

***Entrepreneurship: Successfully Launching New Ventures, 3e (Barringer/Ireland)***

**Chapter 5 Industry and Competitor Analysis**

- 1) BusinessesAtoZ, the company profiled in the opening feature for Chapter 5, has a unique position in its industry. It is positioned:
- A) as a small Web hosting company that offers a high degree of customer service
  - B) as a large Web hosting company that focuses primarily on keeping its customers up and running
  - C) right in the middle offering the customer service advantages of a small Web hosting company and the security advantages of a large Web hosting company
  - D) as an outsource provider to both small and large Web hosting companies
  - E) as a consulting company working with both small and large Web hosting companies

Answer: C

Diff: 2      Page Ref: 145

Topic: Industry Analysis

AACSB: Reflective Thinking

- 2) Andrew Banks recently started a new firm in the snack food industry. Prior to starting his firm, he spent considerable time doing research on the potential of the snack food industry. The research that Andrew was doing is called:

- A) industry analysis
- B) sector analysis
- C) network analysis
- D) business analysis
- E) division analysis

Answer: A

Diff: 1      Page Ref: 146

Topic: Industry Analysis

- 3) A(n) \_\_\_\_\_ is a group of firms producing a similar product or service, such as soft drinks, electronic games, or computers.

- A) cluster
- B) division
- C) sector
- D) industry
- E) network

Answer: D

Diff: 1      Page Ref: 146

Topic: Industry Analysis

4) Once a firm decides to enter an industry and chooses a market in which to compete, it must gain an understanding of its competitive environment. This challenge can be undertaken by completing a:

- A) business analysis
- B) industry analysis
- C) competitor analysis
- D) strategic analysis
- E) market analysis

Answer: C

Diff: 1      Page Ref: 146

Topic: Industry Analysis

5) Each quarter, Tammy Anderson, who owns a chain of floral shops, does a detailed analysis of her firm's competitors. This analysis is called:

- A) competitor analysis
- B) challenger analysis
- C) strategic analysis
- D) participant analysis
- E) industry analysis

Answer: A

Diff: 2      Page Ref: 146

Topic: Industry Analysis

AACSB: Reflective Thinking

6) Which of the following is an example of an industry-level opposed to a firm-level factor?

- A) a firm's assets
- B) a firm's culture
- C) the teamwork among a firm's employees
- D) a firm's products
- E) threat of new entrants

Answer: E

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Topic: Industry Analysis

- 7) According to the textbook, which of the following statements is accurate regarding the importance of industry versus firm-specific factors as it pertains to firm profitability?
- A) Virtually all the studies have concluded that industry-specific factors are more important than firm-specific factors.
  - B) Virtually all the studies have concluded that firm-specific factors are more important than industry-specific factors.
  - C) Virtually all the studies have concluded that industry-specific factors are of almost no importance.
  - D) Virtually all the studies have concluded that firm-specific factors are of almost no importance.
  - E) Virtually all the studies have concluded that firm-specific factors and industry-specific factors are of equal importance.

Answer: B

Diff: 3      Page Ref: 147

Topic: Industry Analysis

- 8) In various studies, researchers have found that from \_\_\_\_\_ of the variation in firm profitability is directly attributable to the industry in which a firm competes.

- A) 4 to 12 percent
- B) 8 to 30 percent
- C) 18 to 42 percent
- D) 22 to 56 percent
- E) 34 to 70 percent

Answer: B

Diff: 3      Page Ref: 147

Topic: Industry Analysis

- 9) Industries that sell products to seniors, such as the eyeglass industry and the hearing aid industry, are benefiting from the aging of the population, which is an important:

- A) environmental trend
- B) business trend
- C) commerce trend
- D) statutory trend
- E) competitive trend

Answer: A

Diff: 2      Page Ref: 147

Topic: Industry Analysis

10) The What Went Wrong? feature in Chapter 5 focuses on Bath & Body Works, a company that lost a favorable position in an industry. According to the feature, Bath & Body Works lost its favorable position by:

