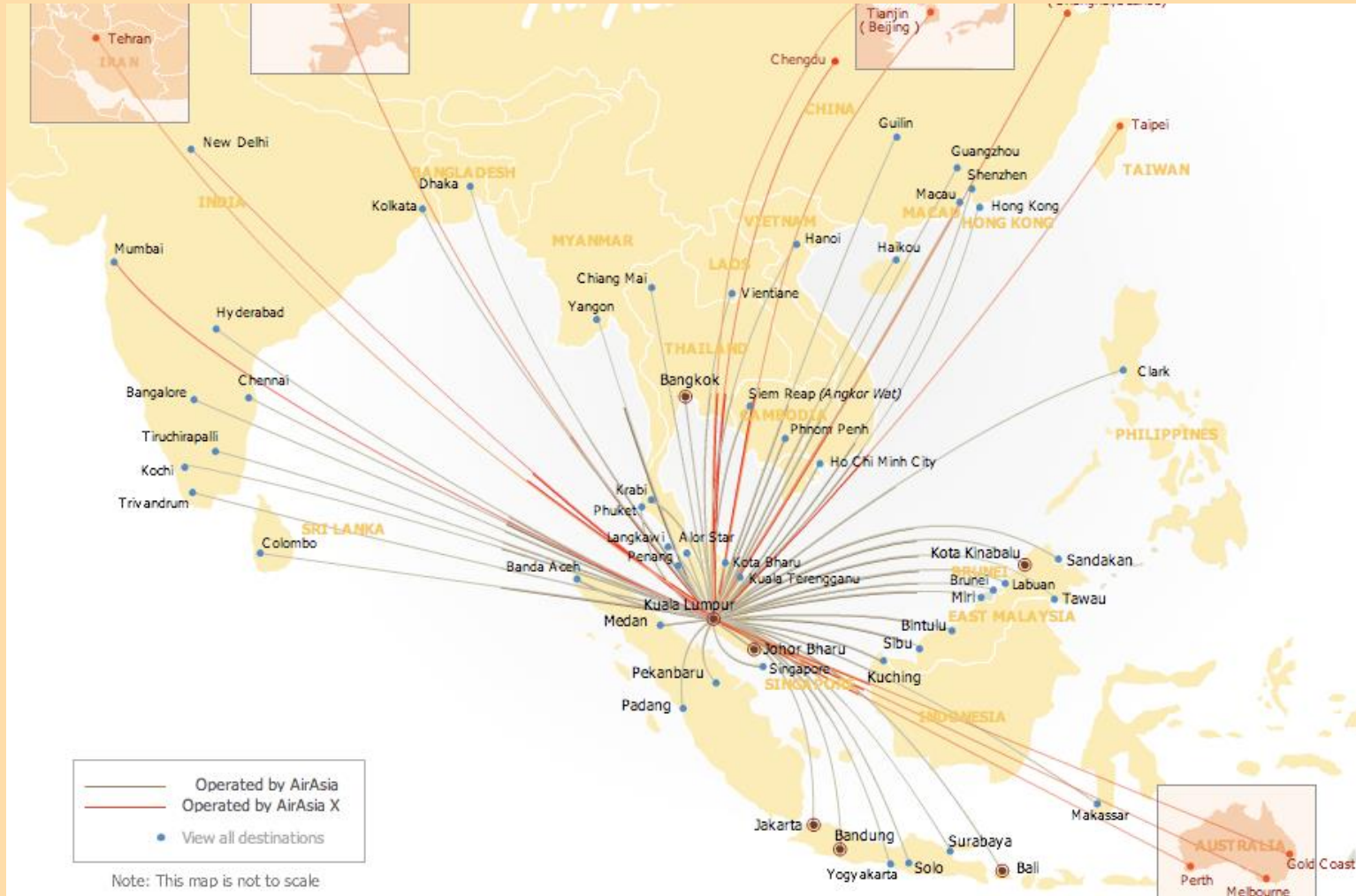
- The Strategy Canvas

Tools: Four Action Framework

Reduce
Which factors should be *reduced* well below the industry's standard?

Raise
Which factors should be *offered more* well above the industry's standard?

Eliminate
Which of the factors that the industry takes for granted should be *eliminated*?

Create
Which factors should be *included* that the industry has never offered?

