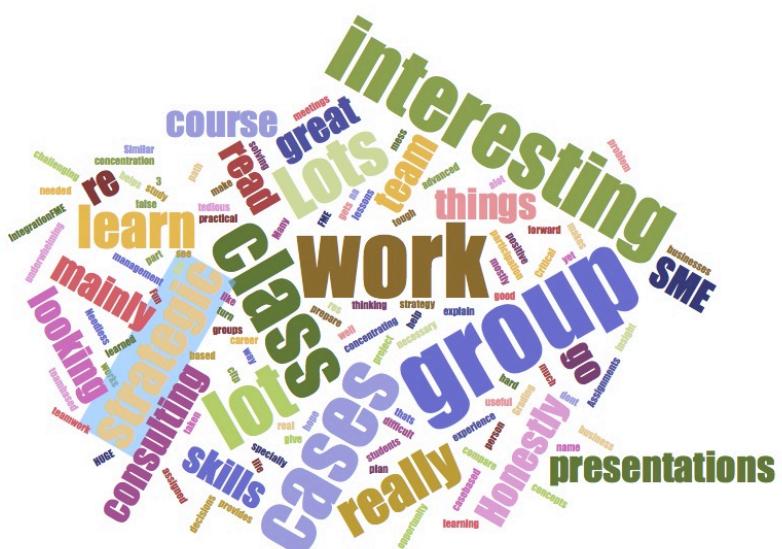


Welcome

Session Three: Industry Analysis

Please sit with your teams.



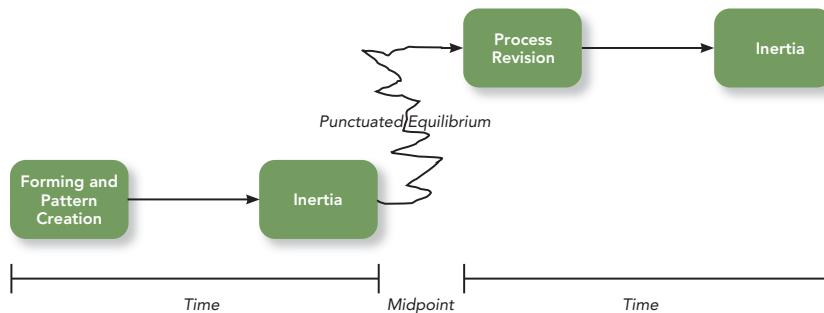
Experience with Teams

- Write down what it would feel like to work on the **best team** you've had at Babson.
- Now, write down **1-3 actions** you plan to take this semester to make that a reality.

Keep this to yourself

BABSON COLLEGE — ALL RIGHTS RESERVED

Common Stages of ASM Team Development





Apple's Leadership

**Apple Leadership
Executive Profiles**

Tim Cook CEO	Katherine Adams Senior Vice President and General Counsel	Angela Ahrendts Senior Vice President Retail	Eddy Cue Senior Vice President Internet Software and Services
Craig Federighi Senior Vice President Software Engineering	Jonathan Ive Chief Design Officer	Luca Maestri Senior Vice President and Chief Financial Officer	Dan Riccio Senior Vice President Hardware Engineering
Philip W. Schiller Senior Vice President Worldwide Marketing	Johny Srouji Senior Vice President Hardware Technologies	Jeff Williams Chief Operating Officer	
Steve Dowling Vice President Communications	John Giannandrea Chief of Machine Learning and AI Strategy	Lisa Jackson Vice President Environment, Policy and Social Initiatives	Isabel Ge Mahe Vice President and Managing Director of Greater China
Tor Myrvoll Vice President Marketing Communications	Deirdre O'Brien Vice President People		

Teams can be dysfunctional too...