- A) a poor positioning strategy to begin with
- B) missing a number of changing environmental trends
- C) missing a number of changing business trends
- D) a poor understanding of Porter's five forces framework and what it means
- E) poor competitive intelligence

Answer: B

Diff: 2      Page Ref: 149

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

11) According to the textbook, the five competitive forces included in five-forces model determine:

- A) the average rate of new business starts in an industry
- B) the average growth rate for the firms in an industry
- C) the average rate of return for the firms in an industry
- D) the average sales for the firms in an industry
- E) the average failure rate for the firms in an industry

Answer: C

Diff: 3      Page Ref: 150

Topic: The Five Competitive Forces That Determine Industry Profitability

12) According to the textbook, how do well-managed firms respond to the five-forces that determine industry profitability?

- A) They switch industries if the forces are too compelling.
- B) They focus on one force intently and excel by overcoming that force.
- C) They overcome each of the forces.
- D) They ignore the forces.
- E) They try to position their firms in a way that avoids or diminishes the forces.

Answer: E

Diff: 2      Page Ref: 150

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

13) In general, industries are more attractive when:

- A) the majority of the threats are high
- B) the majority of the threats are low
- C) the threat of each of the forces is neutral□neither low nor high
- D) the threat of each of the five-forces is high
- E) the threat of each of the five-forces is low

Answer: E

Diff: 2      Page Ref: 151

Topic: The Five Competitive Forces That Determine Industry Profitability

14) Which of the Porter's five-forces is most closely associated with the concept "barrier to entry"?

- A) bargaining power of suppliers
- B) rivalry among existing firms
- C) threat of new entrants
- D) bargaining power of buyers
- E) threat of substitutes

Answer: C

Diff: 2      Page Ref: 151

Topic: The Five Competitive Forces That Determine Industry Profitability

15) The price of prescription medicine is high, partly because when someone is sick there is no real alternative to buying medicine if they want to get better. Which of Porter's five forces explains how this aspect of the prescription medicine industry helps keep profitability high?

- A) rivalry among existing firms
- B) threat of new entrants
- C) threat of substitutes
- D) bargaining power of buyers
- E) bargaining power of suppliers

Answer: C

Diff: 2      Page Ref: 151

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

16) Which of the following is not one of the major sources of barriers to entry?

- A) economies of scale
- B) cost advantages independent of size
- C) buyer group concentration
- D) access to distribution channels
- E) government and legal barriers

Answer: C

Diff: 2      Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

17) Shelly Brunner owns a sports themed restaurant which is located in an upscale business district in Chicago. One advantage that Shelly has is that she bought the lot she built her restaurant on 25 years ago when lots in the area were selling for \$50,000. Shelly knows that several potential competitors have looked at bare lots near his business but haven't been willing to pay the asking prices, which are as high as \$500,000. Which of the six major sources of barriers to entry is causing a disincentive for new firms to enter Shelly's industry?

- A) capital requirements
- B) economies of scale
- C) product differentiation
- D) government and legal barriers
- E) cost advantage independent of size

Answer: E

Diff: 2      Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

18) Some industries, like the athletic shoe industry, are dominated by a small number of firms with strong brands. These industries are difficult to break into without spending heavily on advertising. The barrier to entry that the firms in these types of industries have erected is referred to as:

- A) government and legal barriers
- B) capital requirements
- C) product differentiation
- D) cost advantages independent of size
- E) access to distribution channels

Answer: C

Diff: 2      Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

19) Which of Porter's Five-Forces is most directly influenced by the following factors: number and balance of competitors, degree of difference between products, growth rate of an industry, and level of fixed costs?