New Value Curve

Tools: Eliminate-Reduce-Raise-Create Grid

Eliminate

Raise

Reduce

Create

AirAsia ERRC Grid

Eliminate
- Seating class
- Free meals
- Lounge

Raise
- Travel packages
- New international destinations
- Meals variety
- Promotions

Reduce
- Ticket Quality
- Price
- Waiting time
- Air bridge

Create
- Online facility (Web check-in, ticketing)
- Paid Food
- Paid Luggage
- Paid Seat

AirAsia Increasing Route
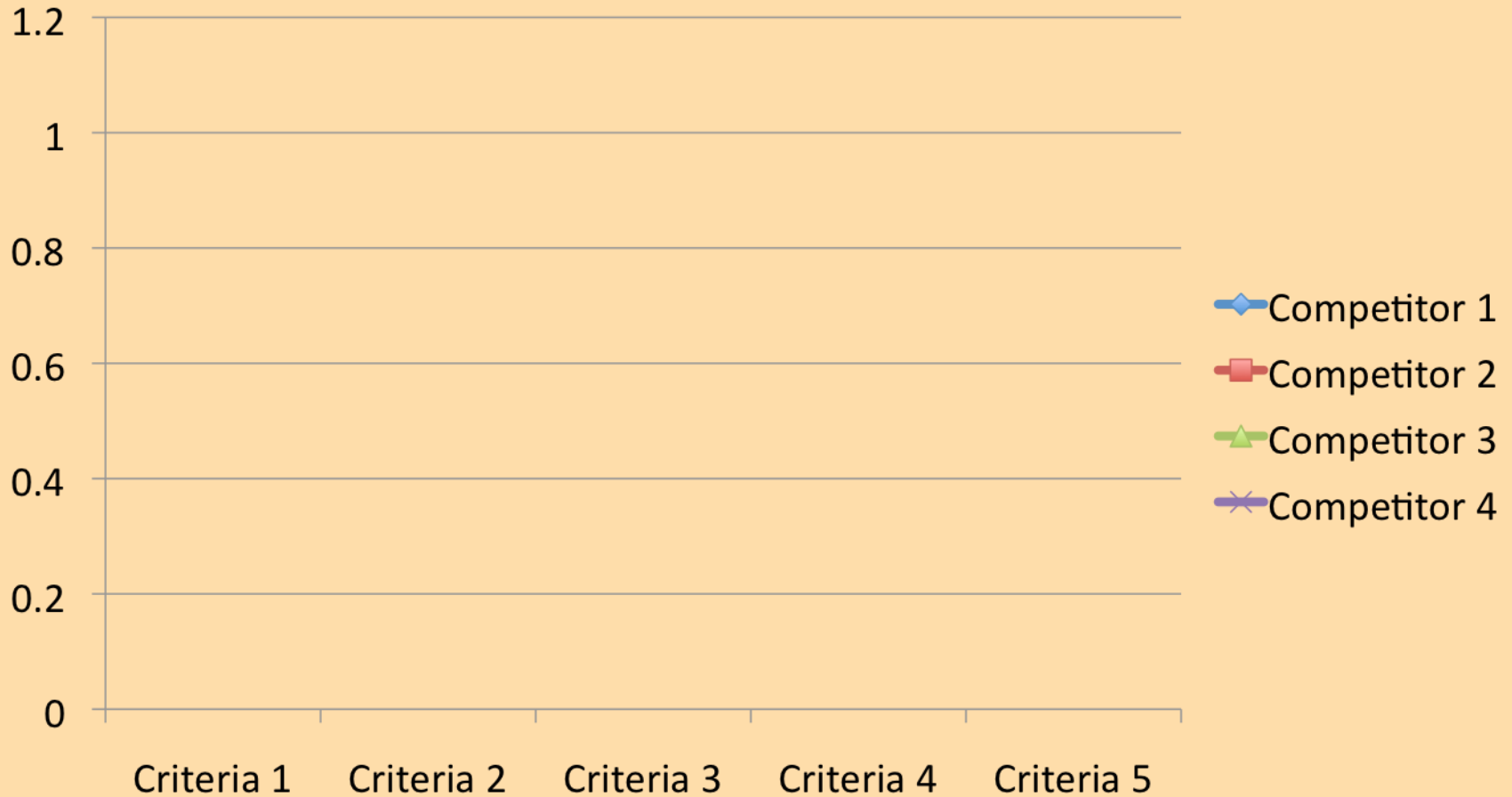
Types of Competitors

