

Eleonora Escalante, MBA - MEng

Strategic Corporate Advisory Services

Creating Corporate Integral Value (CIV)

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



→ 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



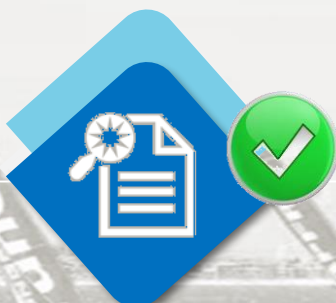
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Examples: Industry Structure, Competition and Success Factors over the Life-Cycle

05

Structure,
Competition and
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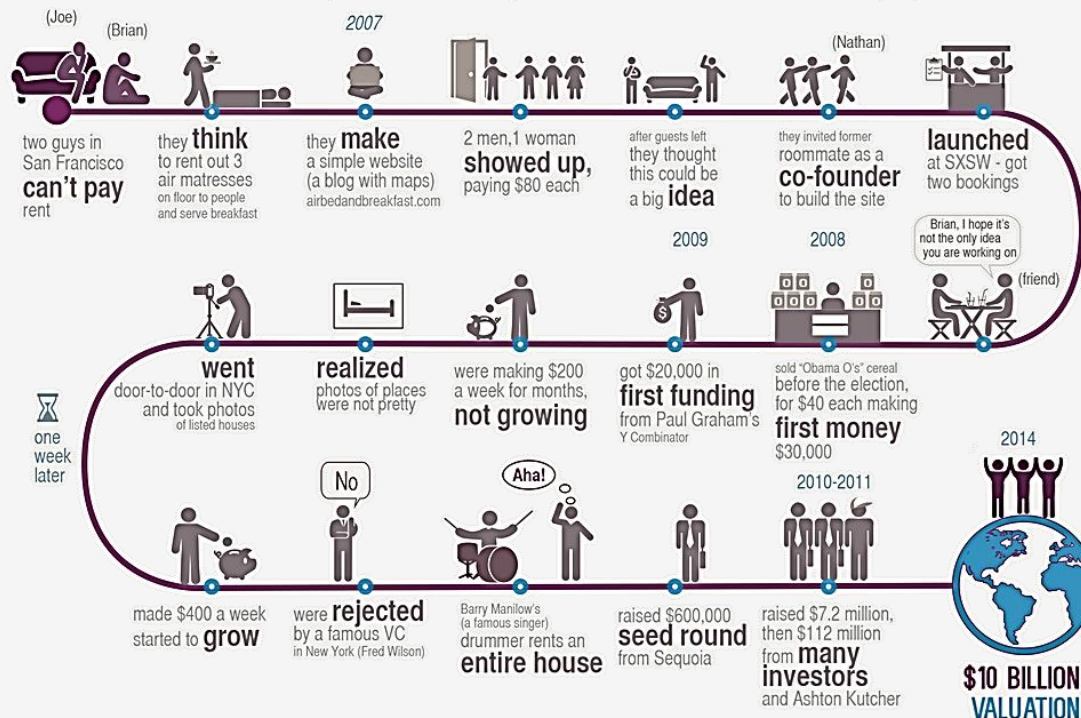
Let's see the main features of the industry life cycle.

Example of the **Demand** affects industries over the life cycle: Airbnb.

HOW AIRBNB STARTED

BY ANNA VITAL

Or How 3 Guys Went From Renting Air Mattresses To A 10 Billion Dollar Company



Highlights:

- Concept:** Airbnb is a privately owned affordable accommodation rental website which enables hosts to rent out their properties or rooms to guests who use the website to find somewhere to stay.
- Start Idea year:** 2007
- Founders:** Brian Chesky and Joe Gebbia started AirBed & Breakfast on the living room floor of their San Francisco apartment. In 2008, Nathan Blecharczyk joined AirBed & Breakfast and airbedandbreakfast.com was launched (the website name was shortened to airbnb.com shortly afterwards).
- Valuation:** Airbnb, which generates its revenue through service fees to hosts and guests, was valued at 31 billion U.S. dollars in May 2017.

Learning from mistakes: Endurance after weak points from their business model: theft, property damages, tax and regulation issues in NYC.