- A) threat of new entrants
- B) rivalry among existing firms
- C) threat of substitutes
- D) bargaining power of buyers
- E) bargaining power of suppliers

Answer: B

Diff: 3      Page Ref: 153

Topic: The Five Competitive Forces That Determine Industry Profitability

20) If a start-up pioneers an industry or a new concept within an industry, the name recognition the start-up establishes may create a formidable nontraditional barrier to entry referred to as a:

- A) unique business model
- B) aggressive supremacy
- C) competitive superiority
- D) first-mover advantage
- E) aggressive tactical advantage

Answer: D

Diff: 2      Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

21) According to the example provided in Chapter 5, www.1800contacts.com possesses a nontraditional barrier to entry referred to as:

- A) unique business model
- B) strength of management team
- C) access to distribution channels
- D) Internet domain name
- E) first-mover advantage

Answer: D

Diff: 3      Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

22) Which of the following was not identified in the textbook as a nontraditional barrier to entry?

- A) first mover advantage
- B) unique business model
- C) product differentiation
- D) strength of management team
- E) Internet domain name

Answer: C

Diff: 2      Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

23) Supplier concentration, switching costs, attractiveness of substitutes, and threat of forward integration are factors that have a direct impact on:

- A) threat of new entrants
- B) bargaining power of buyers
- C) rivalry among existing firms
- D) threat of substitutes
- E) bargaining power of suppliers

Answer: E

Diff: 3      Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

24) John Petersen is thinking about starting a firm in the specialty chemical industry. In the industry analysis John has been conducting, one thing he has noticed is that the specialty chemical industry is characterized by the following factors: high supplier concentration, high switching costs for buyers when they switch from one supplier to another, and no attractive substitutes for the products that most of the suppliers provide. These factors concern John, because they tell him that the profitability of the specialty chemical industry is suppressed by the:

- A) threat of substitutes
- B) bargaining power of buyers
- C) rivalry among existing firms
- D) bargaining power of suppliers
- E) threat of new entrants

Answer: D

Diff: 2      Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

25) The Savvy Entrepreneurial Firm feature in Chapter 5 focuses on Sony. Which of Porter's five forces made a dramatic difference in the way the founder's of Sony decided to view their markets in the early years of the company?

- A) threat of new entrants
- B) rivalry among existing firms
- C) threat of substitutes
- D) bargaining power of suppliers
- E) bargaining power of buyers

Answer: E

Diff: 2      Page Ref: 156

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

26) The five industry types discussed in the book include:

- A) launching, fragmented, leveled-off, declining, and global
- B) emerging, climbing, mature, declining, and worldwide
- C) emerging, fragmented, mature, declining, and global
- D) climbing, peaking, plateaued, declining, and international
- E) launching, consolidated, plateaued, mature, and worldwide

Answer: C

Diff: 2      Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

27) Jill Pattersen is starting a firm in the netbook industry. This industry is still so new that no standard operating procedures have been developed. Netbooks is an example of an \_\_\_\_\_ industry.

- A) mature
- B) declining
- C) emerging
- D) global
- E) fragmented

Answer: C

Diff: 2      Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

28) The primary opportunity existing for startups in emerging industries is to:

- A) consolidate the industry and establish industry leadership as a result of doing so
- B) win customers by placing an emphasis on service and process innovation
- C) pursue a niche strategy, which focuses on a narrow segment of the industry that might be encouraged to grow through product or process innovation
- D) capture a first-mover advantage
- E) pursue a cost reduction strategy, which is accomplished through achieving lower costs than industry incumbents through process innovation

Answer: D

Diff: 2      Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

29) A \_\_\_\_\_ industry is one that is characterized by a large number of firms of approximately equal size.

- A) fragmented
- B) mature
- C) declining
- D) emerging
- E) global

Answer: A

Diff: 2      Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

30) The primary opportunity existing for startups in fragmented industries is to:

- A) pursue a niche strategy, which focuses on a narrow segment of the industry that might be encouraged to grow through product or process innovation
- B) win customers by placing an emphasis on service and process innovation
- C) capture a first-mover advantage
- D) pursue a cost reduction strategy, which is accomplished through achieving lower costs than industry incumbents through process innovation
- E) consolidate the industry and establish industry leadership as a result of doing so

Answer: E

Diff: 2      Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

31) A \_\_\_\_\_ industry is an industry that is experiencing slow or no increase in demand.