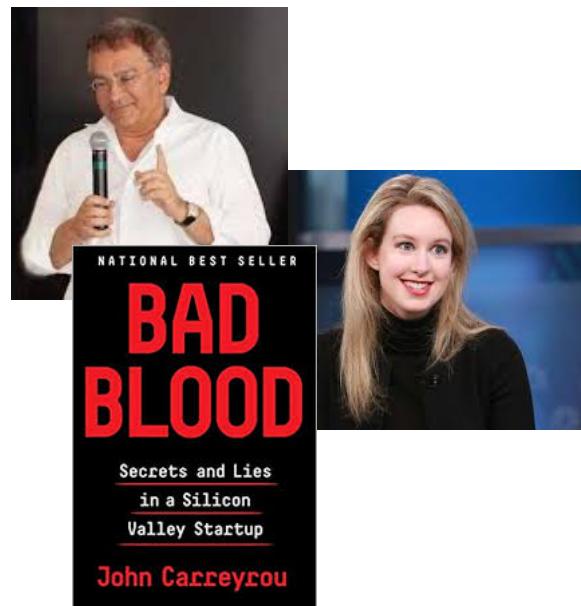


BABSON COLLEGE – ALL RIGHTS RESERVED

Leaders can create dysfunctional teams



BABSON COLLEGE — ALL RIGHTS RESERVED



RVED

Three types of Team Interdependence

- **Outcome interdependence**

Team members share in the rewards that the team earns.

- **Goal interdependence**

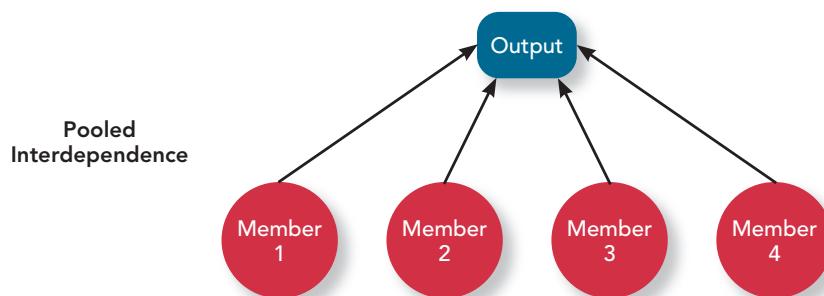
Team members have a shared vision of the **team's goal**.

- **Task interdependence**

The degree to which team members interact with and rely on each other.

BABSON COLLEGE — ALL RIGHTS RESERVED

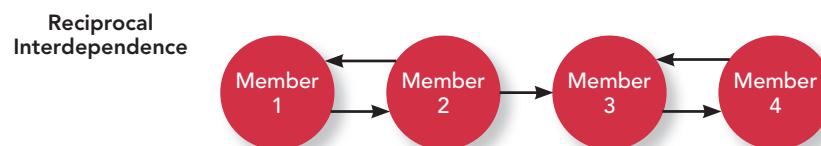
Four types of Task Interdependence:



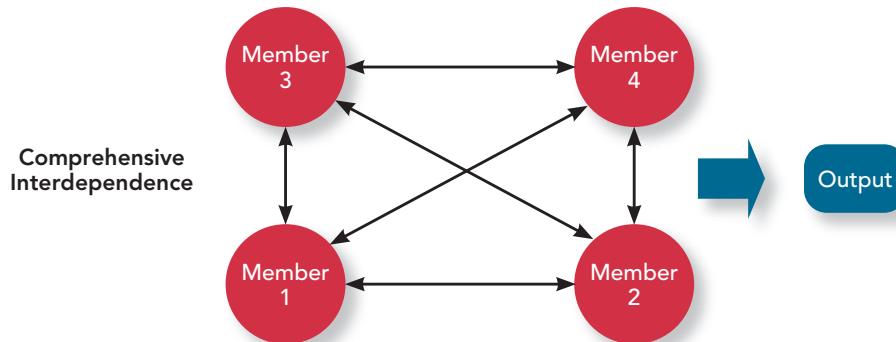
Four types of Task Interdependence:



Four types of Task Interdependence:



Four types of Task Interdependence:



Too much of a good thing?

