

# **Industry & Competitor Analysis**

**Indian Institute of Management Udaipur**

**PGP 2015-17 Term V**

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## **Course Overview**

This is an elective course in strategic management. The course aims to help students develop the analytical skills needed to understand and assess the external drivers of superior performance of for-profit firms.

Strategy scholars have proposed several explanations as to why some firms out-perform others which can be broadly be classified into two. The first set of explanations deal with external drivers of superior performance. The primary focus here is to understand how industry, competition and the external environment in general, impact the performance of firms. The second set of explanations look inside the firm, and seek to explain superior performance through the differences in resources and distinctive capabilities that firms possess. The two explanations are complementary, and the understanding of firm performance is not complete without considering both the external and internal drivers. In this course, we shall focus on some of the external drivers of superior firm performance, keeping in mind that the internal drivers are critical and not to be ignored.

Our viewpoint will be that of the strategist responsible for developing the business strategy for a single business firm or a line of business.

## **Learning Objectives**

The course seeks to equip the students with the following skills:

- Define the *industry* for the purpose of industry analysis, as an input to strategy development/ review
- Carry out industry analysis
- Analyse competitor actions and predict competitor behaviour
- Understand the impact of competitor actions on focal firm's business strategy and performance
- Understand how competition unfolds over time and impacts firm performance

## **How We Learn**

Learning will primarily be facilitated through discussion of cases, as the concepts and techniques covered in the course are best understood through practice. The effectiveness of case teaching method depends on both the instructor and the students. The students, as participants to the case discussion, have the responsibility to prepare for the case prior to the session, and actively participate in the discussion of cases.

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- Students are expected to submit pre-class case write-ups which help them structure and articulate their analysis of the case context and key questions.

### Preparing for the Case Discussion

For the students to derive the best learning experience from the sessions, prior preparation for case discussions is essential and necessary. For each session, readings and cases have been assigned. Prior to participating in the sessions, the students shall go through the relevant readings and teaching case and analyse the case with specific reference to the discussion questions. In analysing the case, the concepts in the relevant readings shall be applied. As we progress through the course, it would be useful to integrate the learning from prior sessions into the preparation. Many of the discussion questions would require numerical estimates based on data provided in the case. Students are encouraged to carry out relevant estimates and bring their results to the class. The numerical estimates themselves do not become the answer to discussion questions, but will help the student in anchoring the responses with analysis.

There is no right or wrong answer to a business situation/ issue, as managers often work with insufficient information and time. While it is often possible to judge the correctness of a decision with hindsight, that is not the primary learning objective. Rather the objective is to inculcate in the students the ability to analyse situations and arrive at conclusions that are most appropriate given the available information; the appropriateness being judged on the basis of consistency of the line of thought that leads to the conclusion. The students, in preparing for the case discussion, shall focus their analysis on:

- Understanding the business situation/ problem in as detailed and nuanced a manner possible
- Applying the conceptual frameworks and techniques to address the situation/ problem
- Coming up with explanations and conclusions that are internally consistent and logical, that directly addresses the situation/ problem

### Participating in Case Discussions

Discussions on the cases assigned for each of the sessions is expected to provide the students with the understanding and application of relevant conceptual frameworks and analytical techniques. While the instructor will moderate and guide the case discussion, active participation by the students is essential for the case discussion to deliver value in the classroom.

Effective class participation requires the students to:

- Prepare well for the class (summarised points of view based on case analysis and readings)
- Participate meaningfully in the class discussion (clear and concise articulation of one's point of view, without repeating/ paraphrasing what someone else has said already)
- Understand differing points of view
- Synthesize learning from the discussion

Class participation gives the students the opportunity to practice and develop their ability to add value to a discussion. So prepare well, and do not hesitate to participate in the class discussion.

## Evaluation

Course evaluation shall comprise of three components:

Class Participation	Individual assessment	20%
Case Write-ups	Individual assessment	30%
End-term Examination	Individual assessment	50%

### Class Participation

Active participation in the class discussion by the students is essential for the effectiveness of teaching through cases. This component of evaluation seeks to reward students for participating in the class in a well-prepared, well-structured and meaningful way that enhances the learning experience of all including the instructor. Evaluation will cover both the quality and frequency of participation across all the sessions in this course.

