

Industry and Competitive Analysis

Department of International Business

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Professor Ming-Je Tang 湯明哲

Department of International Business

Room 1114, Management Building II

Tel: 3366-9798

email: ibtang@ccms.ntu.edu.tw

In contrast to traditional microeconomics, industrial organization studies the firm's behavior under imperfect market conditions. This course provides students with an in-depth conceptual framework for understanding the fundamental determinants of competition in industries and the factors that shape the competitive success and failure of firms. This conceptual base is then applied to analyze firms' performance and the problem of strategy formulation at the business level as a basis of valuation.

This course presumes a working knowledge of microeconomics. It seeks to deepen the understanding of strategy formulation in individual industries through a wide range of analytical techniques for understanding and influencing industry competition and competitor behavior. The course utilizes the case method as the fundamental learning tool. The case method will train critical and creative thinking. We will conduct a case week first in order to get you familiarized with industry analysis through your own economic intuition. The later half of the semester, these cases will be used again to illustrate the applicability and limitations of the theories presented in the textbook.

Grading

Final Exam	25%
14 Case Write-ups	55%
Class Participation	20%
	100%

■ Course Requirements

◆ Active and Meaningful Participation

Active participation, both in the class and in the group, is an essential element of learning experience. Meaningful participation means making a contribution to the intellectual conversation. Our interest is not "right" or "wrong", it is whether you have made a contribution to the development of the issues under study by the

class (group), and whether you have moved the class (group) forward. Failure to participate penalizes you and the class in several ways: you deprive all of us from your insights into the class, you lose the chance to learn from others, and eventually you will lose incentives to learn from the course. To prevent this scenario from occurring, one should actively follow the course schedule, read cases and required readings before the class, and handle groupware efficiently and effectively. In addition, it is your duty to clarify any point of confusion, either those coming from the process or from our communications.

Your participation score will share 20% of your final grade, a significant portion of overall performance. In order to provide an unbiased judgment on your participation performance, I will ask you (1) to fix your seating choice by the second week, (2) to have a visible name card putting on your table throughout the semester, and (3) to inform me **in advance** if you are not able to join the case discussion for whatever reasons, as cold-calls will be conducted throughout the class discussion.

Since good science is good conversation, please make sure you express your ideas clearly to others and ask whenever you feel confused. To guide effective participation, our class will evaluate participation performance based on the following five criteria.

- *Active Listening*: Is the participant a good listener?
- *Relevant Discussion*: Are the points made relevant to the discussion? Are they linked to the comments of others and to the themes that the class is exploring together?
- *Value-adding Inquiry*: Do the comments add to our understanding of the situation? Do they cut to the core of the problem? Is there a willingness to test new ideas?
- *Constructive Questioning*: Is there a willingness to challenge the ideas that being expressed in a constructive manner?
- *Integrative Conversation*: Does the participant show efforts of integrating cases, readings, or theoretical arguments learned from past classes?

◆ Group Assignments

Learning through group dynamics plays a critical role in our course execution. You are assigned to a study group. The group is responsible for **14 case write-ups** throughout the semester. **Cases 15 and 16 are required case write-ups.** No late case write-up will be accepted. We shall detail each element accordingly.

1) Case Write-ups (CW)

Case discussion has traditionally been a vital learning instrument in Business Schools worldwide. Case method provides an arena for bridging theoretical framework with reality as over half of management problems cannot be solved by

theoretical models alone. Cases also provide us valuable learning experience of exploring the logic underlying critical managerial decisions. Along with the session subjects, this course selects ten HBS cases for discussion. The contents of these cases reflect a balanced blending of types of industry, countries of origin, and stages of corporate development. One common feature of these cases is that each has distinct industry and strategic decision issues to be resolved.

● Group Tasks on Case Assignments:

Each group has to read the cases and discusses the central questions concerning the cases. Every group has to turn in 14 case write-ups through the whole semester.. To accommodate possible poor performance in the initial stage, I encourage you to try to practice case write-up earlier. No matter how many case write-ups you turn in, I will count the best 14.

Case write-ups have to be **wordprocessed**, with reasonable line space and fonts, and **signed by team members** before turning in. Since report length will not necessarily reflect its quality, please limit your CWs within **ONE page each**, excluding necessary appendices. You should take this as a goal to consolidate your thinking and present your arguments in a concise and precise manner. The write-up should represent the consensus of the group. Please remember that peer evaluation will be conducted at the end of the semester and is part of your final grade. Finally and most importantly, all assignments are due by the date of case discussion. **No late case write-ups will be accepted** and for the sake of maintaining fairness for the class, no excuses.

