Entrepreneurship & Management functions (MAN301T)

Session 3

https://sites.google.com/a/iiitdm.ac.in/sudhirvs/courses/entrepreneurship-management



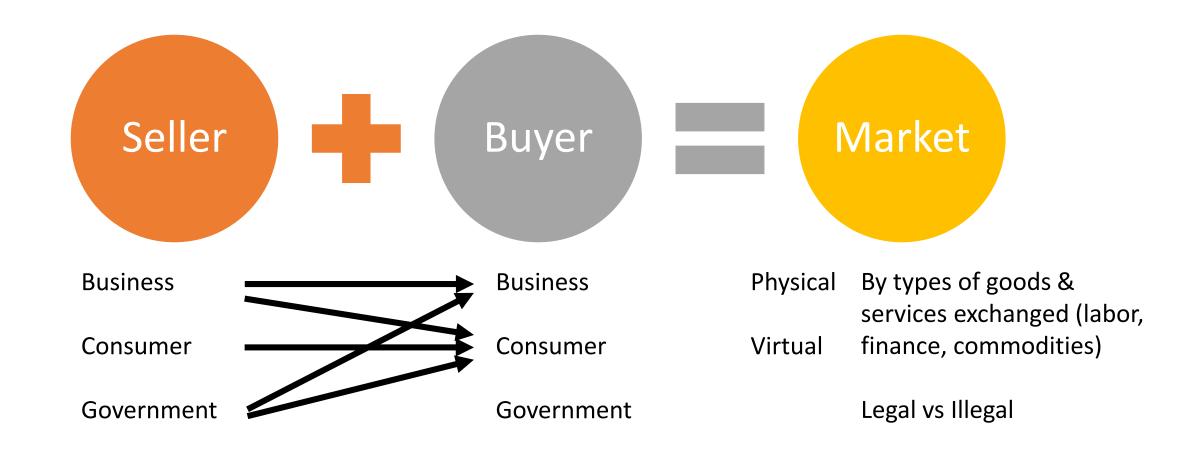
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Contents

Understanding the business ecosystem

Competition Analysis – Porter's Five Forces Model

What is a market (noun)?



Key players in a Business Ecosystem



Different players will exhibit different kinds of pressures on the business (+ve and –ve)

Understanding these pressures and finding a path of alignment is the key for survival and growth over time

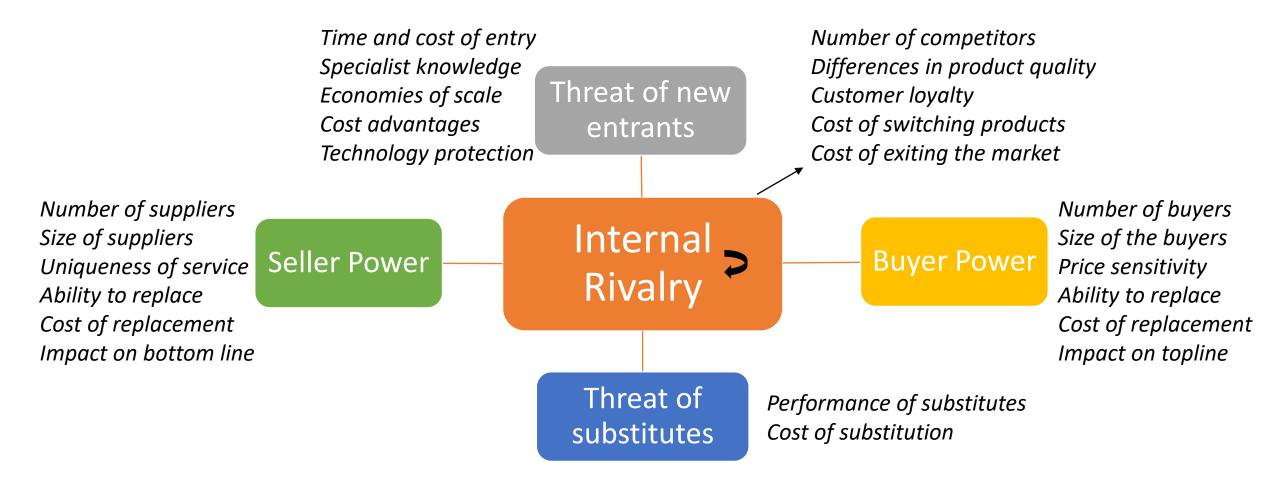
Exercise 3.1: List the key market players for your product / company

Contents

Understanding the market

Competition Analysis – Porter's Five Forces Model

Porter's Five Forces Model



An example from manufacturing: Five Forces in the Indian Automotive Industry (passenger cars)

Medium Entry Barrier

- Capital and labor intensive
- Availability of trained manpower
- Economies of scale for large manufacturers
- •Some technology protection

• Fragmented supply of raw material

- •Small size of suppliers
- •Low cost of substitution

Low Seller Power Too many competitors in car manufacturing, very few in LCV, tractors

Low customer loyalty

•Some brand power, but no real pricing power

- Low switching cost
- High cost of exiting market

•Low cost of substitution

 Multiple product options (example, cheap cabs on hire) Threat of substitutes

Increasing Buyer Power

- Small size of buyers/orders (changing)
- Extreme price sensitivity
- High ability to substitute
- Low cost of substitute

Source: Public Information

An example from services: Five Forces in the Healthcare Industry (Hospitals)

- •Some threat from medical equipment companies
- Large number of suppliers
- Power of leading specialists

Seller Power

Threat of New Entrants

- High capital requirements
- Heavily regulated by the government (including certifications)

Hospitals face less competitive rivalry
 Strong customer loyalty
 Expertise driven

Buyer Power

- Consumers have little power
- Cannot negotiate on pricing

• Home care and natural treatments, preventive care

Threat of substitutes

Source: Public Information

An example of agri-business: Five Forces in the Indian Dairy Industry

- Controlled by Collection Agents
- Inaccessibility of dairy plans
- Delayed recovery

Weak Seller
Power

Lowering of Entry Barriers

- WTO & Deregulation within domestic sector - opens options for large players and corporate sector investment
- Indian Milk production growing at 5-6%
 - Global Supply stagnating at 1 %
 - •Low penetration of Organized sector (10-20% of total)
- Under-utilization of existing processing capacity (Due to Location, Delayed Payments)
 - Key differentiators Price / Product Purity /
 Variety (Health Perspective Missing)
- •Substitute products synthetic, easy to carry, other beverages
- Resistance to milk products

Threat of substitutes

Increasing consumer spending

- •Total spending on Milk & Milk products in India growing @ 11%
- Willingness to pay higher price for quality/vitamins
- •Global Demand 2% p.a.
- New markets opening up EU

Source: Public Information (dated)

Exercise 3.2: Analyze competitive forces for your product-industry

Next Session

Value Chain Analysis and Competitive Strategy