- A) declining
- B) global
- C) mature
- D) emerging
- E) fragmented

Answer: C

Diff: 2      Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

32) According to the textbook, Sprig Toys in toys, Tesla Motors in automobiles, and Daisy Rock in guitars are examples of entrepreneurial firms who are exploiting opportunities in \_\_\_\_\_ industries.

- A) emerging
- B) fragmented
- C) declining
- D) mature
- E) emerging

Answer: D

Diff: 3      Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

33) According to the textbook, Nucor in steel, JetBlue in airlines, and Cirque du Soleil in circuses are examples of entrepreneurial firms who are exploiting opportunities in \_\_\_\_\_ industries.

- A) fragmented
- B) emerging
- C) declining
- D) global
- E) mature

Answer: C

Diff: 2      Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

34) Opportunities for leadership, niche, harvest and divestment are associated with \_\_\_\_\_ industries.

- A) mature
- B) emerging
- C) declining
- D) fragmented
- E) global

Answer: C

Diff: 2      Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

35) A \_\_\_\_\_ industry is an industry that is experiencing significant international sales.

- A) global
- B) mature
- C) fragmented
- D) declining
- E) emerging

Answer: A

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

36) The two most common strategies pursued by firms in global industries are the \_\_\_\_\_ strategy and the \_\_\_\_\_ strategy.

- A) inclusive, multidomestic
- B) multidomestic, global
- C) multidomestic, worldwide
- D) inclusive, global
- E) home, worldwide

Answer: B

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

37) Firms that pursue a \_\_\_\_\_ strategy compete for market share on a country-by-country basis and vary their product or service offerings to meet the demands of the local market.

- A) inclusive
- B) universal
- C) multidomestic
- D) contemporary
- E) worldwide

Answer: C

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

38) Shelly James recently launched a firm in the fruit drink industry, and has already exported her fruit drinks to 9 different countries. One thing that Shelly's firm is doing is that it is varying the tastes of the fruit drinks it sells on a country by country basis to meet the demands of the local markets. Shelly's firm is pursuing a \_\_\_\_\_ strategy.

- A) global
- B) home
- C) universal
- D) contemporary
- E) multidomestic

Answer: E

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

39) Henry Jones recently launched a firm in the clothing industry, targeting teens ages 13-17. One thing Henry thinks he has accomplished is producing products that have universal appeal, so he will not vary his approach from country to country. Henry is pursuing a \_\_\_\_\_ strategy.

- A) universal
- B) multidomestic
- C) contemporary
- D) global
- E) home

Answer: D

Diff: 2      Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

40) According to the textbook, the first step in a competitor analysis is to:

- A) develop a marketing plan
- B) develop the strategic plan
- C) study the strength of the industry
- D) study the external environment
- E) determine who the competition is

Answer: E

Diff: 1      Page Ref: 161

Topic: Competitor Analysis

41) According to the textbook, the three different types of competitors a business will face are:

- A) potential, direct, and upcoming
- B) indirect, fleeting, and future
- C) serious, cautious, and future
- D) direct, indirect, and future
- E) potential, fleeting, and indirect

Answer: D

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

42) The three different types of competitors a business will face are direct competitors, indirect competitors, and:

- A) future competitors
- B) nonstop competitors
- C) occasional competitors
- D) fragmented competitors
- E) irregular competitors

Answer: A

Diff: 1      Page Ref: 162

Topic: Competitor Analysis

43) In the context of competitor analysis, businesses that offer identical or similar products are referred to as:

- A) immediate competitors
- B) direct competitors
- C) indirect competitors
- D) straight competitors
- E) urgent competitors

Answer: B

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

44) Aquafina operates in the bottled water industry. The companies that offer identical or similar products and go after the same customers that Aquafina does are Dasani and Zephyrhills. Dasani and Zephyrhills are Aquafina's:

- A) direct competitors
- B) indirect competitors
- C) future competitors
- D) impending competitors
- E) potential competitors

Answer: A

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

AACSB: Reflective Thinking

45) In the context of competitive analysis, \_\_\_\_\_ offer close substitutes to the product the firm completing the analysis sells.