Direct Competitors	Indirect Competitors	Future Competitors
Businesses offering identical or similar products	Businesses offering close substitute products	Businesses that are not yet direct or indirect competitors but could be at any time

Strategy Canvas - AirAsia
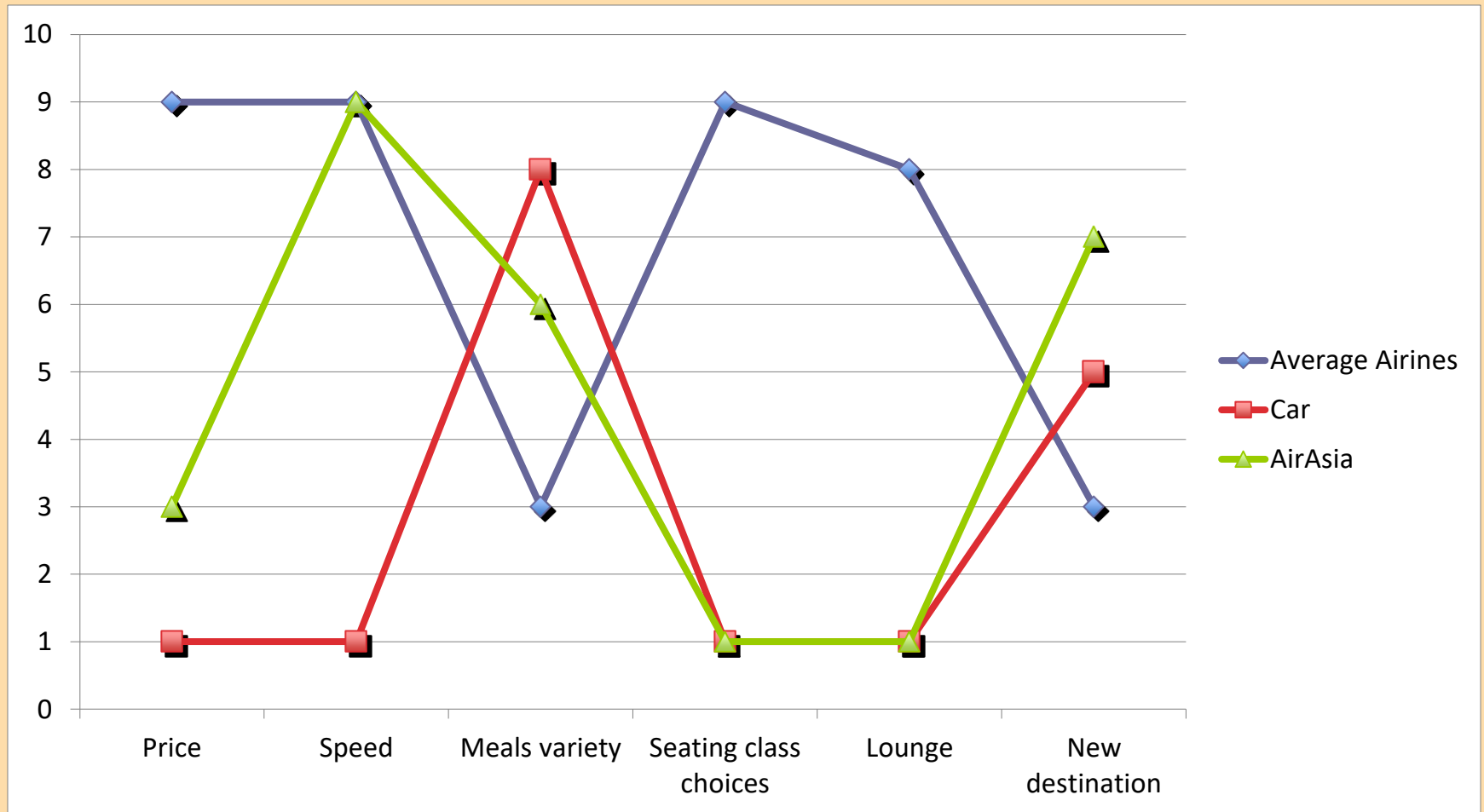
Strategy Canvas - AirAsia