Funders and Founders

based on reports in Telegraph, WSJ, and The Atlantic

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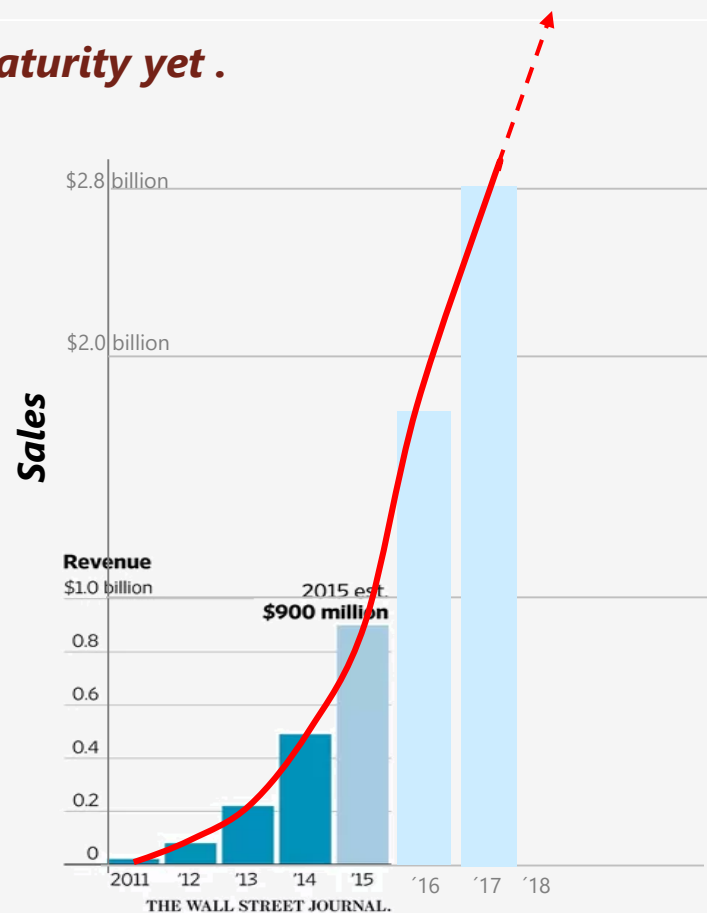
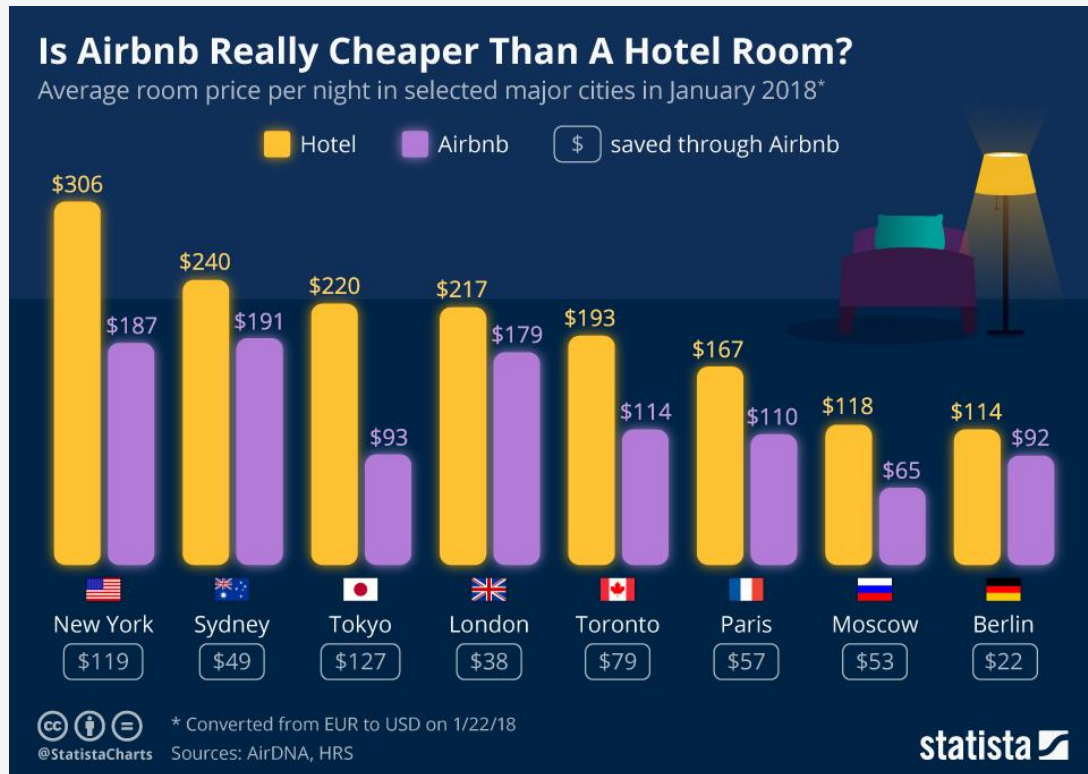
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Competition and
Success Factors over
the Life Cycle



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Airbnb is still in growth phase. It has not reached maturity yet.



Airbnb Life-Cycle



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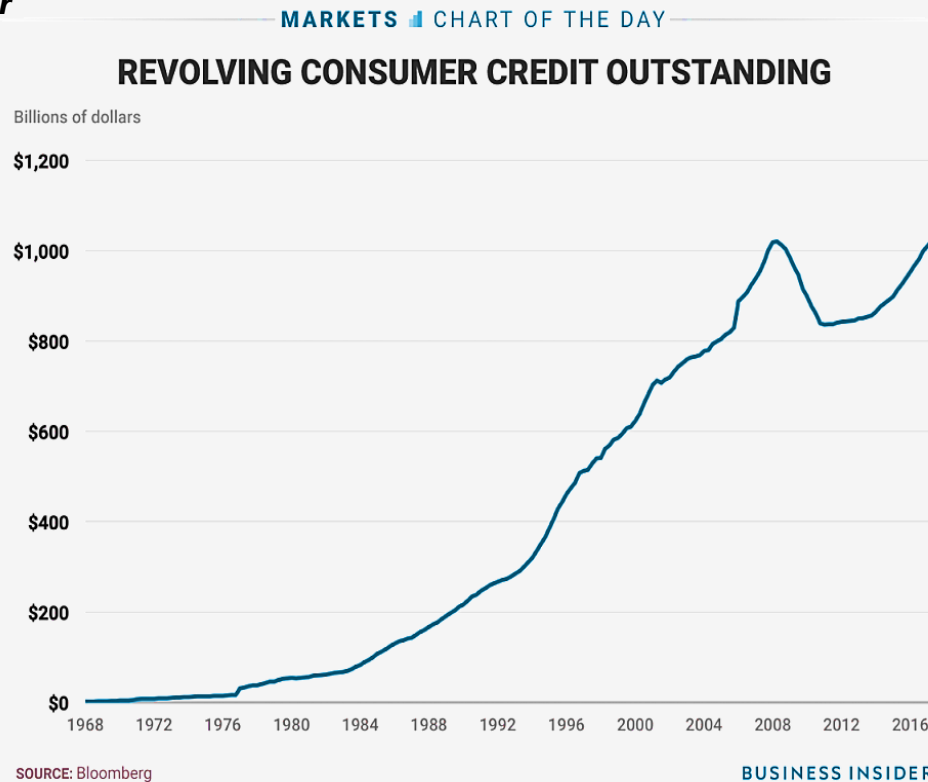
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Success Factors over
the Life Cycle



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Let's see the main features of each stage of the industry life cycle. Example of how **Technology** impacts the life-cycle curve of the Industry Credit Cards



Highlights

Concept: A credit card is a plastic card issued by financial companies, usually banks or credit unions. It allows the holder to pay for goods and services based on the promise made by the holder to pay for them at a later date.

Start date: "In 1949, Diners Club established the first general purpose charge card, enabling its cardholders to purchase goods and services from many different merchants in what soon became a nationwide network. The Diners Club card was meant for high-end customers. Diners Club charged merchants 7 percent of each transaction".

Industry Founders: It took 20 years to create the Credit Cards Industry with (Visa, MasterCard, Amex and Diners Club). Until 1958, no one had been able to successfully establish a revolving credit financial system in which a card issued by a third-party bank was being generally accepted by a large number of merchants. In September 1958, Bank of America launched the BankAmericard in California. In 1976, all BankAmericard licensees united themselves under the common brand **Visa**. In 1966, the ancestor of MasterCard was born when a group of banks established **Master Charge**. Citibank merged its own Everything Card, launched in 1967, into Master Charge in 1969.