### Case Write-ups

This is an individual assignment. Each student is expected to submit a minimum of four maximum of six case write-ups during the course. Best four scores will be considered for grading. Case write-ups should cover the case<sup>2</sup> to be discussed each day of the course (two sessions). The write-up shall be in MS Word up to 1,000 words (maximum two A4 pages with one inch margins on all sides, using Times New Roman font size 12 and single spacing). In the write-ups, the students are to provide their response (analysis and conclusions) on each of the discussion questions provided for the case (see *Schedule of Topics*, below).

Write-ups are to be emailed to the instructor ([saiprakash.iyer@iimu.ac.in](mailto:saiprakash.iyer@iimu.ac.in)) to be received at least 30 minutes before start of the session. Write-ups received after this time will not be evaluated. Received timestamp in instructor's mailbox will be used to decide time of submission. No copy-pasting please.

### End-term Examination

The exam shall be open-book case-based, and shall test the students in their understanding of the concepts and techniques covered in the course. Case analysis shall require the application of one or more of the concepts/ techniques covered in the module. Specific exam questions shall be given based on the case (to be provided at the time of the exam) and the students are expected to respond in an essay format for each of the questions, backed by analysis of data in the case to support the analysis and conclusions/ recommendations. Reasonable assumptions can be made to supplement data/ information available in the case, and all assumptions have to be explicitly stated.

The exam will be for three hours and the students will be provided with a case and a set of questions at the start of the exam. Students are free to refer to any printed or written material they bring to the exam hall. While students can refer to the materials brought with them, they are not allowed to exchange materials with other students during the exam, or request the invigilator to provide specific materials. It is the student's responsibility to bring the required materials. While use of calculators is allowed during the exam, use of laptops and smartphones (or any smart device with internet connectivity) are not. Reading and analysis of case has to be done individually and no discussion is permitted among students during the exam.

<sup>2</sup> One write-up per day, from sessions 1-2 to sessions 19-20

In answering the exam, students may keep in mind that precise and concise articulation will be valued more than long-winded stories. Logical, well-reasoned and data-supported conclusions will be valued more than unsubstantiated opinions and global statements. Students are urged to explicitly state assumptions made in the analysis. While multiple positions and options may be considered for analysis, the response to each question should be summed up with one clear position and/ or conclusion.

## **Attendance**

The course learning is cumulative and builds on the discussions in each session. Students are urged not to miss any classes. For specific reasons, if you not able to attend a session, submitting at least the write-up will help in the learning.

## **Special Requirements**

Students with special requirements are advised to write to the instructor prior to start of the course or discuss with the instructor in the first day of the course.

## **Course Materials**

Session readings and cases are available in the course pack. List of readings and cases for each session is listed in *Schedule of Topics*.

## Schedule of Topics

### Sessions 1 & 2: Industry Analysis and Industry Boundaries

Introduction to industry analysis. Discuss the importance of defining industry boundaries and how it impacts the conclusions from industry analysis.

#### Readings

- Kay, J. A. (1990) *Identifying the Strategic Market*, Business Strategy Review, 1(1), p.2–24
- Porter, M. E. (2007) *Understanding Industry Structure*, HBS Note (9-707-493)

#### Case

- *Harcourt Brace Jovanovich, Inc.* (HBS Case 9-392-045)

#### Discussion Questions

1. Can the publishing industry be analysed as a single industry? Why/ why not?
2. How would you define the boundaries of this industry, for the purpose of industry analysis? Why?
3. How attractive is the publishing industry? Why?
4. What are major trends/ issues in El-Hi and College publishing? How do these trends/ issues impact HBJ and GCC's decision?

### Sessions 3 & 4: Industry Analysis and Geographic Markets

Understand how geographic boundaries of industries shape competition and business strategy.

