INDUSTRY ANALYSIS

Industry Environments				
	Fragmented	Consolidated	Deregulating	Hypercompetitive
Description	•No single company or small group of firms has a large enough market share to strongly affect the industry structure or outcomes •Many small competitors that have structural that inhibit concentration.	•Small number of firms controls a large share of the industry’s output or sales. •Consolidated called concentrated, monopoly or oligopolies.	•The removal or simplification of government rules and regulations that constrain the operation of market forces. Eliminating or reducing government control of how business is done, thereby moving toward a more free market	•Often a characteristic of new market and industries, hypercompetition occurs when technologies or offerings are so new that standards and rules are in flux, resulting in competitive advantages that cannot be sustained. In response, companies must constantly compete in price or quality, or innovate in supply chain management, new value creation, or have enough financial capital to outlast other competitors
Examples	•Retail sectors •Distribution businesses •Local bakery •Auto repair •Clothing •Video stores •Restaurant industry •Hotels and motels	•In the USA, industries have been becoming ever more consolidated over time. In fact, over half of all US industries today are oligopolies	•Telephone industry •Postal Industry •Transportation (Airline) industry •Energy industry	•Personal computers •Microprocessors •Software •Telecommunications
Characteristics	•No market leaders (sometimes because the industry is so new that no large firms have yet emerged) •Low entry barriers and/or high exit barriers •Lack of power advantages with buyers and/or suppliers •Market is so big or diverse that it requires many firms to satisfy buyers needs •No economies of scale or scope •Regional issues: High transport costs, high inventory costs, or diverse markets •Regulatory issues •Cost structures make consolidation unattractive •Products or services are highly diverse or need to be customized •Serve a local market •Buyers require small quantities of customized products (a condition that allows small firms to serve the special needs of a few buyers) •Close local control is essential •Highly specialized market •Commodity type product that is hard to differentiate •Exploding technologies force firms to specialize just to keep up in their area of expertise •Lack of standardization. Industries in which a wide range of firms competing with similar products •Trust. Local firms often inspire more trust in their consumers, by virtue of the fact that they are not faceless national corporations. In some cases, an anti-consumerism vein now exist as a backlash to endless incorporation (e.g. against Wal-mart, Starbucks) •Small quantities of customized products required •Market is so large & diverse it takes numerous firms to accommodate buyers needs •High transportation costs prevent serving large market area •Local regulatory requirements make each geographic are unique •Newness of industry			•Intense rivalry •Hypercompetitive environment often results in short product life cycles •The emergence of new technologies •Competition from unexpected players •Repositioning by current players •Major shifts in market boundaries