Study first exam

the six componets of the macor environment

1. politcal factors - this includes like fiscal polices tariffs the politcal climate fdereral vanking system some politcal policies affect certain types of indurtroies
2. economic condtions the health of the nation so like unempolyment rate, ex exchange rate, growth, trade. so pretty much how the e econmy is doing
3. sociocultural forces how the people feel about the attiude of the social we well being
4. technological factors
5. environmental forces
6. legal and regulatory

comptetive pressures created by rivalry among competing sellers

1. rivalry increases when buyers demand is growing slowly or declining. so when ever there is somthing going when intrest is going up they have sales or promation the same affect happens when the intrest is going out of Bussiness
2. rivalry increases as it becomes less costly for buyers to switch brands an example would be the phone company where there is a cost to switch to another one but with team mobile they cut that cost
3. rivalry increases as the product of rivals sellers becone less strongly differentiated.

   so if they are same product they competition will be higher because the buyer will go to the one the is cheaper.
4. rivalry is more intense when there is excess in supply or unused production capcity especually if the industy's product has hig fixed cost or high storage cost so when there is a lot of something and they have to get rid of because it cost them money to keep.
5. rivalry intensifes as the number of competitors increase and they become more equal in size and capabilty.

   when companyies cut the prices
6. rivalry becomes more intense as the diversity of competitors increases in terms of long term direction objectives and countries of orgin a diverse
7. rivalry is stronger when exit barrier keep unprofitale firms from leaving the industry

the choice of competive weapons

- sales promtions
- heavey advertising
- rebates
- low interest rate The people might say there product is better because if this and that.

competitive pressure associated with the threat of new entrants

- expected reaction of incument firms to new entry and what are known as barries to entry **barries are entry are high under the following condtions**

- industries incumbent enjoy large cost advantages over potenial entrants
    1. scale economies in production, distibution,advertising, other activites
    2. the learning-based cost saving that accrue from experince in perfoming ceartain activietes sucn as manufacturing or new prodict development of inventory mangement
    3. cost sacing accruing from patent or proretary technology
    4. favorable locations and
    5. low fixed cost becasue incunbent have older facilties taht been mostly deprciate the

- costumers have strong brand preference and high degree of loalty to seller
- patent and other forms of intellectual property protectin are in place some case patents that are used that prevent to entry but once they are up they better watch out boom!
- thare are string "network effects " in customer demand. when everyone is using a certian device you cannot compete with them, so like xbox and playstation
- capital requirements are high
- there are fiffeiculties in building a network of distributors/dealers or in securing adequate space on retailers' shelves
- there are restrictive reulatory polices
- there are restrive trade polices

competitive pressures from the sellers of substitute products from the sellers of substitute prodicts

1. good substitutes are readily available and attractively priced
2. buyer view the subtitutes as comparable or better in trms of qualit perfromance and other relavent attributes
3. the cost that buyers incur in switching to the substitutes are

competitive pressures stemming from supplier bargaining power

it all depends on the bargaing power to influence the terms and conditions of supply in their favor. **the powers are stronger when**

- demand for suppliers products is high and the prdoucts are in short supply
- suppliers provide differentaited inputs that enhance the preformance of the industry prodcts
- industry members are incapable of intergrating backward to self manufacture items they have been buying form suppliers

- suppliers provide an item that accounts for no more than a a small fraction of the costs of the indutry product
- good subtitutes are not available for the sppliers prodcuts
- industry members are not major customers of suppliers page 58

Competive pressures stemming from buyer bargaing power and price sensitivity page 60

whether buyers are to exert strong competitive pressures on industty members depend on

buyer bargaining power is stronger whe

- buyers demand is weak in relation to industry supply
- industry goods are standardixed or dfferentiation is weak
- buyers costs of switching to competing brands or substiutes are relativly low
- buyers are large and few in numbers relative to the number of sellers toh larger the buyers the mo
- buyers pose a credible threat of integrating bakward into business of sellers
- buyers are wll infromed about sllers products prices and cost
- buyers have discretion to delay purches or perhaps even not made a purches at all
- buyers price sensitivity increases when buyers are earning low profits or have low income
- buyers are more price sensitve if the product represent a large fraction of their total purchase

is the collective strength of the competitive forces conducive to good profitablity page 62

Intense competitive pressures from just one of the five forces may suffice to destroy the conditions for good profitability

also ther strongest competitive forces determine the extent of the competive pressure on industry profitability 1

matching company startegy to competitve conditions page 63

1. pursuing avenues that shield the firm from as many of the different competive pressures as possible

2. initatiing actions calculated to shift the competive forces in the company's favor by altering the underlying factors driving the five forces

complementors and the value net page 63

Complementors are the producers of complemetary products,which are product that enhance the calue of the focal firms products when they are use

industry dynamics and the forces driving change

Industry and competive conditions change because forces are enticing or pressuring certain industy particioants(competitors,customers suppliers complemetors to alter their actions in important ways the most powerful of the change agents are called driving forces becuse they have the biggest influence in reshaping the industry landscape and altering competive conditions **driving forces has 3 steps**

1. identifyin what the driving forces are
2. assesing whether the drivers if change are on the whole acting to make the industry more or less attractive
3. determining what strategy changer are needed to prepare for the impact of the driving forces. all three steos merit futher discussion

identifying the forces driving industry change page 65

- changes in an industry long term growth rate
- increasing globlization
- emerging new internet cabilites and applications
- shifts in buyer demograpics
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- technological change and manufacturing porcess innovation
- product innovation
- entry it exit of major firms
- diffusion of technical know how across companies and countries
- changes in cost effieciency
- reduction in uncertainty and business risk
- regulatory influences and government policy changes
- Changin scietal concerns attitude and lifestyles

There many factors but only like three or four can make an impact

assesing the impact of the forces driving industy change 67

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using startegic groups tp asess the market postitons of key competitors page 67

A strategic group consists of those industy member with simialr competive approaches and postions in the market

the procedure for constructing a strategic group map is straightfoward

- the competive characteristics that delineate strtegic aooriaches used in the industy typical variable used in creating strategic group map are price/quality rang hig mdeduin low geographic coveage local regin=onal natiln golo=bal o.... see page 68
- plot the firms on a two variable map using pairs of thes variables
- assign firms occupying about the same map locatuin to the same strategic group
- draw circle around each stratigic group making the circles proprional to the size of the group share of total industy sales revenus

the value of stategic group maps pg 70

- prevailing competive pressire from the industy five force may caus the progit potential of differen strategic groups to vary
- industry driving force may favor some strategig groups and hurt other

all in page 71

current startegy they need to know competitors stategy to succed

objective they need to have stratigic objective as well **resources and capabilities** what ever you have at hand

assumption making decisotoin based on your situation