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Strategic Corporate Advisory Services
Creating Corporate Integral Value (CIV)

Industry Structure, Competition and Success Factors over the Life-Cycle



→ Leg 5. From Hong Kong to Guangzhou

OUTLINE Leg 5. The Industry Evolution - Life Cycle Model

01
The Life Cycle Model Introduction



02
Drivers of Industry Evolution



03
How Industries evolve?



04
Life Cycle varies according to the type of Industry



05
Structure, Competition and Success Factors over the Life Cycle



06
Summary and Conclusions



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Industry Structure, Competition and Success Factors over the Life-Cycle

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Structure,
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*Let's see the main features of each stage of the industry life cycle. The industry characteristics which change over the course of the life cycle are: **demand**, technology, products (type, differentiation, standardization), manufacture, distribution, location, trade and competition.*

| Industry Characteristic | Introduction | Growth | Maturity | Decline |
|-------------------------|--------------------|--|--|--|
| 1. Demand | High-income buyers | <ul style="list-style-type: none">Increasing Market penetrationRapid Sales Growth creates space for new entrants.Rapid industry growth associated with rising industry concentration (in computers and software) | <ul style="list-style-type: none">Enters the mass market.Replacement or repeat buyingSlowing of sales growth | <ul style="list-style-type: none">Customers knowledgeableSales are stagnant and decline |

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| Industry Characteristic | Introduction | Growth | Maturity | Decline |
|-------------------------|---|--|---|--|
| 2. Technology | <ul style="list-style-type: none">Underdeveloped process technology involving intensive use of skilled laborNot standard technologyIn some industries with patent-protected new products, their technology is an entry barrier for competitors. | Some technologies are eliminated Technology becomes more accessible | Well-diffused technical knowhow. Quest for technological improvements | Shift to new technologies. Example: from Blackberry to iPhone platforms |



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| Industry Characteristic | Introduction | Growth | Maturity | Decline |
|-------------------------|---|---|--|---|
| 3. Products | <ul style="list-style-type: none">• Poor quality.• Wide Variety.• Frequent Design Changes.• Lack of consensus over customer requirements• Wide range of Distribution Channels | <ul style="list-style-type: none">• Design and Quality Improve• Reliability of Key Importance• Technical Standardization increases product uniformity• Emphasis of Differentiation shifts to marketing variables and value added extra optional features | <ul style="list-style-type: none">• Standardization lessens differentiation• Minor model changes predominate• Hasten the elimination of inferior varieties and designs• Frivolous differentiation is eliminated | <ul style="list-style-type: none">• Product Differentiation Lessens• Buyers select on the basis of price relative to performance |

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| Industry Characteristic | Introduction | Growth | Maturity | Decline |
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| 4. Manufacture and Distribution | <ul style="list-style-type: none">• Short Production badges or Runs• High Skilled Labor Content• Small scale, specialized Distribution Channels | <ul style="list-style-type: none">• Capacity Shortages• Mass Production• Competition for Distribution Channels at larger-scale | <ul style="list-style-type: none">• Emergence of Overcapacity• Deskilling of Production• Long Production Runs• Reduced Number of lines carried by distributors• Independent Retailers are displaced by chains | <ul style="list-style-type: none">• Heavy Overcapacity• Reemergence of specialty channels |

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| Industry Characteristic | Introduction | Growth | Maturity | Decline |
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| 5. Location | <ul style="list-style-type: none">• New industries begin in high-income countries (USA, Japan and Western Europe)• These countries have ample technical and scientific resources• These countries have affluent demand for novel goods and services | <ul style="list-style-type: none">• Reduced need for inputs of state of the art technology and sophisticated labor skills push production to overseas markets• US and Europe begin to import products | <ul style="list-style-type: none">• Growing comparative advantage in low wage countries manufacturing (developing countries) such China, Asian Countries, India, Latin America• Production shifts away from Western Europe, US and Japan and they become wholly dependent upon imports from low-wage countries | <ul style="list-style-type: none">• Production shifts away from Western Europe, US and Japan and they become wholly dependent upon imports from low-wage countries |