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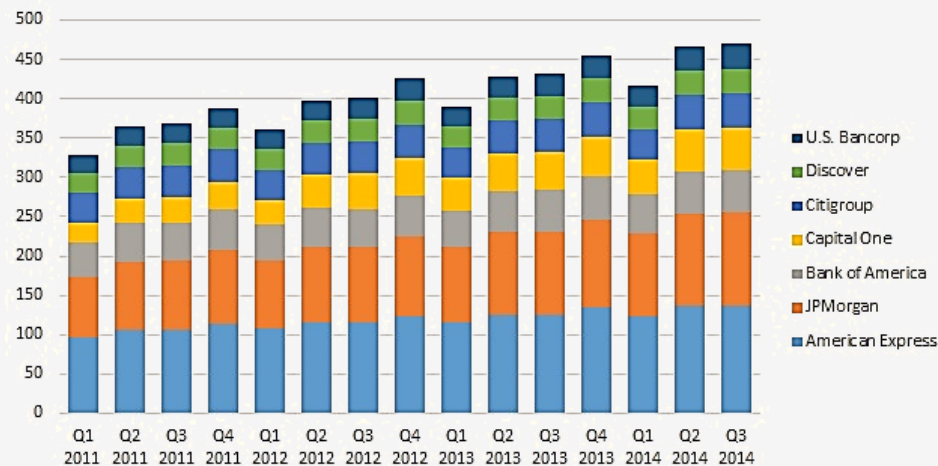
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Competition and
Success Factors over
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Let's see the main features of each stage of the industry life cycle. Example of how **Technology** impacts the life-cycle curve of the Industry Credit Cards (USA)

U.S. Credit Card Purchase Volume (in \$ bil)



If you took all the credit cards in circulation from the top 10 card issuers in the U.S. and lined them up end-to-end, they would stretch around the equator, and then some.



Highlights

The slow development of new technologies extended the introduction phase of credit cards industry between the 50s up to the 70s.

Industry US top Issuing Competitors: American Express, JPMorgan, Bank of America, Capital One, Citigroup, Discover, US Bancorp.

American consumers collectively are flirting with \$1 trillion in credit card debt in mid-2017, according to the Federal Reserve consumer credit report. The top four issuers provide more than 57 percent of all the cards issued by 5,231 banks. The top 10 issuers issued nearly 90 percent.

Technology Impact: Every decade since the beginning of this industry; technology and other dynamics have been changing the payment industry as a whole. Credit cards have evolved since 1966, but the basic procedure of payment has remained the same, until now. Experts believe the industry has reached maturity, and the newest emerging mobile technologies are affecting it: mobile wallets, big data, IoT. It seems the plastic card could disappear in the long run.

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Competition and
Success Factors over
the Life Cycle

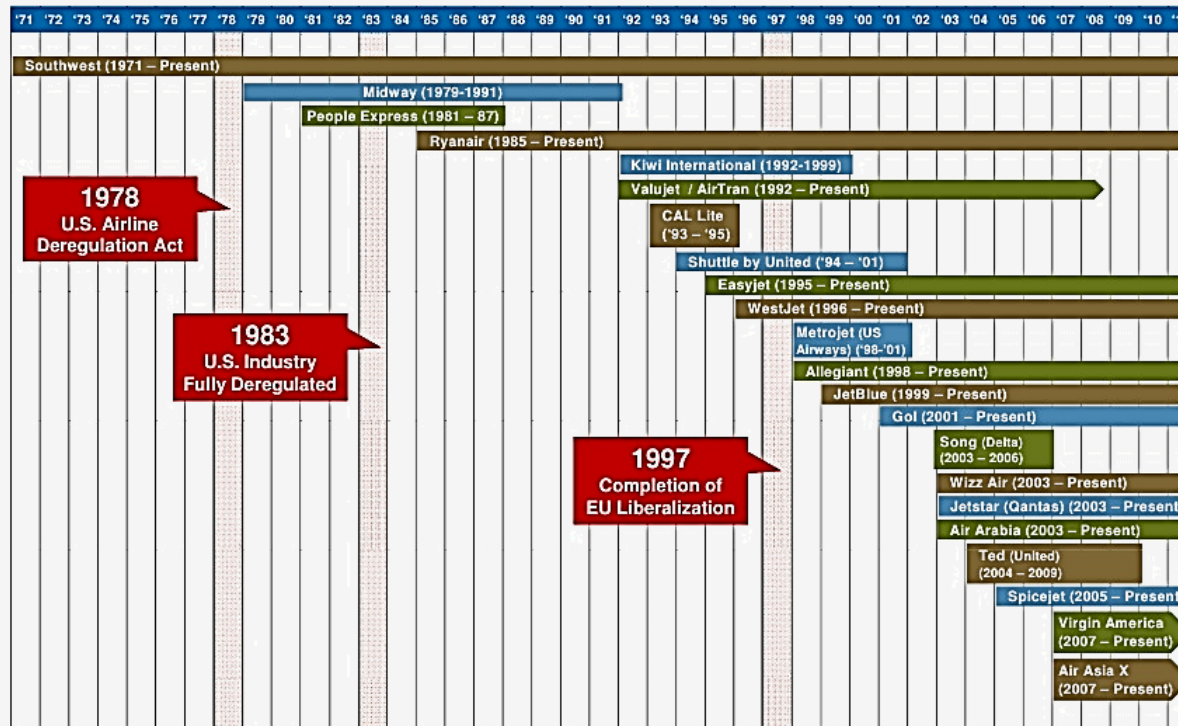


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Low Cost Carrier Industry Evolution.

Example of evolution of **products (type, differentiation, standardization)** over the Life Cycle.

History of Low Cost Carriers



Highlights

Concept:

Start date: In 1971 – With Southwest. After Deregulation in the USA (1978) and in Europe After 1997 EU Liberalization

Industry Founders: Southwest, Ryanair EasyJet, Jet Blue, etc.