Crocs

ERRC Grid: Crocs

Eliminate

- Shoe boxes and packaging
- Hand sewn features
- Exclusive retail channel distribution

Raise

- Comfort – lightweight, loose-fitting design
- Ease of use & wear
- Hi-durability – didn't degrade
- Easy to purchase

Reduce

- Direct labor manufacturing cost
- Material cost – less materials, styles, sizes
- Advertising and marketing costs

Create

- Fun appeal (crocodile logo & bright colors)
- Completely new type of fashionable footwear
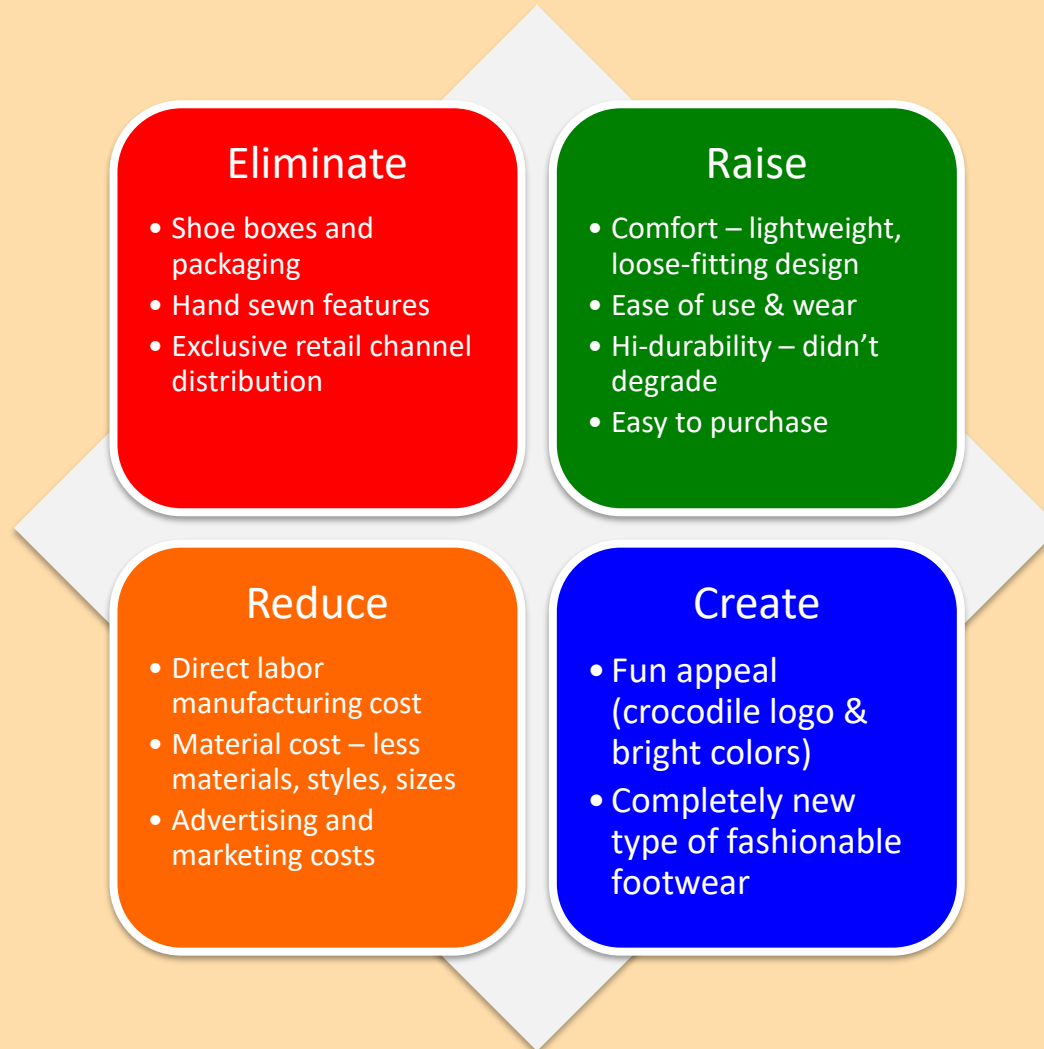
Strategy Canvas: Crocs