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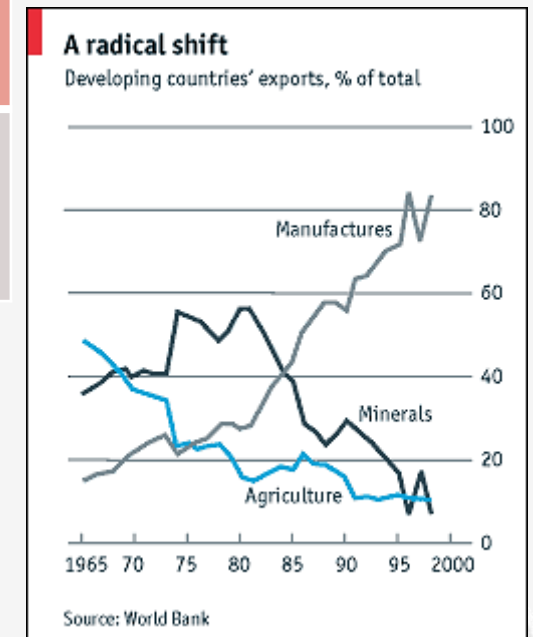
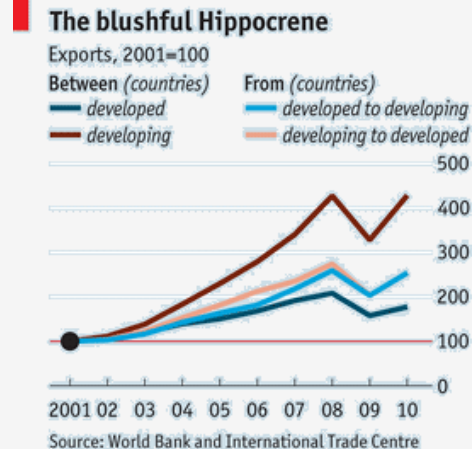
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| Industry Characteristic | Introduction | Growth | Maturity | Decline |
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| 6. Trade | First the demand for new products emerges first in the richer advanced developed countries and then diffuses internationally and to poorer countries. | | | |



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| Industry Characteristic | Introduction | Growth | Maturity | Decline |
|-------------------------|--|--|--|--|
| 7. Competition | <ul style="list-style-type: none"> Few companies Competitors battle for technological leadership | <ul style="list-style-type: none"> Entry with many mergers, acquisitions and failures The quest for competitive advantage shifts to low-cost, brand leadership and strength with distribution channels | <ul style="list-style-type: none"> Shakeout: Period of intense competition in which weaker producers are squeezed out of the industry Price Competition Increases Margins become severely pressured | <ul style="list-style-type: none"> Price Wars. Exits |

Graph Source: <http://www.studylecturenotes.com/mba-marketing/product-life-cycle-definition-stages-importance>

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The different stages of the Industry Life-Cycle are associated with different business strategies. Each life-cycle stage requires changes in business strategy. The Key Success Factors for Competitive Advantage in each phase are:

| <i>Key Success Factors</i> | <i>Introduction</i> | <i>Growth</i> | <i>Maturity</i> | <i>Decline</i> |
|------------------------------|--|---|--|--|
| Key Success Factors By Stage | <ul style="list-style-type: none">• Product Innovation• The knowledge to enter the industry• Investment Requirements tend to grow• Support innovation by a broad array of vertically integrated capabilities• Establish credible image | <ul style="list-style-type: none">• Design to allow large-scale manufacture• The key challenge is scaling up | <ul style="list-style-type: none">• Cost-Efficiency Scale• Process Innovation• Buyer Selection | <ul style="list-style-type: none">• Reduce Overheads• Signal commitment• Rationalize Capacity• Support Services• Establishing Credible image of firm and product• Access to distribution• Establishing Strong Brands |

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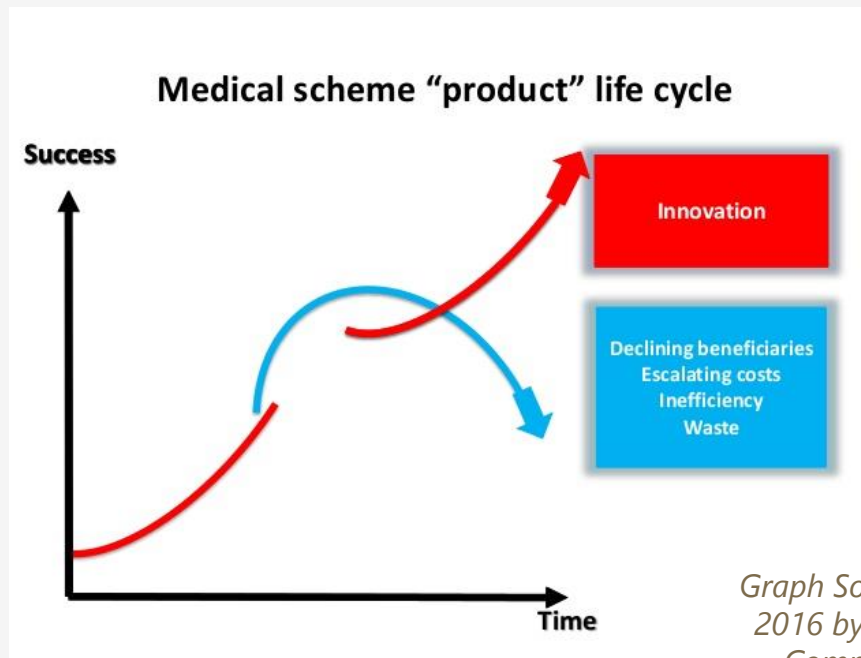
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Life-Cycles can extend unlimited durations. There are industries which will never disappear. Industries supplying basic necessities such as residential housing, food production and processing, clothing and life-sciences (medicine-pharma-hospitals) are likely to remain mature. Obsolescence is unlikely.