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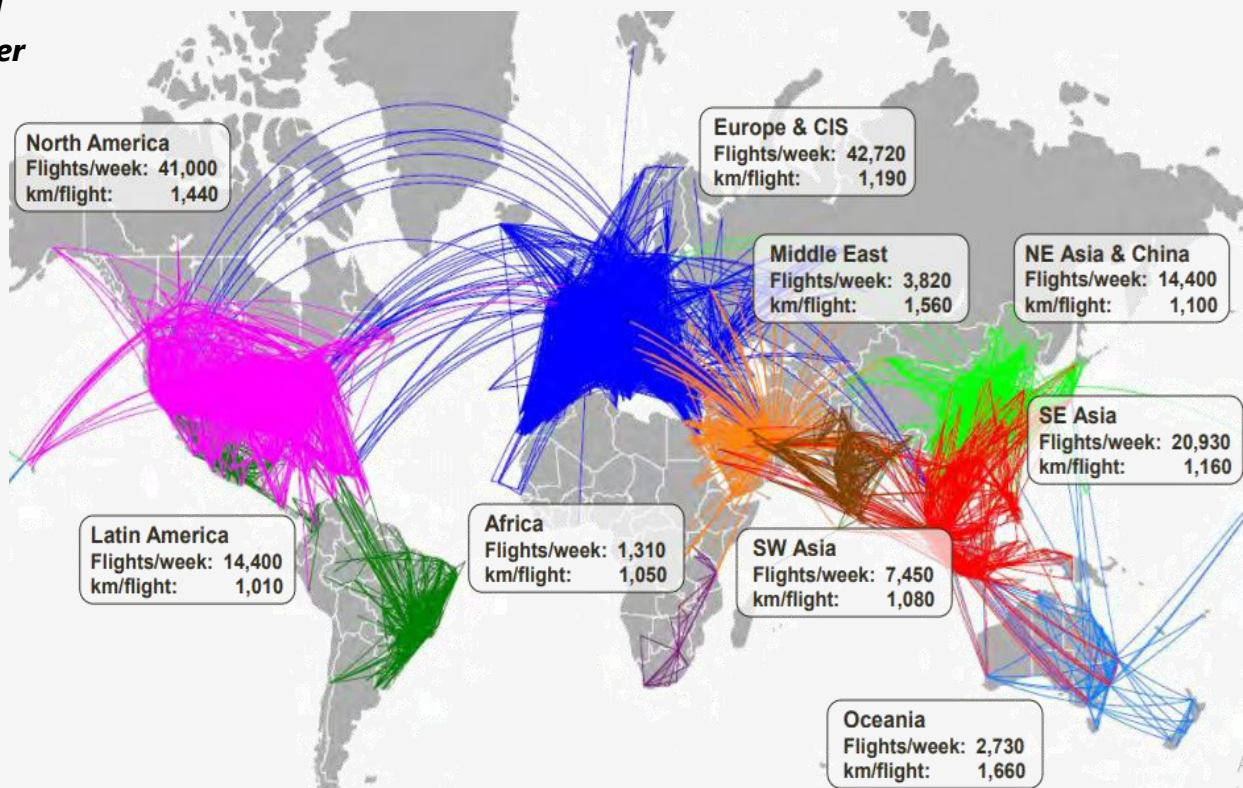
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Competition and
Success Factors over
the Life Cycle



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Low Cost Carrier Industry Evolution.

Example of evolution of products (type, differentiation, standardization) over the Life Cycle.



Source: Diio/Innovata 2015

Today LCC is operating in most regions, but it has not reached maturity yet. Source:

Boing Airline strategies and business models 2016 Airline Planning Workshop

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Today: The industry has expanded worldwide. The business model has been validated over and over again, with some variants.

Technical standardization has increased LCC uniformity, and differentiation shifts to marketing variables.

Industry is in growth mode: Moreover, the numbers of low cost carriers have increased at a rate of 3X - 5X during the last 3 decades. In fact, around 15 new destinations start every year. In Europe: There is a dominance of low cost airlines in the European market.

Low-cost airlines have been nibbling at the legacy carriers' profits for more than 35 years, ever since Southwest Airlines took to the skies, cutting costs and ticket prices — and gaining loyal passengers.

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Structure,
Competition and
Success Factors over
the Life Cycle



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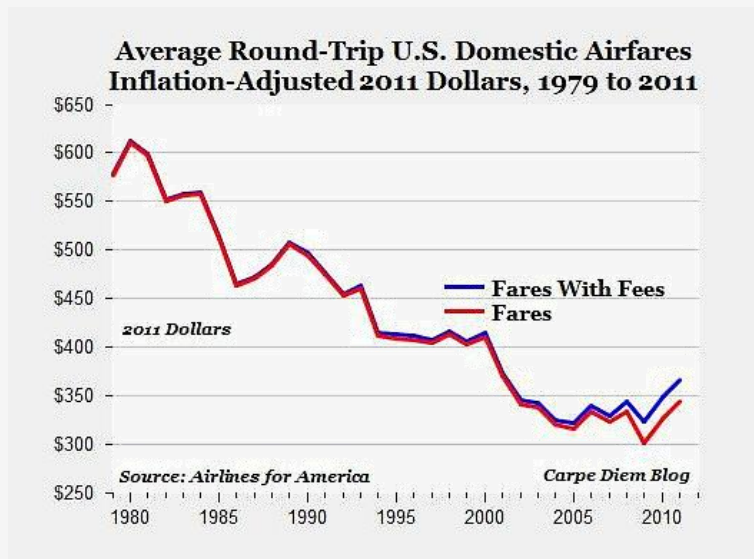
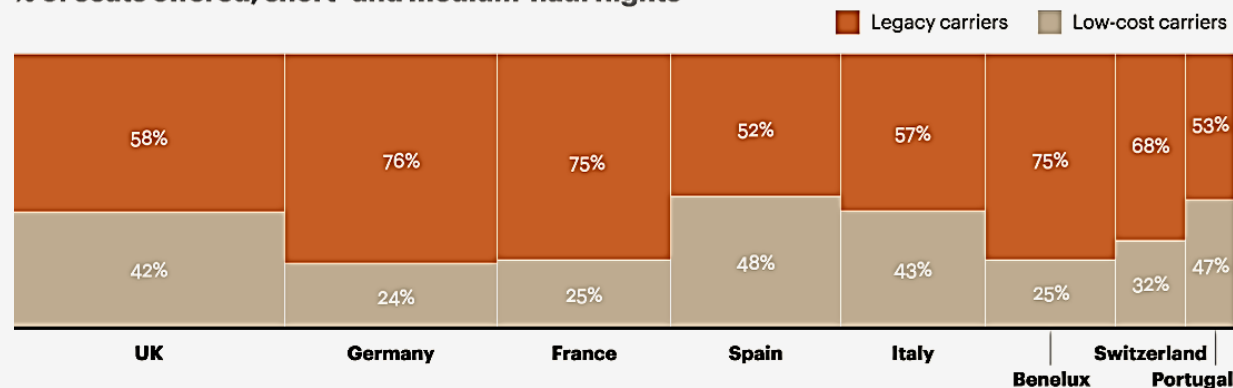


Figure 2

In some countries, LCCs have captured close to half of short- and medium-haul seats offered

% of seats offered, short- and medium-haul flights



Note: The column width represents the numbers of seats offered in each country. The figures are for a typical summer 2016 schedule.
Sources: OAG; A.T. Kearney analysis



