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Checklists

From the book: **The Competitive Strategy Techniques for Analyzing Industries and Competitors (Part 1)**

Book by Michael E. Porter

Threats of New Entrants

Can new competitors enter the market easily and drive your prices down?

- Do existing firms have a cost and/or performance advantage in this industry?
- Are there proprietary products/services on offer in this industry?
- Are there established brand identities in this industry?
- Do customers incur significant costs in switching suppliers?
- Is a lot of capital needed to enter this industry?
- Does a newcomer to the industry face difficulty in assessing distribution channels?
- Does experience in this industry help firms to continually lower costs and/or improve performance? In other words, is there a “learning effect” in this industry?
- Are there any licenses, insurance, and other qualifications required in this industry that are difficult to obtain?
- Can a newcomer entering this industry expect strong retaliation from the existing players?

Bargaining Power of Buyers

To what extent are customers locked into a specific firm in the industry?

- Are there a large number of buyers relative to the number of firms in this business?
- Do you have a large number of customers, each with relatively small purchases?
- Does the customer face any significant costs in switching suppliers?

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- Does the buyer need a lot of important information concerning using the product?
- Is the buyer aware of the need for additional information?
- Is there anything that prevents customers from manufacturing the product/service in-house?
- Are customers highly sensitive to price?
- Are products unique to some degree? Do they have accepted branding?
- Do firms provide incentives to decision-makers on the buyer side?

Bargaining Power of Suppliers

To what extent are suppliers locked into a specific firm in the industry?

- Inputs (material, labor, services) in this industry are standard rather than differentiated.
- Firms can switch between suppliers quickly and easily.
- Suppliers would find it difficult to enter this business.
- There are many current and potential suppliers in this industry.
- This business is important to the suppliers.

Threats from Substitutes

Some other product or service that performs the same job as the current products/services

- Available substitutes have performance limitations and/or high prices that do not justify their use as mainline products.
- Customers will incur costs in switching to substitutes.
- There truly are no real substitutes for the products available in this industry.
- Customers are not likely to go for substitutes.

Rivalry among Existing Players

- The industry is growing rapidly.
- The industry does not have overcapacity at the moment.
- The fixed costs of the business are a relatively low proportion of the total costs.
- There are significant product differences and brand identities among competitors.
- It would not be hard to get out of this business because there are no long-term commitments that bind players to the industry.

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- ❑ Customers would incur high costs if they switched from one player to another.
- ❑ Products on offer are highly complex and require significant customer-producer interaction.
- ❑ Market shares in the industry are more-or-less equally distributed among competitors.

Generic Competitive Strategies

- ❑ Cost leadership
 - ❑ Access to the capital needed to invest in technology that will bring costs down.
 - ❑ Very efficient logistics.
 - ❑ A low-cost base (labor, materials, facilities), and a way of sustainably cutting costs below those of other competitors.
- ❑ Differentiation
 - ❑ Good research, development, and innovation.
 - ❑ The ability to deliver high-quality products or services.
 - ❑ Effective sales and marketing, so that the market understands the benefits offered by the differentiated offerings.
- ❑ Focus
 - ❑ Ensure that you are adding something extra as a result of serving a particular niche market
 - ❑ Reduce costs or increase differentiation

Choosing a strategy

- ❑ SWOT Analysis of your company
- ❑ Use Five Forces Analysis to understand the nature of the industry
- ❑ Compare the SWOT Analyses of the viable strategic options with the results of your Five Forces analysis
 - ❑ How you could use that strategy to
 - ❑ Reduce or manage supplier power.
 - ❑ Reduce or manage buyer/customer power.
 - ❑ Come out on top of the competitive rivalry.
 - ❑ Reduce or eliminate the threat of substitution.
 - ❑ Reduce or eliminate the threat of new entry.
 - ❑ Select the generic strategy that gives you the strongest set of options.

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Competitor Response Profile

- competitor's present and future goals
 - What have the competitors's major goals been in the relatively recent past?
 - Have these goals been achieved?
 - What strategies has the competitor employed in the relatively recent past?
 - Have these strategies been successful?
- competitor's assumption
 - What does the competitor appear to believe about its relative position based on its public statements, claims of management and sales force, and other indications?
 - What does it see as its strengths and weaknesses?
 - Are these accurate?
 - Does the competitor have strong historical or emotional identification with particular products or functional policies that will be strongly held to?
 - Are there cultural, regional, or national differences that will affect how competitors perceive and assign significance to events?
 - Are there organizational values or canons which have been strongly institutionalized and will affect the way events are viewed?
 - Are there some policies that the company's founder believed in strongly that may still linger?
 - What does the competitor appear to believe about future demand for the product and the significance of industry trends?
 - Will it be hesitant to add capacity because of unfounded uncertainties about demand, or likely overbuild for the opposite reasons?
 - Is it prone to misestimate the importance of particular trends?
 - Does it believe the industry is concentrating, for example, when it may not be?
 - What does the competitor appear to believe about the goals and capabilities of its competitors?
 - Will it over- or underestimate any of them?

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- Does the competitor seem to believe in industry "conventional wisdom" or historic rules of thumb and common industry approaches that do not reflect new market conditions?
- competitor's goal and assumptions
 - What is the competitor's current financial performance and market share, compared to that of the relatively recent past?
 - What has been the competitors' history in the marketplace over time?
 - Where has it failed or been beaten, and thus perhaps not likely to tread again?
 - In what areas has the competitor starred or succeeded as a company?
 - How has the competitor reacted to particular strategic moves or industry events in the past?
 - What approaches have been employed?
 - To what sorts of events has the competitor reacted poorly, and why?
- Is the competitor satisfied with its current position?
- What likely moves or strategy shifts will the competitor make?
- Where is the competitor vulnerable?
- What will provoke the greatest and most effective retaliation by the competitor?

Competitive Moves

- Non-threatening moves
 - Announce in advance
 - Reliance on a traditional industry leader,
 - Associate a move such as a price change to a visible index
- Threatening Moves
 - Predict and influence retaliation
 - How likely is retaliation?
 - How soon will it occur?
 - How effective will it be?
 - How strong will it be?
 - Can it be influenced?

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- ❑ Defensive Moves
 - ❑ Discipline as a Form of Defense
 - ❑ Denying a Base
- ❑ Commitment
 - ❑ How a firm communicates its intentions related to competitive moves
 - ❑ Communication Commitment
 - ❑ Resources to act promptly
 - ❑ Clear intention
 - ❑ Inability to back down or resolve not to do so
 - ❑ The ability to detect compliance in trigger times
 - ❑ Trust as a Commitment
 - ❑ Act to benefit the competitors
 - ❑ Yield part of the market to other firms

About Flexiana

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To deliver consistently, we have lots of things, for example, checklists like these. To deliver the best practices, we read, we process information, we discuss and share and teach. And to improve continuously, learning, teaching, processing, and building knowledge is an integral part of our operations.