- **Cohesion:** When members of teams develop strong emotional bonds to other members of their team and to the team itself.
- **Groupthink** happens *in highly cohesive teams* when members *try to maintain harmony* by striving toward consensus on issues without seriously considering alternative viewpoints and perspectives.

How to Build Creative Teams

- Have a **good mixture of the different types of personalities / work styles** will provide dimensions to build a strong creative and productive team.
- Understand that each style has its own strengths and weaknesses.
- **Invest the time for people to get to know one another** and to understand how to work together more effectively.

Donna Shirley
NASA Manager of
Sojourner, the Mars
Pathfinder Rover



Industry Analysis

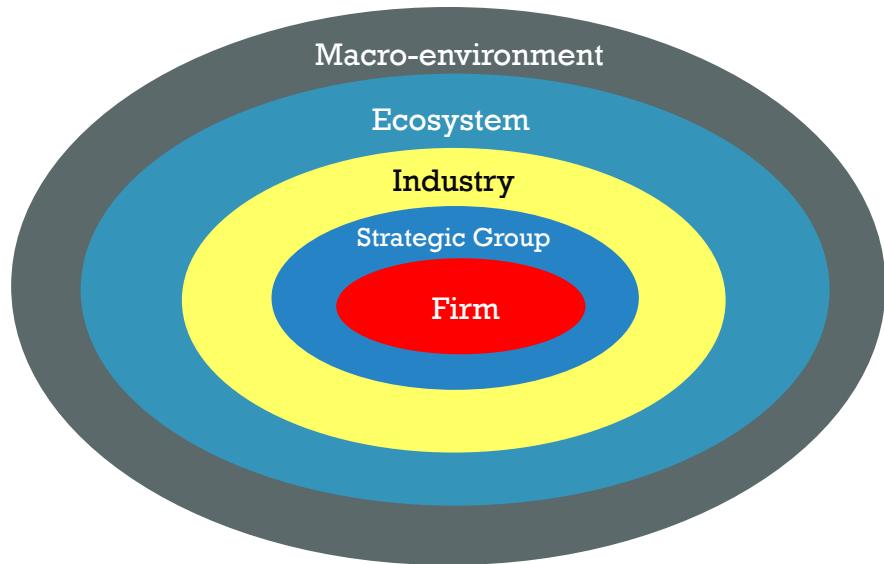
A composite image. On the left, a black and white photograph shows a professor in a white shirt and tie standing at a chalkboard, gesturing with his hands while speaking. On the right, a color diagram of a SWOT Analysis matrix is displayed. The matrix is a 2x2 grid with the following labels: 'Strengths' (top-left), 'Weaknesses' (top-right), 'Opportunities' (bottom-left), and 'Threats' (bottom-right). Each quadrant contains a small icon: Strengths has a person lifting a barbell; Weaknesses has a person sitting with a headband; Opportunities has a person running with a torch; Threats has a bomb with a lit fuse. A red circle highlights the top row ('Strengths' and 'Weaknesses') and is labeled 'Internal'. Another red circle highlights the bottom row ('Opportunities' and 'Threats') and is labeled 'External'.

BABSON COLLEGE — ALL RIGHTS RESERVED

A composite image. On the left, a black and white photograph shows the same professor from the previous slide, standing at a chalkboard and gesturing. On the right, a color photograph shows a man with glasses, wearing a suit and tie, speaking into a microphone. He has his hands raised and palms open, suggesting he is emphasizing a point or asking a question. The background is dark.