#### Readings

- Enright, M. J. (1994) *Note on the Geography of Competition and Strategy*, HBS Note (9-793-135)

#### Case

- *Novo Industri* (HBS Case 9-389-148)

#### Discussion Questions

1. Why has competition in the insulin industry been on a nation by nation basis? Will this change? Why?
2. Compare the strategies and resources of the leading insulin firms. Why has Novo been the leading international competitor to date?
3. What challenges and opportunities did Novo face in 1982? What should Novo do?

### Sessions 5 & 6: Competitor Analysis (1) – Industry Structure and Competitive Positioning

Introduction to competitor analysis. Understand the linkages between industry structure, competitors' actions and their competitive positions.

### **Readings**

- Grimm, C. M., Lee, H., and Smith, K. G. (2006) *Economic Theories of Competition and Competitive Advantage*, Chapter 2 in *Strategy as Action*, Oxford University Press
- Halaburda, H., & Rivkin, J. W. (2009) *Analyzing Relative Costs*, HBS Note (9-708-462)

### **Case**

- *The Ready-to-eat Breakfast Cereal Industry in 1994 (A)* (HBS Case 9-795-191)

### **Discussion Questions**

1. Why has RTE cereal been such a profitable business? What changes have led to the current industry crisis?
2. Why have private labels been able to enter this industry successfully? How do the cost structures of private label and branded cereal manufacturers differ?
3. What does General Mills hope to accomplish with its April 1994 reduction in trade promotions and prices?
4. What are the risks associated with these actions? How do you expect General Mills' competitors to respond?

## **Sessions 7 & 8: Competitor Analysis (2) – Predicting Competitor's Behaviour**

Understand how competitor analysis is useful in predicting the behaviour of rivals, existing or potential.

### **Readings**

- Grimm, C. M., Lee, H., and Smith, K. G. (2006) *Using the Action Model: Predicting the Behavior of Rivals*, Chapter 10 in *Strategy as Action*, Oxford University Press
- Hitt, M., Ireland, D., and Hoskisson, R. (2009) *Competitive Rivalry and Competitive Dynamics*, Chapter 5 in *Strategic Management: Competitive and Globalization Concepts 9<sup>th</sup> Edition*, South-Western Cengage Learning, p.128–155

### **Case**

- *British Satellite Broadcasting versus Sky Television* (HBS Case 9-794-031)

### **Discussion Questions**

1. How might BSB have been able to identify News Corporation as a potential competitor prior to Rupert Murdoch's announcement of the launch of Sky Television?
2. What might BSB have done differently before Sky's entry announcement? Following the announcement?
3. By 1990, how much is BSB worth? What should BSB do in 1990?

## **Sessions 9 & 10: Competitive Dynamics (1) – Competitive Action-Reaction**

Explore the process of competition through the actions and reactions of rivals. Understand how this impacts the evolution of competitive position and business strategy.

### **Readings**

- *Competitive Dynamics: Competition as Action-Response*, Darden Technical Note (UVA-S-0123).

### **Case**

- *The Battle of the Asian Transshipment Hubs: PSA Vs. PTP (A)* (Darden Case UVA3903)

### **Discussion Questions**

1. What are the economics of the port industry and shipping industry? How do industry economics drive competitive strategies?
2. What are the relative strengths and weaknesses between PSA and PTP, and how do they affect their strategies and actions?
3. Analyse the competitive actions between PTP and PSA. Why did PSA not respond to PTP's actions in the mid-1990s?

## **Sessions 11 & 12: Competitive Dynamics (2) – Exploiting Scarce Resources**

Explore how competitive positioning based on superior resources can be guarded/ attacked  
– from the perspective of the dominant firm/ challenger.

### **Readings**

- Grimm, C. M., Lee, H., and Smith, K. G. (2006) *Engaging Rivals With Ricardian Actions*, Chapter 7 in *Strategy as Action*, Oxford University Press
- Smith, K. G., Ferrier, W. J., & Grimm, C. M. (2001) *King of the Hill: Dethroning the Industry Leader*, Academy of Management Executive, 15(2), p.59–70

### **Case**

- *Polaroid—Kodak* (HBS Case 376-266)

### **Discussion Questions**

1. What strategies did Polaroid and Kodak follow during the 1960s?
2. Have these strategies changed during the 1970s? If so, why?
3. Was it inevitable that Polaroid and Kodak would engage in head-on competition?
4. What is your evaluation of the resource positions of Polaroid and Kodak as they prepare to do battle in April 1976?
5. What actions will each player make in the next round? What actions should they take?

