

Guide to Industry Analysis

An industry analysis is essential for a firm to position itself for competitive advantage. Focus the analysis on the relevant geographic markets, product segments, and strategic groups in which the firm competes. An industry analysis includes the following:

- I. Definition
 - A. What business is the industry in?
 - B. Primary products /services
 - C. Secondary/complementary products or services
 - D. Performance statistics including, but not limited to:
 - Annual gross revenues and profitability
 - Percent of GNP or SMSA represented by industry
 - Percent of federal, state, or local subsidy and for what
 - Percent of labor employed
 - Annual margins on average
- II. Economic Characteristics of the Industry
(competitive scope, degree of vertical integration, economies of scale, capacity utilization, ease of entry and exit, market growth rate, market size, pace of technological innovation, product characteristics)
- III. History of Industry Evolution
(Identify current stage of industry evolution; any significant structural shifts; any significant structural impact of regulation; significant structural impact of technological innovation)
- IV. Define the Relevant Market and Market Segments
 - A. Demand structure (client group, demographic, geographic)
 - B. Major shifts in market structure (consumer base, trends, behaviors; commercial base/processes/vertical integration)
 - C. Major shifts in distribution channels
- V. Forces Driving Competition
 - A. Barriers to entry and the threat of potential entrants
 - B. Bargaining power of suppliers
 - C. Bargaining power of buyers
 - D. Threat of substitutes
 - E. Impact of complementary product producers

- VI. Environmental Scan (select only those factors relevant to industry competition)
(regulative, legislative, litigation, economic trends, fiscal policy, global geo-political constraints, environmental constraints, social movements, labor movements)

- VII. Stakeholder Analysis
 - A. Identify the pivotal stakeholders
 - B. What is their interest.
 - C. What leverage do they have?

- VIII. Nature of Inter-firm Rivalry
 - A. Number of competing firms in the industry
 - B. Predominant strategies employed
 - 1. Generic vs. Specific
 - C. Sources of competitive advantage in the industry?
 - 1. Key Success Factors
 - D. Strategic group analysis (what are they? how determined?)
 - 1. Mobility barriers
 - 2. Factor determining competitive advantage
 - 3. Strategic group leaders/position of other rivals
 - 4. Sources of innovation and growth
 - E. Primary sources of industry signaling.
 - F. Level of intensity of the competition

- IX. Identify the pivotal strategic issues affecting long term profit potential and future competitive advantage.
 - A. What is the industry's strategic future?