- A) potential competitors
- B) direct competitors
- C) indirect competitors
- D) impending competitors
- E) future competitors

Answer: C

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

46) In the beverage industry, soda, fruit juice, and sports drinks are \_\_\_\_\_ competitors of bottled water.

- A) occasional
- B) infrequent
- C) indirect
- D) direct
- E) future

Answer: C

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

47) In the context of competitor analysis, \_\_\_\_\_ are companies that are not yet direct or indirect competitors but could move into one of these roles at any time.

- A) stable competitors
- B) roundabout competitors
- C) impending competitors
- D) approximate competitors
- E) future competitors

Answer: E

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

48) The Partnering for Success boxed feature in Chapter 5 focuses on Barista Exchange, an online social network for independent coffeehouse owners. The central idea behind Barista Exchange is:

- A) that by banding together, independent coffeehouses can become as strong as the national chains
- B) to provide a forum for independent coffeehouse owners to share advertising and marketing ideas
- C) to maintain a job bank for independent coffeehouse owners
- D) to provide a platform for independent coffeehouse owners to obtain funding
- E) to help independent coffeehouse owners obtain legal advice

Answer: A

Diff: 3      Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

49) The information that is gathered by a firm to learn about its competitors is referred to as a:

- A) feasibility appraisal
- B) workable appraisal
- C) practical assessment
- D) viable assessment
- E) competitive intelligence

Answer: E

Diff: 2      Page Ref: 164

Topic: Competitor Analysis

50) Amy has just launched a firm in the sports drink industry. She has decided to complete a grid to see how she stacks up against her competitors. Along the horizontal axis of the grid, she lists her firm along with her major competitors. Along the vertical axis of the grid, she lists the main competitive factors in her industry. Amy is completing a:

- A) strategic analysis spreadsheet
- B) tactical analysis framework
- C) competitive analysis grid
- D) strategic analysis grid
- E) behavioral analysis spreadsheet

Answer: C

Diff: 2      Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

51) Industry analysis is business research that focuses on the potential of an industry.

Answer: TRUE

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Topic: Industry Analysis

52) A competitor analysis is a detailed evaluation of a firm's competitors.

Answer: TRUE

Diff: 1      Page Ref: 146

Topic: Industry Analysis

53) Virtually all studies have concluded that industry-specific factors are more important than firm-specific factors in terms of firm profitability.

Answer: FALSE

Diff: 2      Page Ref: 147

Topic: Industry Analysis

54) The two trends that are most important to focus on in an industry analysis are business trends and environmental trends.

Answer: TRUE

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Topic: The Five Competitive Forces That Determine Industry Profitability

55) Business trends include economic trends, social trends, technological advances, and political and regulatory changes.

Answer: FALSE

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Topic: The Five Competitive Forces That Determine Industry Profitability

56) The five competitive forces model is a framework for understanding the structure of an industry.

Answer: TRUE

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Topic: The Five Competitive Forces That Determine Industry Profitability

57) The best industry to enter is an industry where the threat of each of Porter's five forces is high.

Answer: FALSE

Diff: 2 Page Ref: 150

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

58) There are four factors that determine the threat of new entrants: number and balance of competitors, degree of difference between products, growth rate of an industry, and level of fixed costs.

Answer: FALSE

Diff: 2 Page Ref: 151

Topic: The Five Competitive Forces That Determine Industry Profitability

59) In most industries, the major determinant of industry profitability is the level of competition among the firms already competing in the industry.

Answer: TRUE

Diff: 2 Page Ref: 153

Topic: The Five Competitive Forces That Determine Industry Profitability

60) If the buyers are concentrated and they buy from a large number of suppliers, then the bargaining power of buyers is increased.

Answer: TRUE

Diff: 2 Page Ref: 155

Topic: The Five Competitive Forces That Determine Industry Profitability

61) An emerging industry is a new industry in which standard operating procedures have yet to be developed.

