

Reading 1-1: The Five Competitive Forces That Shape Strategy

- 1) What is meant by *direct competitors*? Explain how competition extends beyond direct competitors.
- 2) Using an interesting example of a specific industry, explain how the threat of entry influences competition and should shape strategy.
- 3) How does the example of American Hospital Supply illustrate the importance of *customer switching costs* in competitive analysis? What about this factor for IBM in the 1970s and 1980s vs the 1990s?
- 4) How does the book-publishing industry illustrate the effect of distribution channels on competition?
- 5) How do the medical profession and the legal profession illustrate the effects of government policy on competition?
- 6) How does Walmart's behavior illustrate the power of buyers in a competitive marketplace?
- 7) How does commoditization of products or services increase the threat of substitutes?
- 8) Analyze the effects of VoIP on the telephone companies' long-distance telephone business.
- 9) Analyze the consequences of NetFlix for BlockBuster Video.
- 10) How do microwave ovens, personal computers, disk drives and memory boards illustrate the effects of technology on competition?
- 11) Can large companies stifle competition by buying out competitors? Give examples. Can the strategy last indefinitely? Why or why not?
- 12) How does Paccar's strategy illustrate the power of effective positioning in an industry? Can you give another example of careful product positioning?
- 13) How can large customers control the power of suppliers?