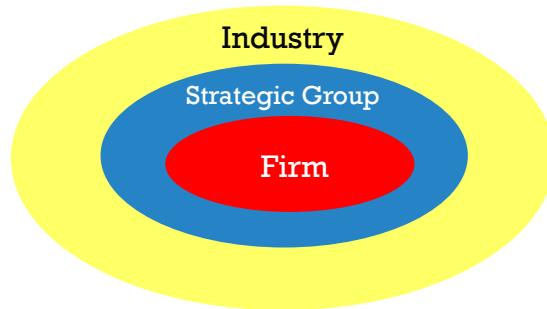
BABSON COLLEGE — ALL RIGHTS RESERVED

Components of a Firm's Environment



BABSON COLLEGE – ALL RIGHTS RESERVED

Components of a Firm's Environment



BABSON COLLEGE – ALL RIGHTS RESERVED

Two Extreme Industry Structures

- Monopoly
 - One seller and many buyers
 - Unique product
 - Restrictions on entry

- Perfect Competition
 - Many buyers and sellers
 - Identical product
 - Perfect information
 - Free entry and exit



BABSON COLLEGE – ALL RIGHTS RESERVED

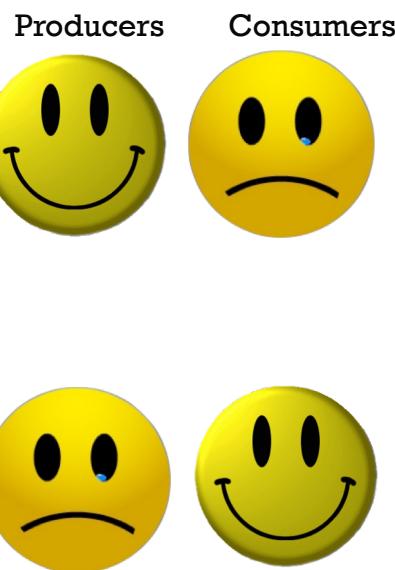
Four Industry Structures

- Monopoly
 - One seller and many buyers
 - Unique product
 - Restrictions on entry

- Monopolistic Competition

- Oligopoly

- Perfect Competition
 - Many buyers and sellers
 - Identical product
 - Perfect information
 - Free entry and exit



BABSON COLLEGE – ALL RIGHTS RESERVED

What is Industry Attractiveness?

- Overall profit prospects above average = Attractive
- Overall profit prospects below average = Unattractive

Note: Point of industry analysis is to determine source/s of profitability, not just attractiveness

BABSON COLLEGE – ALL RIGHTS RESERVED

R.T.E. Cereal in 1994

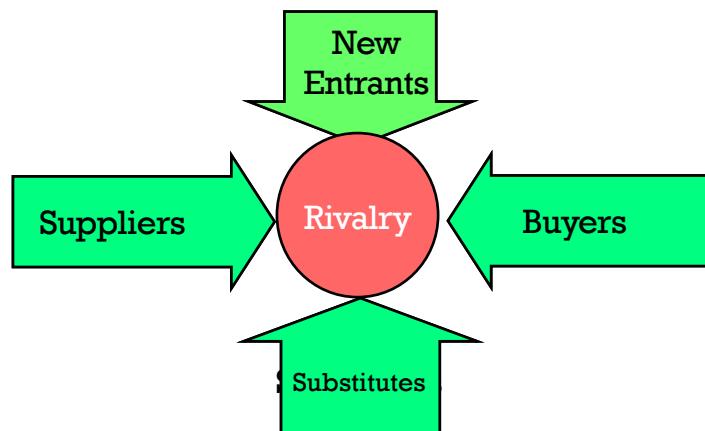
In Your Teams:

Construct part of a 5-Forces Analysis of the RTE Cereal Case.

- Teams 1 & 2: Suppliers
- Teams 3 & 4: Buyers
- Teams 5 & 6: New Entrants
- Teams 7 & 8: Substitutes

BABSON COLLEGE – ALL RIGHTS RESERVED

Porter's Five Forces Model



BABSON COLLEGE — ALL RIGHTS RESERVED

Power of Suppliers

- Depends on the relative bargaining leverage of suppliers
- Questions to ask:
 - How concentrated are the suppliers?
 - How crucial is a supplier's product?
 - What are the buyers' switching costs?
 - What is the threat of vertical integration?