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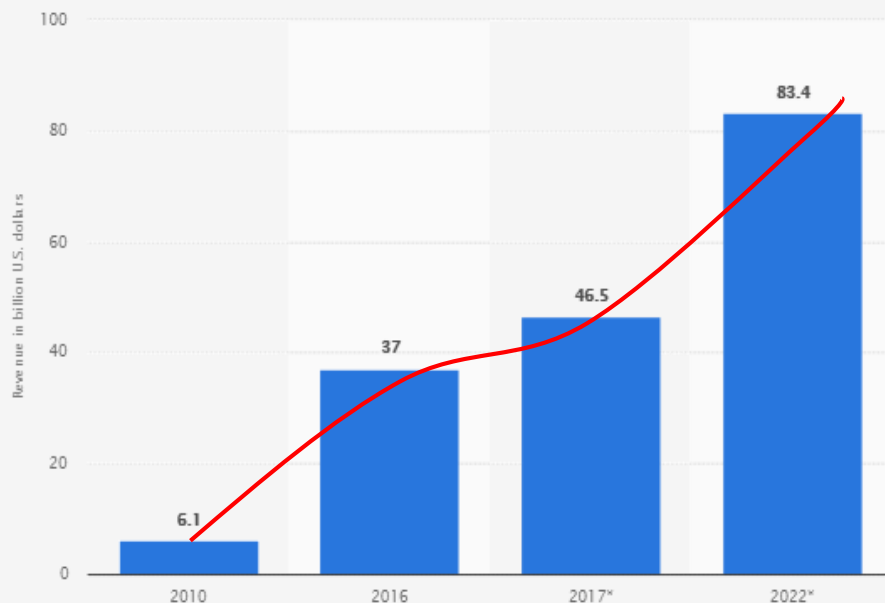
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Success Factors over
the Life Cycle



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Example: Digital Web-Based OTT Companies (Netflix is one of these companies).
Let's see the how the *manufacture and distribution* impact the industry Life-Cycle.

Over-the-top (OTT) revenue worldwide from 2010 to 2022



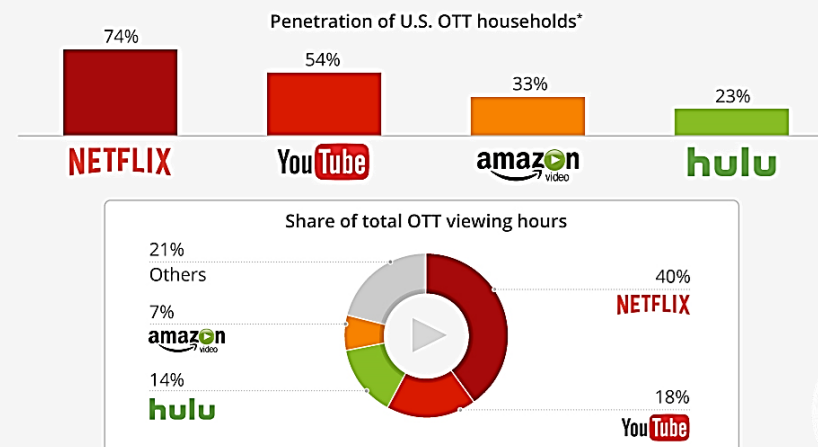
Data visualized by tableau

© Statista 2018

Highlights

Concept: Over the Top Digital Web-Based Industry
Industry Founders: Netflix, Hulu, Amazon Prime Video, and other Internet-based digital over-the-top (OTT) players have matured rapidly

Netflix Rules the Connected Living Room



* OTT (over-the-top) is defined as using apps to stream video content via the internet to a television set; wi-fi households only; April 2017
Source: comScore

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Competition and
Success Factors over
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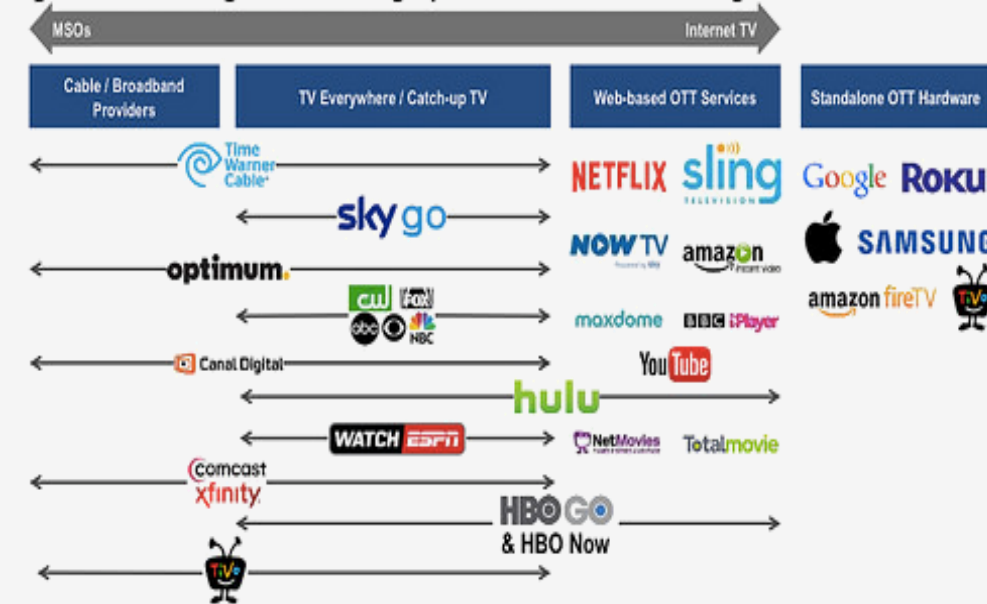


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Example: Digital Web-Based OTT Companies (Netflix).

Let's see how the *manufacture and distribution* impact the industry Life-Cycle.

Figure 5. Growing Set of Viewing Options to Address a Shifting Consumer



Source: Company data, Evercore ISI Research

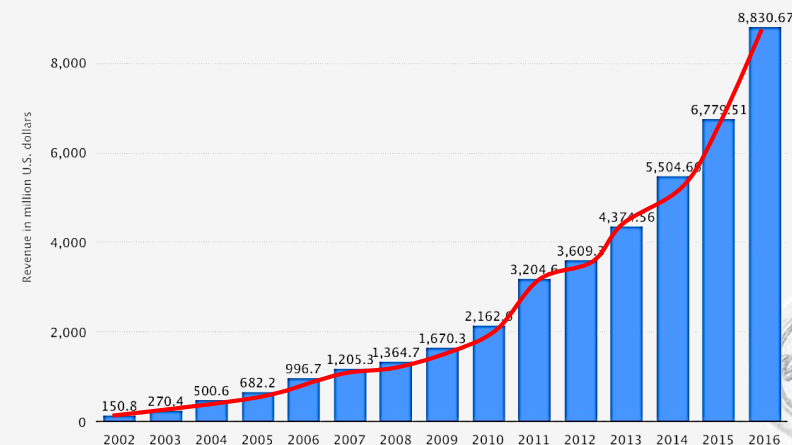
Digital Web-Based OTT Companies have grown during the last 7 years.