Answer: TRUE

Diff: 1 Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

62) A fragmented industry is one that is characterized by a small number of firms or approximately equal size.

Answer: FALSE

Diff: 2 Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

63) The primary opportunity available to firms in fragmented industries is consolidation.

Answer: TRUE

Diff: 2 Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

64) A mature industry is an industry that is experiencing slow increases in demand, numerous repeat customers, and limited product innovation.

Answer: TRUE

Diff: 2 Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

65) Firms that pursue a multidomestic strategy use the same basic approach in all foreign markets.

Answer: FALSE

Diff: 2      Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

66) The first step in a competitor analysis is to determine who the competition is.

Answer: TRUE

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Topic: Competitor Analysis

67) A firm's indirect competitors are its most important ones.

Answer: FALSE

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

68) The three types of competitors a business will face are direct competitors, indirect competitors, and future competitors.

Answer: TRUE

Diff: 2      Page Ref: 162

Topic: Competitor Analysis

69) The information that is gathered by a firm to learn about its competitors is referred to as tactical intelligence.

Answer: FALSE

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Topic: Competitor Analysis

70) A competitive analysis grid is a tool for organizing the information a firm collects about its competitors.

Answer: TRUE

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Topic: Competitor Analysis

71) What is industry analysis? Why is it important for a new venture to complete a thorough analysis of the industry it is entering?

Answer: Industry analysis is business research that focuses on the potential of an industry. An industry is a group of firms producing a similar product, such as MP3 players, fitness drinks, or electronic games. Once it is determined that a new venture is feasible in regard to the industry and market in which it will compete, a more in-depth analysis is needed to learn the ins and outs of the industry the firm plans to enter. This analysis helps a firm determine if the target market(s) it identified during its feasibility analysis are accessible and which ones represent the best point of entry for a new firm.

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AACSB: Reflective Thinking

72) Identify the five competitive forces that determine industry profitably. Explain the purpose of analyzing these forces?

Answer: The five competitive forces that determine industry profitability are the threat of substitutes, the threat of new entrants, rivalry among existing firms, bargaining power of suppliers, and bargaining power of buyers. The five competitive forces model is a framework for understanding the structure of an industry and was developed by Harvard professor Michael Porter. Each of Porter's five forces impacts the average rate of return for the firms in an industry by applying pressure on industry profitability. Companies analyze the five forces to try to position their firms in a way that avoids or diminishes the negative impacts of these forces.

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AACSB: Reflective Thinking

73) Discuss the nontraditional barriers to entry identified in the chapter. Why is it important that entrepreneurial firms utilize one or more of these forms of barriers to entry?

Answer: The nontraditional barriers to entry, which are particularly suitable for entrepreneurial firms, are strength of management team, first-mover advantage, passion of management team and employees, unique business mode, a unique Internet domain name, and inventing a new approach to an industry and executing the idea in an exemplary fashion. It is important that startup utilize one or more of these forms of barriers to entry because many of the traditional barriers to entry, like economies of scale, are expensive. It is difficult for startups to erect expensive barriers to entry because money is usually tight.

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AACSB: Reflective Thinking

74) What is an emerging industry? What is the primary opportunity available to entrepreneurial firms in emerging industries?

Answer: An emerging industry is a new industry in which standard operating procedures have yet to be developed. The firm that pioneers or takes the leadership of an emerging industry often captures a first-mover advantage, which is a sometimes insurmountable advantage gained by the firm initiating the first significant move into a new market.

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AACSB: Reflective Thinking

75) What is competitive intelligence? What are some of the ways that a firm can ethically obtain information about its competitors?

Answer: The information that is gathered by a firm to learn about its competitors is referred to as competitive intelligence. There are a number of ways that a firm can ethically obtain information about its competitors. These ways include: attend conferences and trade shows, read industry related books, magazines, and Web sites, along with general business magazines, talk to potential customers about what motivated them to buy your product as opposed to your competitor, purchase competitors' products to understand their features, benefits, and shortcomings, study competitors' Web sites, and study Web sites that provide information about competitors.

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AACSB: Reflective Thinking