

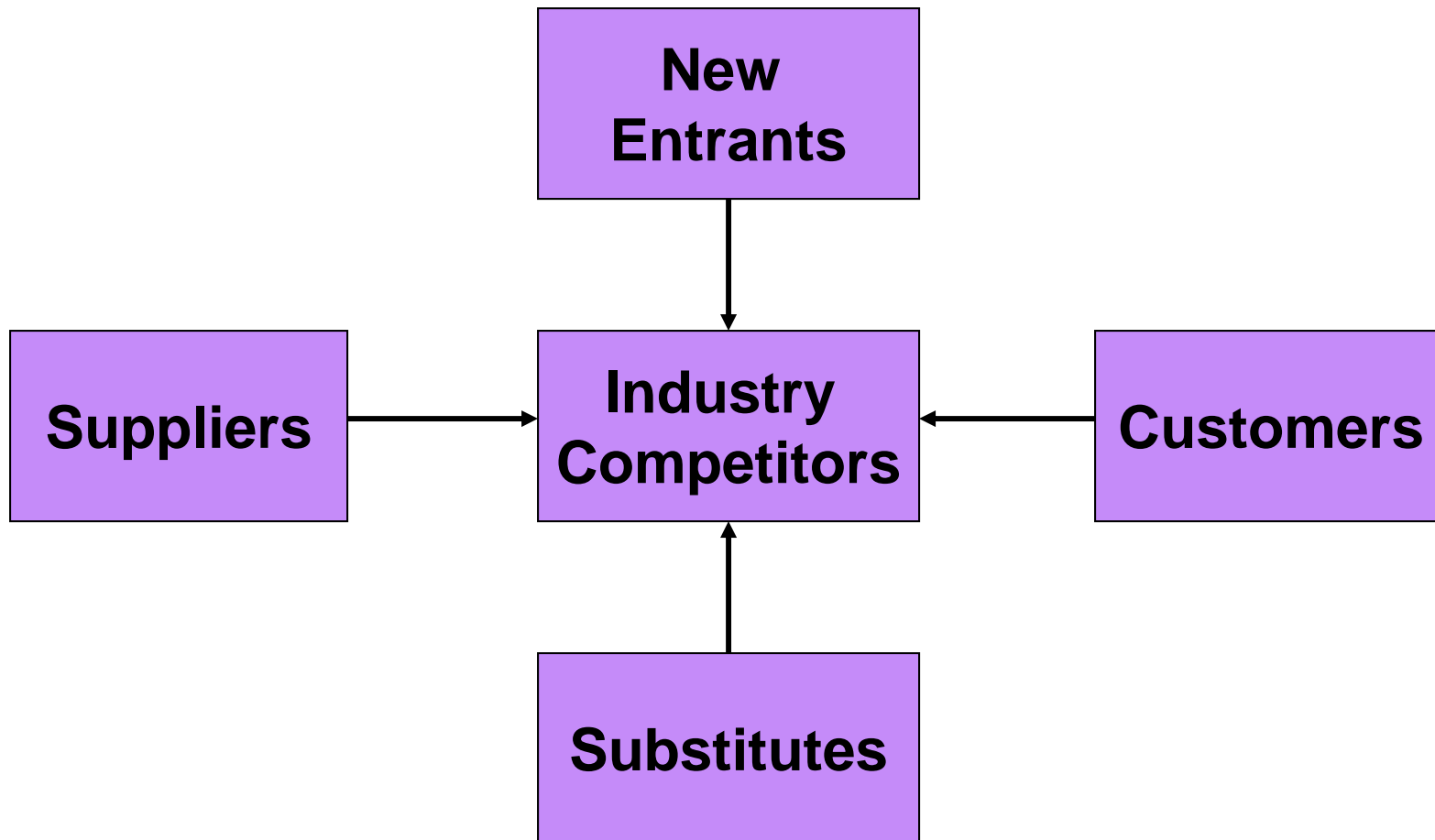


Cola Wars and More ...



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Industry structure analysis: Porter's five forces model



Intensity of competition among competitors	Growth, product differentiability, number and diversify of competitors, level of fixed costs, intermittent overcapacity, and exit barriers
Bargaining power of customers	Number, switching costs, ability to integrate backwards, impact of the business units product on buyers total costs, performance, and significance of the business unit's volume to buyers
Bargaining power of suppliers	Number, supplier's ability to integrate forward, presence of substitute inputs, and importance of the business unit's volumes to suppliers
Threat of substitutes	Relative price/performance of substitutes, buyer's switching costs, and propensity to substitute
Threat of new entry	Capital requirements, access to distribution channels, economies of scale, product diversity, technological complexity of the product/process, expected retaliation from the existing firms, and government policy

Summary

- How firms create and exercise market power
- Looking at the underlying economies of the firm and the industry
- Industry structure is not always exogenous, it can be endogenous
- Classic case of 'smart' competitors – when they go to war, they kill the bystanders, not themselves

Assignment ...

- Restrict to one page
- Evaluate your company using Porters framework. Compare and comment