Personally I believe the industry is in full growth and has not reached maturity.

There is strong competition with different business models and the industry is in expanding mode.

Netflix Life Cycle shows it:

Netflix's annual revenue from 2002 to 2016 (in million U.S. dollars)



Source: Statista.

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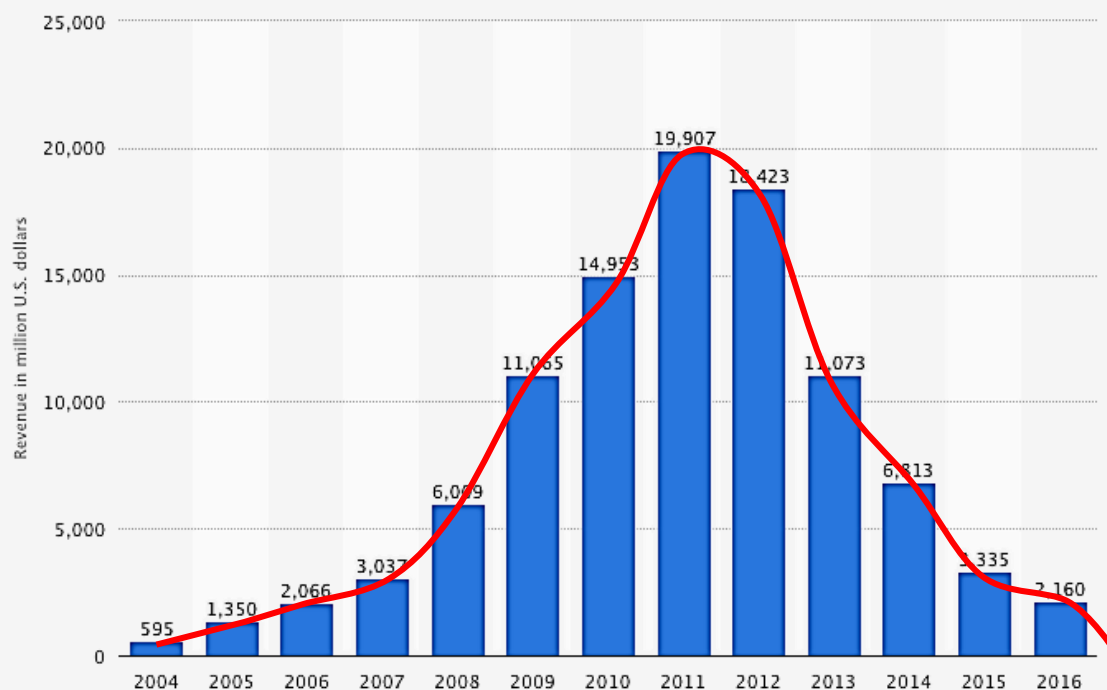
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Competition and
Success Factors over
the Life Cycle



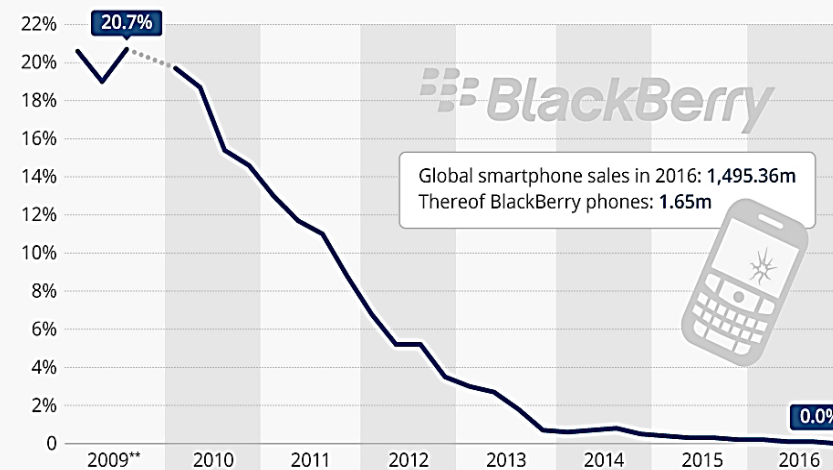
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Example: The Smartphones Industry (when Blackberry was a strong industry leader)
Let's see the impact of *location* in the sales historic life-cycle of the industry.



The Terminal Decline of BlackBerry

Worldwide market share of BlackBerry smartphones (% of unit sales)*



* includes only those BlackBerry phones running the company's own operating system
** no data available for Q4 2009
Source: Gartner

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Competition and
Success Factors over
the Life Cycle

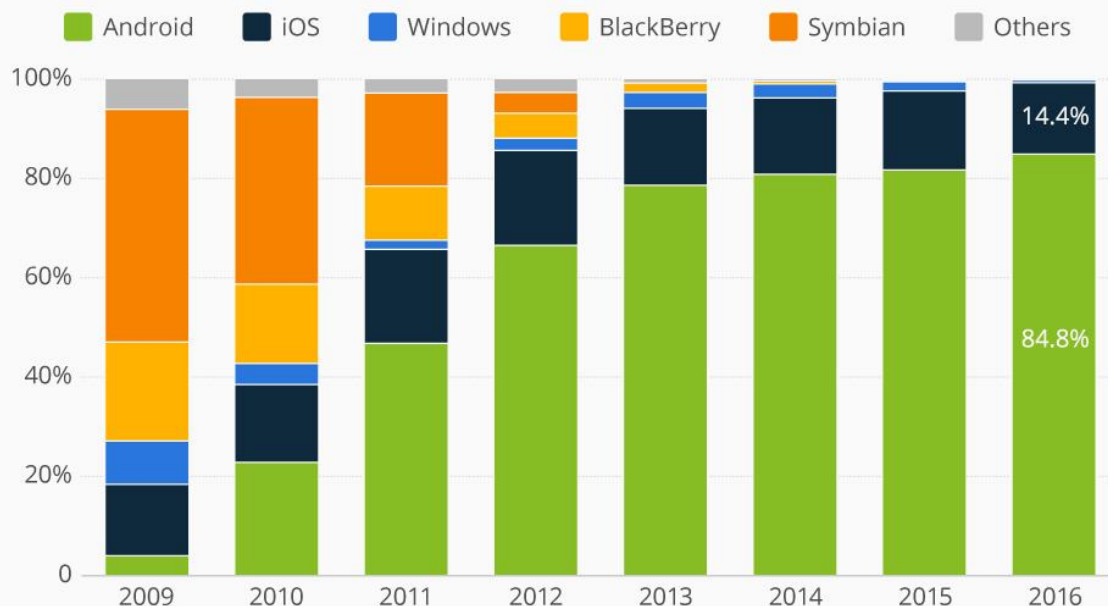


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The Smartphone Platform War Is Over