BABSON COLLEGE — ALL RIGHTS RESERVED

Threat of New Entrants

- Based on barriers to entry

BABSON COLLEGE – ALL RIGHTS RESERVED

Threat of New Entrants



BABSON COLLEGE – ALL RIGHTS RESERVED

Threat of Substitutes

- Substitutes are products from different industries that may attract customers

BABSON COLLEGE – ALL RIGHTS RESERVED

Power of Buyers

- Depends on the relative bargaining leverage of buyers
- For RTE Cereals, who are the buyers?

BABSON COLLEGE – ALL RIGHTS RESERVED

Power of Buyers

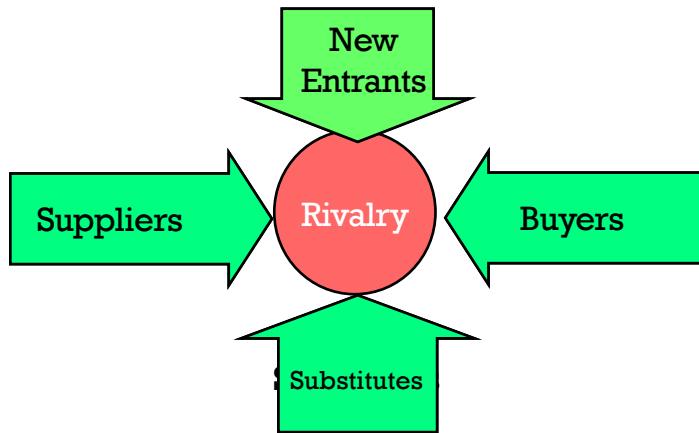


BABSON COLLEGE — ALL RIGHTS RESERVED

Rivalry

- Typically the most powerful force

BABSON COLLEGE — ALL RIGHTS RESERVED

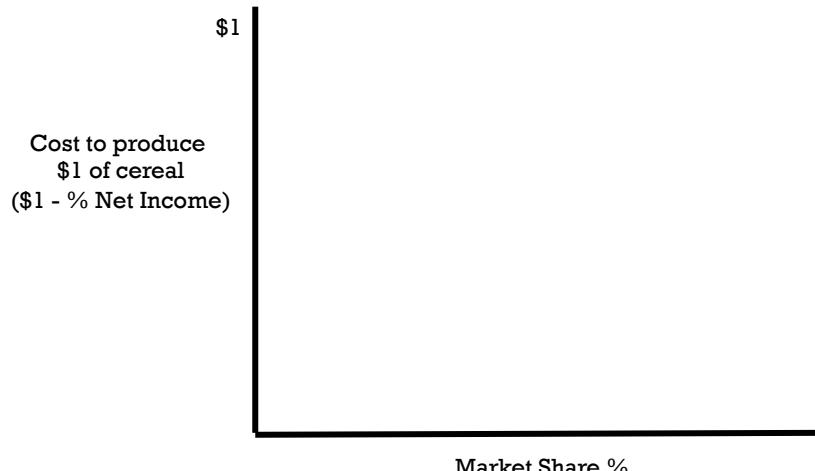


Go to the Exhibits...

- Exhibit 7: What are the margins for the largest companies?
- Exhibit 6: Who has the market share (power)?

How does Kellogg's Feel?

Let's Do Some Math



BABSON COLLEGE — ALL RIGHTS RESERVED

Go back to the Exhibits...

- Exhibit 3: Let's look at different sales channels.



BABSON COLLEGE — ALL RIGHTS RESERVED

Go back to the Exhibits...

Exhibit 2 Cost Breakdown per Pound for Typical Big Three Cereal Firm

Raw materials	\$0.42
Packaging	.19
Labor and indirect manufacturing	.52
Distribution	.14
Advertising and sales	.75
Depreciation, overhead	.40
EBIT	.40
Wholesale price	\$2.82
Retailer margin	.38
Retail price	\$3.20

Source: Industry sources and casewriter estimates.