Required Text:

Carlton, D., and J. Perloff, *Modern Industrial Organization*, Glenview, IL: 4th
Adison-Wellsley and Company, 2004 雙葉書局

Recommended Text:

1. Scherer, F. M., and D. Ross, *Industrial Market Structure and Economic Performance*, 3rd Edition, Boston: Houghton Mifflin Company, 1990.
2. Brock, James and Walter Adam., ed., *The Structure of American Industry*, (11th ed.) Prentice Hall 雙葉書局

- Sufficient preparation is the dominant game rule toward success in this class. While the marketing course normally highlights a 4P principle, we have a “**5P game rule**”, i.e., “**Proper Preparation Prevents Poor Performance.**”

Tentative Schedule

I. The Case Week

2/12 9-12 Case 1: The Japanese Facsimile Industry in 1990

Discussion questions:

1. Why have Japanese companies become the world leaders in the facsimile industry?
2. What strategic issues face the Japanese facsimile firms in 1990?
3. Which segment of the facsimile industry are the most (least) attractive? How sustainable are the positions of NEC, Murata, and Ricoh?
4. What strategic options should these firms consider?

Case 2: Sweco Inc.

Discussion questions:

1. What industry is Sweco in?
2. What are the characteristics of the industry Sweco is in?
3. What are the key success factors in this industry?
4. What value does the “mud cleaner” create?
5. Who will buy or rent this product?
6. Is this a profitable product?
7. What should Sweco do regarding the “mud cleaner”?

2/13 9-12 Case 3: Crown Cork and Seal in 1989

Discussion Questions:

1. What are the characteristics of the industry?
2. What is the profit potential of the industry?
3. What are the market imperfections in the can industry?
4. How can CCS make an above average profit? What is CCS strategy?
5. In light of your analyses, what should CCS do?

Case 4: Fox Broadcasting

Discussion Questions:

1. What is the value chain of the broadcasting industry?
2. What value does each player contribute?
3. What is the profit potential of this industry as it is now?
4. What is the profit potential if Fox decided to enter the industry? What are your assumptions?

2/14 9-12 Case 5: **The Electronic Component Distribution Industry**

Discussion Questions:

1. What are the characteristics of the industry?
2. What is the profit potential of the ECD industry? Active components? Passive components? Why?
3. What is the KSF of the ECD industry?

Case 6: **Cramer**

Discussion Questions:

1. What is the strategy of Cramer?
2. Is Cramer's strategy consistent with the industry characteristics?
3. Do you agree with Cramer's current strategy regarding value added, information system and Microprocessor? If not, what should Cramer do? Why?

Write-up: Case 6 only

2/15 9-12 Case 7: The Airborn Express

Case 8: **Southwest Airlines in 1993**

1. What is the strategy and operations of Southwest Airlines?
2. Explain, in details, how does Southwest Airlines make an above-average profit than most big airlines?
3. What should Southwest Airlines do now?

2/16 9-12 Case 11: **Merck and Medco**

Case 12: **Ready to Eat Cereal Industry**

2/17 9-12 Case 13: **Leadership on Line: Amazon vs. Barnes and Noble (A)**

Case 14: **UK Credit Card Industry in late 1980**

II. The intensive semester

2/18 Introduction to Industrial Organization

Readings: C&P Chapter 3

3/3 Determinants and Elements of Market Structure

Readings: C&P Chapter 8

Case 15: **The Aluminum Industry**

The Investment Project in South Africa Aluminum

3/10 Internet Economics

Readings: Chapters from “**Blown to bits**”

3/17 Oligopolistic Markets (I):

Introduction to Game Theory: S&P Chapter 6

Case 16: **Du Pont’s Titanium Dioxide Business cost function is due**

3/24 Oligopolistic Markets (II)

Factors facilitating and limiting competition

Case 16: **Du Pont’s Titanium Dioxide Business, write-up is due**

3/31 Strategic Behavior

Readings: C&P Chapters 9& 11

4/7 Oligopolistic Interactions (II)

Case 17 **The Bitter competition: The Holland Sweetener Co.**

vs. Nutrasweet (A)

4/21 Final Exam

4/28 The Entrepreneurship Game