Graph Source: The Future of Digital Medicine; April 9, 2016 by [Ivan Noel Olegario, MD, MDC](#). Healthcare Communication/Publishing/Research/Pharma



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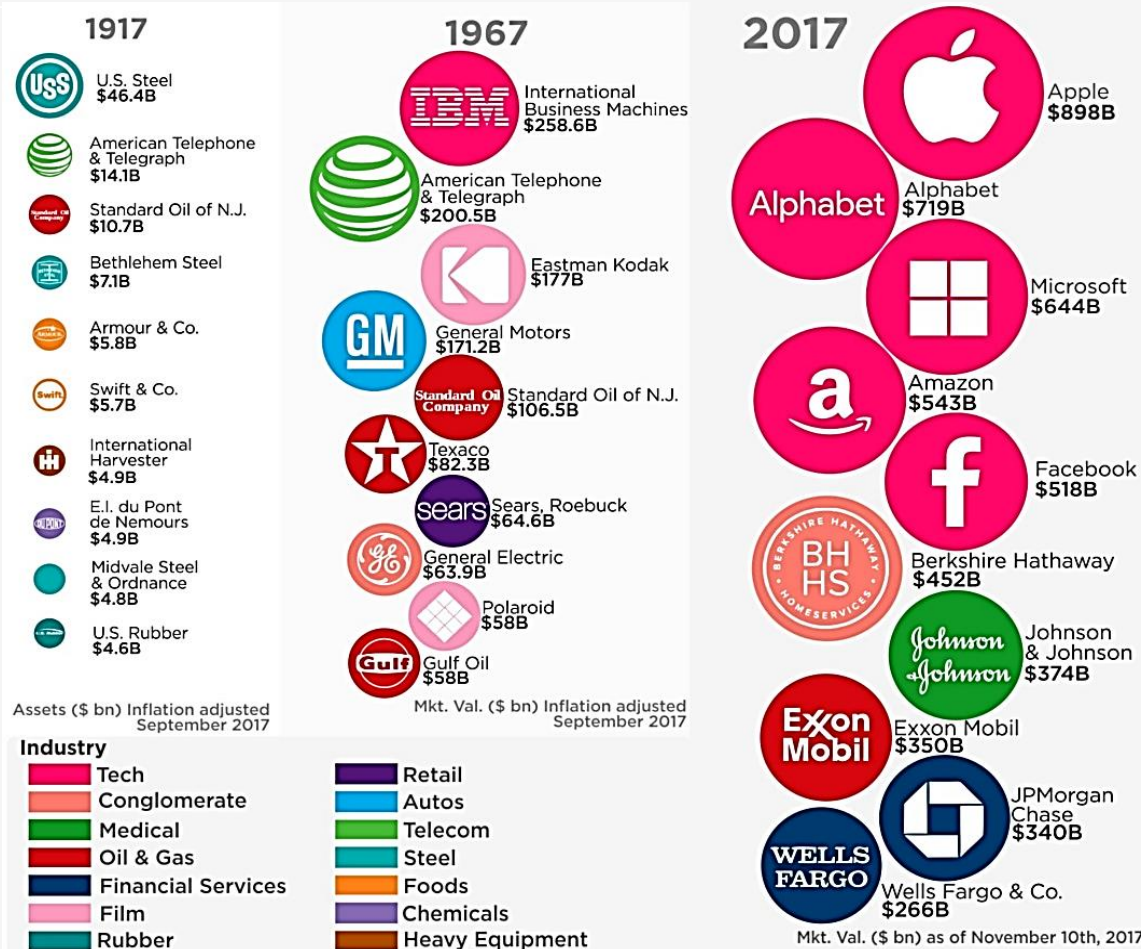
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Source and Article:
<https://howmuch.net/articles/100-years-of-americas-top-10-companies>
<https://forbes.com>

Thank you!

The World has changed. How much does the business world shift in a century?

The Most Valuable Companies in America Over 100 Years. Graph taken from:
<http://www.visualcapitalist.com/most-valuable-companies-100-years/>