Worldwide smartphone operating system market share (based on unit sales)



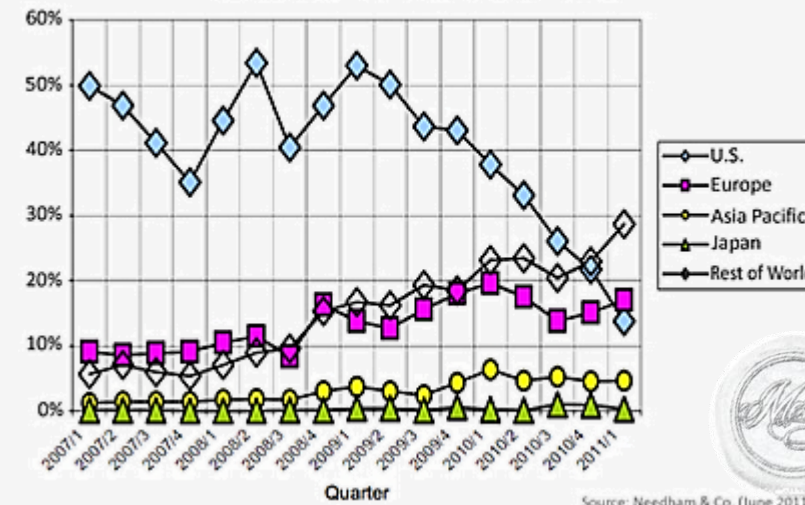
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@StatistaCharts Source: Gartner

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When Blackberry was a strong player in the Smartphones Industry:

Meanwhile in the US and Canada, the iPhone and Androids were growing after the year 2009; in several emerging markets countries, Blackberry sales continued with steady growth in other regions.

Blackberry's Market Share By Region



Source: Needham & Co. (June 2011)

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Competition and
Success Factors over
the Life Cycle

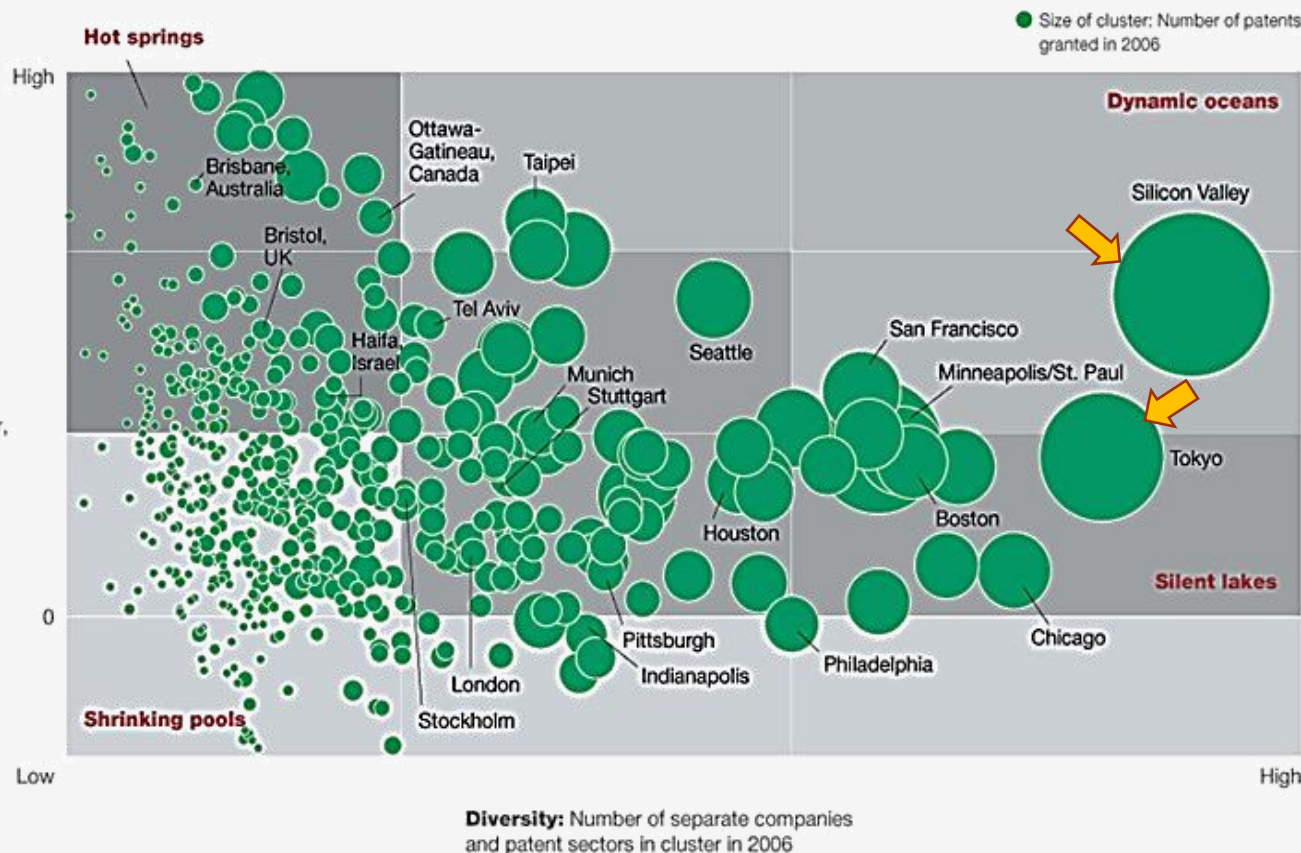


Momentum:
Average growth of
US patents in cluster,
1997-2006



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Example: The Innovation Spots are not in Emerging Markets.
Let's see the impact of *trade* in the sales historic life-cycle of this industry.



