- Southwest Airlines – 'the love airline' – not just the airline industry, but the transport industry. Needed to compete with driving a car from Point A to Point B – offering freight and transport options to companies and individuals – therefore defining new competitors
- Identifying competitors today – but how about future competitors?

New Kids on the Block – Burgelman & Grove 2009 – FUTURE COMPETITION

- Theory of industry disruptors
- A threat (risk) is credible depending on
  1. Barriers present
  2. Response from incumbents
- BEWARD of the industry disruptors
  - Allied industries
    - Upstream key partner industries
    - Downstream customer segment industries
  - Complementary industries
    - Produce value that complements our own value propositions
    - E.g. mobile phones, mobile phone cases

  → highly competitive (or mature) – mature industries – mature when it has plateaued in terms of market growth, must grab market share from other companies because the size of the pie is finite

  → possess an advantage (assets) that can dramatically change another industry
- Should be looking for a player in an allied or complementary industry that has a key resource or can do an innovative key activity – THAT company is the next industry disruptor
- E.g. APPLE – design capability is superior to other firms, even if software isn't as competitive – APPLE – iPod and music retailing as a value proposition, iTunes as a channel

Strategic groups

- Firms with similar strategies in terms of the key decision variables (e.g. cost, differentiation, quality)
- Respond similarly
- Existence of *mutual dependence*
- Industry – a group of competitors (clusters of firms) producing substitutes that are close enough that the behaviour of any firm affects each of the others either directly or indirectly (Porter, 1974)
- Strategic group example: small independent stores, IGA and other medium sized chains, Coles & Woolworths

Trajectories of Industry Change (McGahan 2004)

Industries change when either one of the following is threatened:

1. Core ACTIVITIES (what firms DO)

– the activities that have historically generated profits for the industry. These are threatened when they become less relevant to suppliers and customers because of some new, outside alternative.

2. Core ASSETS (what firms HAVE)

– the resources, knowledge, and brand capital that have historically made the organisation (firm) unique. These are threatened if they fail to generate value as they once did.

		Core Resources	
		Threatened	Not Threatened
Core Assets	Threatened	**Radical change** Everything is up in the air, all bets are off I.e. Auspost	**Creative Change** Constant development of assets and resources I.e. pharmaceuticals
	Not threatened	**Intermediating change** Relationships are fragile I.e. Amazon	**Progressive change** Incremental testing and changes in response to feedback I.e. walmart