BABSON COLLEGE – ALL RIGHTS RESERVED

What are the Industry Trends?

The screenshot shows a news article from The Wall Street Journal's U.S. Edition. The headline reads "Richest 1 percent earn biggest share since '20s". Below the headline is a sub-headline: "U.S. income inequality has been growing for almost three decades." A callout box points to a paragraph of text in the article. The text discusses how the top 1% earned more than 19% of the country's income last year, the highest share since 1928. It also notes that the top 10% captured a record 48.2% of total income. The article is dated September 10, 2013, at 3:31 p.m. ET.

TOP STORIES IN NEW YORK
Tuesday, September 10, 2013 As of 3:31 PM EDT

Home World U.S. Business Tech Markets Market Data Your Money Opinion Life & Culture

New Sports Culture Real Estate

TOP STORIES IN NEW YORK 1 of 12

New York Mayor Race Worries Business

The Making of a Minimalist Menagerie 2 of 12

Cross-River Rivals Pinch Manhattan 3 of 12

Updated September 10, 2013, 3:31 p.m. ET

Richest 1 percent earn biggest share since '20s

Article Comments Share

U.S. income inequality has been growing for almost three decades.

wealthiest Americans earned more than 19 percent of the country's income last year — their biggest share since 1928, the year before the Great Crash. And the top 10 percent captured a record 48.2 percent of total income.

U.S. income inequality has been growing for almost three decades. And it grew again last year, according to an analysis of Internal Revenue Service figures dating to 1913 by economists at the University of California, Berkeley, the Paris School of Economics and Oxford University.

THE NEW YORK TIMES

BABSON COLLEGE – ALL RIGHTS RESERVED

Fast forward 23 years... what's the threat

BUSINESS DAY 98 COMMENTS

Cereals Begin to Lose Their Snap, Crackle and Pop

By STEPHANIE STROM SEPT. 10, 2014

[EMAIL](#) [FACEBOOK](#) [TWITTER](#) [SAVE](#) [MORE](#)

Cereal, that bedrock of the American breakfast, has lost some of its snap, crackle and pop.

For the last decade, the cereal business has been declining, as consumers reach for granola bars, yogurt and drive-through fare in the morning. And the drop-off has accelerated lately, especially among those healthy individuals who tend to gravitate to healthy options — even if Cheerios and some other brands come in whole-grain varieties fortified with protein now.

As a child, Adam Feuerstein started his day with a bowl of cornflakes. "Nowadays I would combine Frosted Flakes and Cap'n Crunch," said Mr. Feuerstein, a financial reporter at The Street. "I have such vivid memories of it that if I walk down the cereal aisle today, I still gravitate toward those cereals."

Cereal companies have tried to play on that nostalgia, with commercials featuring generations of Chester Cheetah eaters or cartoonish fighting over the



Daniel Bjornson views yogurt as a healthier morning option. Dan Gill for The New York Times

Breakfast cereal sales
Change in consumption 2003-2013

Cereal Type	Change (%)
FAMILY CEREALS	-5.5%
Muesli	+1.8%
Other	-3.4%
CHILDREN'S CEREALS	-10.7%

Source: Euromonitor

BABSON COLLEGE — ALL RIGHTS RESERVED

Porter forgot something...



BABSON COLLEGE — ALL RIGHTS RESERVED

- Breakfast Cereal & Milk
- Burgers and buns
- Air travel and rental cars or hotels
- Razor blades and shaving cream
- Hardware and software

Complements!

BABSON COLLEGE – ALL RIGHTS RESERVED

Key Takeaways from the Breakfast Cereal Case

- You can perform industry analyses in different ways:
 - Qualitative: 5 Forces (“Buckets” and “Arrows”)
 - Quantitative: Run the numbers!
- These forms of analyses complement each other.
- These analysis fit nicely into S.C.E.Q.

BABSON COLLEGE – ALL RIGHTS RESERVED