The Life-Cycle theory of trade and direct investment is based upon two assumptions:

- First: The demand for new products emerges first in the richer developed countries (especially the United States) and then diffuses internationally.
- Second: With maturity, products require fewer inputs of technology and sophisticated skills, making production attractive in overseas markets.
- As a result: Production shifts away from Western Europe, North America and Japan, and these countries become wholly dependent upon imports from low-wage countries.

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Source: Juan Alcacer, Harvard Business School and New York University; McKinsey analysis. © 2017 Eleonora Escalante-all rights reserved

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Competition and
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the Life Cycle



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Example: Media Industry

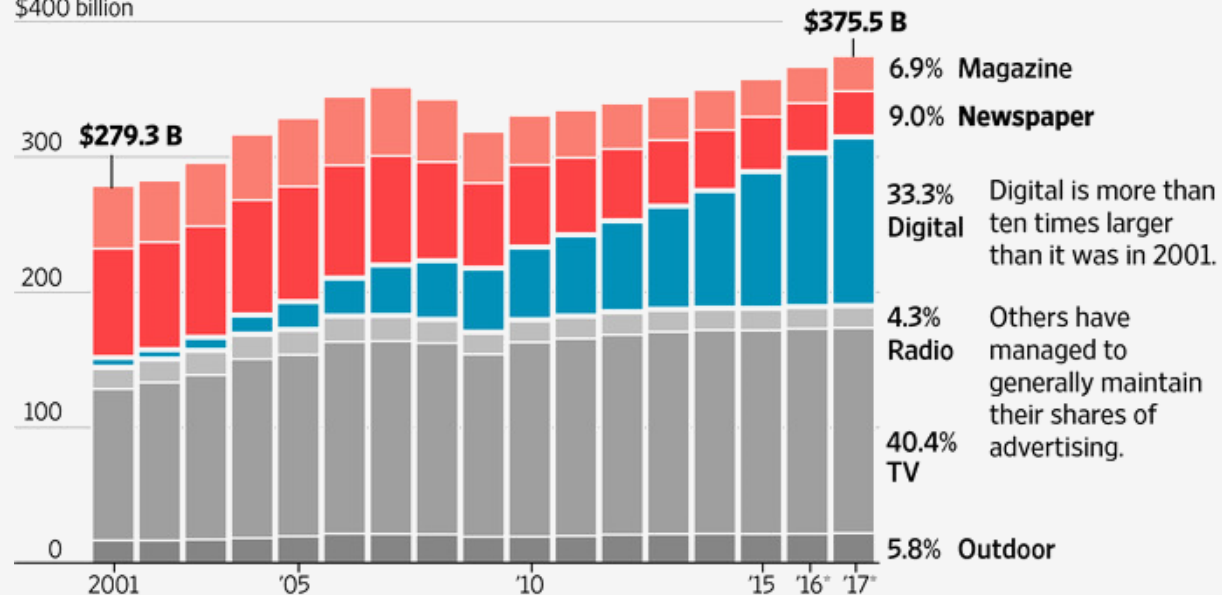
Let's see the impact of **competition** in life-cycle curve of this industry.

Media Shifts

Newspaper declines in print advertising are accelerating, shrinking their share of media spending.

Global ad spending, divided by media share, inflation-adjusted

\$400 billion



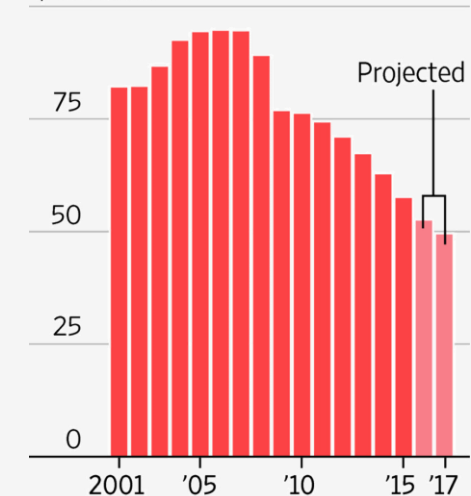
*Projections
Source: GroupM

THE WALL STREET JOURNAL.

Print Plunge

Advertisers are increasingly spending less money on print newspapers globally.

\$100 billion



Source: GroupM
THE WALL STREET JOURNAL.



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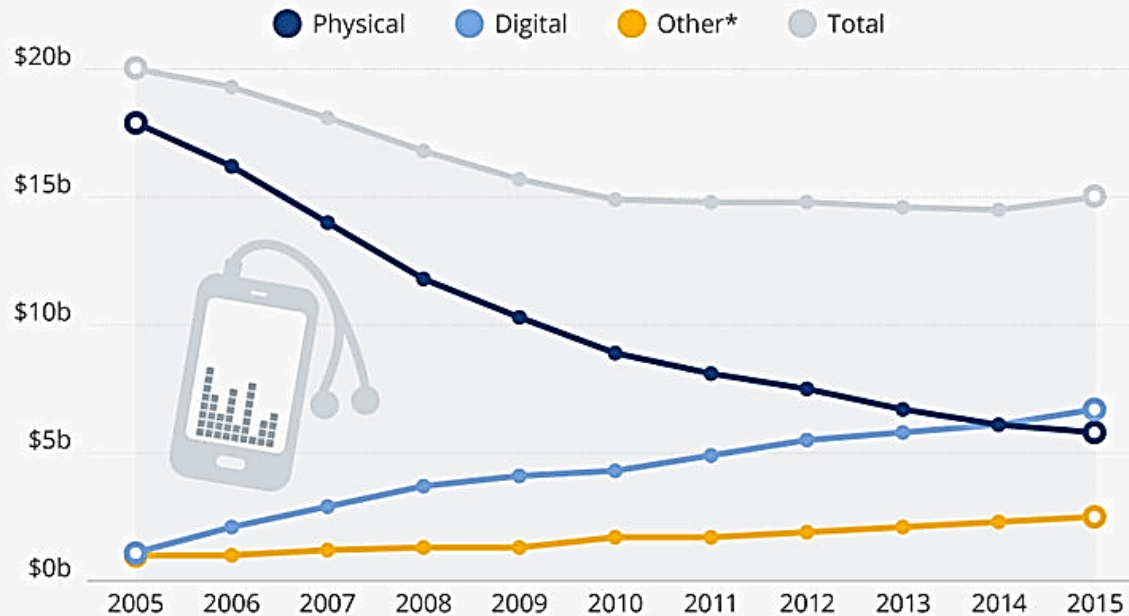
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Rise of Digital Music Stops the Industry's Decline

Global recorded music industry revenues (in billion U.S. dollars)



© StatistaCharts * includes performance rights and synchronisation revenues
Source: IFPI

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Thank you!