## **Sessions 13 & 14: Competitive Dynamics (3) – Protecting Value-added**

Explore how the focal firm's value-added can be protected against competitor actions.

### **Readings**

- Grimm, C. M., Lee, H., and Smith, K. G. (2006) *Defending Against Rivals as a Dominant Firm*, Chapter 8 in *Strategy as Action*, Oxford University Press

### **Case**

- *Brighter Smiles for the Masses – Colgate Vs. P&G*, HBS Case (9-706-435)

### **Discussion Questions**

1. What are the key aspects of P&G's Whitestrips launch strategy? How would this translate to value appropriation by P&G?
2. How did P&G's launch of Whitestrips impact Colgate's oral care business and market position? Why?
3. How did Colgate's response to P&G's launch impact P&G? Why?
4. Could P&G have adopted a different strategy for Whitestrips at the time of original launch? If so, what launch strategy, and how would that have impacted P&G and Colgate? [Consider the potential responses from Colgate for a different launch strategy by P&G and its impact on P&G]

## **Sessions 15 & 16: Competitive Dynamics (4) – Changing the Rules of the Game**

Explore how competitive actions shape the rules of the game and in turn impact firm performance.

### **Readings**

- Brandenburger, A. M., & Nalebuff, B. J. (1995) *The Right Game: Using Game Theory to Shape Strategy*, Harvard Business Review, Jul-Aug 1995, p.57–71
- Grimm, C. M., Lee, H., and Smith, K. G. (2006) *Avoiding Rivals with Entrepreneurial Actions*, Chapter 6 in *Strategy as Action*, Oxford University Press

### **Case**

- *Power Play (A): Nintendo in 8-bit Video Games*, HBS Case (9-795-102)

### **Discussion Questions**

1. Nintendo successfully recreated the home video game business following the Atari-era boom and bust. How did it do so?
2. How was Nintendo able to capture value from the home video game business?

## **Sessions 17 & 18: Platform Competition**

Understand the distinctive features of multi-sided markets (platforms) and its implications for competitive strategy of platform providers.

### **Readings**

- Eisenmann, T. R., Parker, G., & Van Alstyne, M. W. (2006) *Strategies for Two-sided Markets*, Harvard Business Review, Oct 2006
- Eisenmann, T. R. (2007) *Platform-mediated Networks: Definitions and Core Concepts*, HBS Note (9-807-049)

### **Case**

- *Responding to Wii?* HBS Case (9-709-448)

### **Discussion Questions**

1. Explore the multi-sided nature of video game industry – how does this affect competition among console manufacturers?
2. What are the main challenges faced by console manufacturers in launching a new generation, and how do they overcome them?
3. How do console manufacturers make profits? What is the logic underlying their profit formula?
4. What are the strategic options available for Sony to regain industry leadership?

### **Sessions 19 & 20: Competing for the Future**

Understand how industry and technology evolution affects the competitive position and long-run sustainability of firms, and what they can do to succeed in such contexts.

#### **Readings**

- Shih, W. (2013) *Competency Destroying Technology Transitions*, HBS Background Note (9-613-024)
- Hamel, G., & Prahalad, C. K. (1994) *Competing for the Future*, Harvard Business Review, Jul-Aug 1994

#### **Cases**

- *The Crisis at Encyclopedia Britannica* , Kellogg Case (KEL251)

### **Discussion Questions**

1. What was the basis of Encyclopedia Britannica's success since 1930s up to early 1980s? What business model did EB adopt?
2. How did the emergence of personal computing technology impact EB's business model?
3. Was it inevitable that EB's dominance in the encyclopedia market would be upended? Why/ why not?
4. How could EB have succeeded in the face of the advent of personal computing technology? How would this have played out, internally within EB and externally in the market?