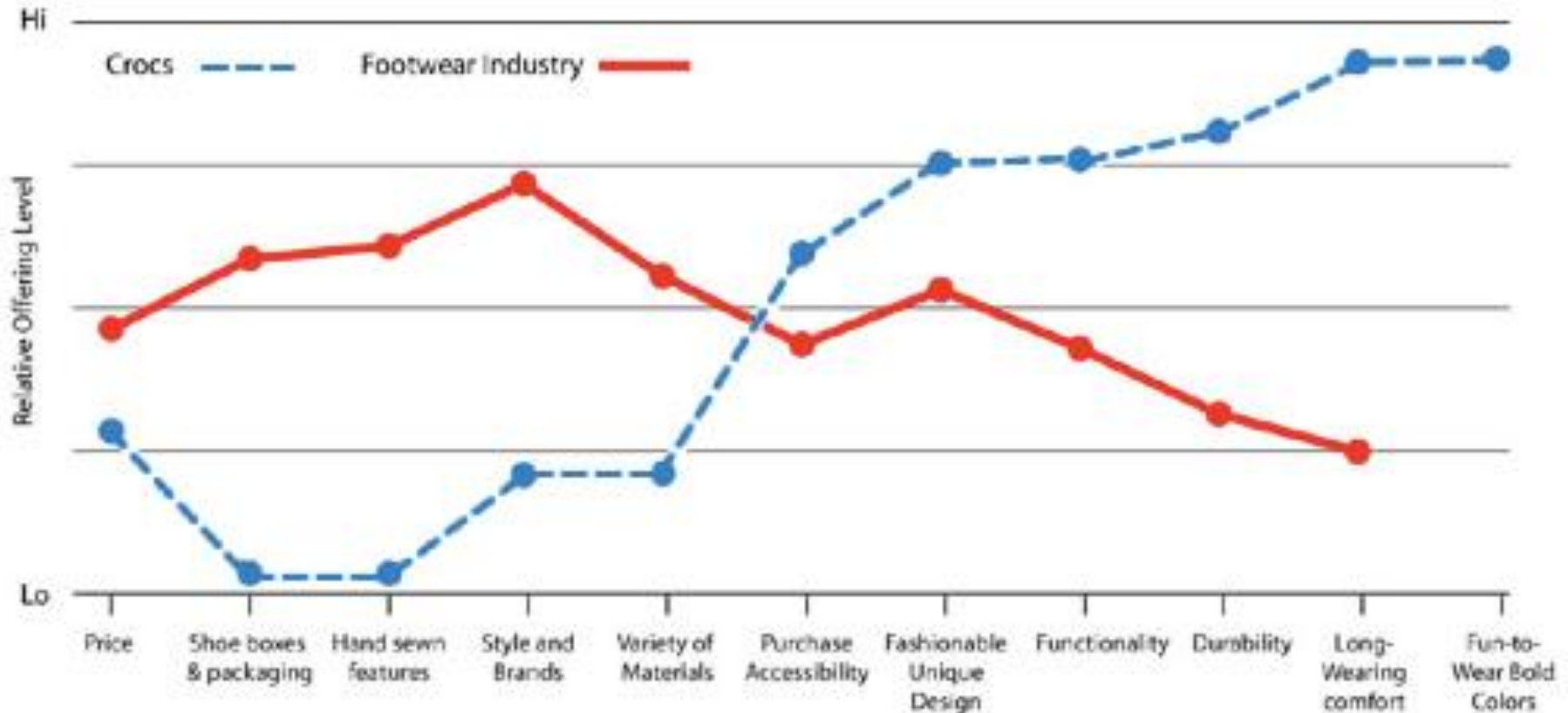
Strategy Canvas tool © Kim & Mauborgne. - Analysis by Frontier Strategy, LLC

- Based on the idea that you have, identify similar products/ services from other competitors
- Categorize the competitors into direct and indirect competitors as well as future competitors
- Based on these different products/ services by these competitors, please identify factors: Eliminate, Reduce, Raise, Create
- Produce the Strategy Canvas

Blue Ocean Strategy Activity

No	Industry	Group	Marks (5%)
1			
2			
3			
4			
5			
6			
7			