Chapter 3: The External Environment: Opportunities, Threats, Industry Competition, and Competitor Analysis

CHAPTER SUMMARY

This chapter addresses how the external environment in which a firm operates poses threats and opportunities for the firm. It provides tools for analyzing general, industry, and competitor environments surrounding the company.

The six segments of the general environment are highlighted to aid the firm in identifying environmental changes and trends that affect them strategically.

The five forces analysis of competition is outlined to identify the level of rivalry within an industry, which has a more direct effect on a firm’s strategic actions.

Guidelines for studying direct competitors’ intentions are also provided, along with a discussion of gathering competitive intelligence both legally and ethically.

CHAPTER OUTLINE

The General, Industry, and Competitor Environments

External Environmental Analysis
- Scanning
- Monitoring
- Forecasting
- Assessing

Segments of the General Environment
- The Demographic Segment
- The Economic Segment
- The Political/Legal Segment
- The Socio-cultural Segment
- The Technological Segment
- The Global Segment

Industry Environment Analysis
- Threat of New Entrants
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
- Threat of Substitute Products
- Intensity of Rivalry among Competitors
- Complementors

Interpreting Industry Analyses

Analysis of Direct Competitors
- Strategic Groups
- Understanding Competitors and Their Intentions

Summary

KNOWLEDGE OBJECTIVES

1. Explain the importance of analyzing and understanding the firm’s external environment.
2. Define and describe the general environment and the industry environment.
3. Discuss the four activities of the external environmental analysis process.
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4. Name and describe the general environment’s six segments.
5. Identify the five competitive forces and explain how they determine an industry’s profit potential.
6. Define strategic groups and describe their influence on the firm.
7. Describe what firms need to know about their competitors and different methods used to collect intelligence about them

LECTURE NOTES

The General, Industry, and Competitor Environments - This section opens the chapter by outlining what firms do to analyze and use information about the external environment and the implications of selecting and implementing appropriate strategies based on this information.

<table>
<thead>
<tr>
<th>See slides 1-3.</th>
<th>Key Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>General Environment</strong> - composed of dimensions in the broader society that influence an industry and the firms within it.</td>
</tr>
<tr>
<td></td>
<td><strong>Industry Environment</strong> - set of factors that directly influence a firm and its competitive actions and competitive responses.</td>
</tr>
<tr>
<td></td>
<td><strong>Competitor Environment</strong> - details about the direct and indirect competitors for a firm and the competitive dynamics that are expected to impact a firm’s efforts to generate above-average returns.</td>
</tr>
</tbody>
</table>

See slide 3.

See Figure 3.1: The External Environment (slide 4).
See Table 3.1: The General Environment: Segments and Elements (slide 5).
See slide 6.

1. What are three ways of defining the external environment in which a firm operates?
   a. The general environment
   b. The industry environment
   c. The competitor environment

2. How does a firm assess the general environment in which it operates?
   a. It analyzes the elements of six environmental segments (demographic, economic, political/legal, socio-cultural, technological, and global) which are beyond its direct control.

3. How does a firm assess the industry environment in which it operates?
   a. It looks at a set of five key factors (threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and intensity of rivalry among competitors) and the interaction among these factors to determine the profit
Chapter 3—The External Environment

<table>
<thead>
<tr>
<th>4. How does a firm use these assessments?</th>
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<tbody>
<tr>
<td>a. It takes the insights provided by their analyses and combines them with a look at the competitor environment to define its strategic intent and locate a position within the industry where it can favorably influence the environment and increase its likelihood of success.</td>
</tr>
</tbody>
</table>

**External Environmental Analysis** - This section outlines the continuous process of external environmental analysis used by companies to understand their turbulent, complex, and global environments. Companies search for sources of information to reduce the ambiguity and incompleteness of their environmental data, and several of these sources are described here.

| See slide 7. |
| Key Terms |
| - **Opportunity** - condition in the external environment that, if exploited, helps a company achieve value creation. |
| - **Threat** - condition in the general environment that may hinder a company’s efforts to achieve value creation. |

See Table 3.2: Components of the External Environmental Analysis (slide 8).

<table>
<thead>
<tr>
<th>5. What four activities are involved with external environmental analysis?</th>
</tr>
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<tbody>
<tr>
<td>a. Scanning</td>
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<tr>
<td>b. Monitoring</td>
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<tr>
<td>c. Forecasting</td>
</tr>
<tr>
<td>d. Assessing</td>
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</tbody>
</table>

**Scanning** - This section discusses the identification of early signals of potential change in the external environment and aligns them with an organizational context.

See slides 8-9.

| Key Terms |
| - Scanning - study of all segments in the general environment. |

**Monitoring** - This section suggests the critical need for companies to be able to define the meaning of environmental trends and events and the use of stakeholders in this effort.

See slides 8-9.

| Key Terms |
| - Monitoring - observance of environmental changes to identify important emerging trends from among those spotted by scanning. |
**Chapter 3—The External Environment**

**Forecasting** - This section introduces the importance of determining how quickly and how likely changes and trends might be expected to occur within the environment.

See slides 8-9.

**Key Terms**
- **Forecasting** - developing feasible projections of potential events.

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**Assessing** - This section presents the objective of specifying the implications to be drawn from the scanning, monitoring, and forecasting efforts made during external environmental analysis.

See slides 8-9.

**Key Terms**
- **Assessing** - determining the timing and significance of the effects of environmental changes and trends on the strategic management of the firm.

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**Segments of the General Environment** - This section introduces a more complete discussion of each to the general environment segments outlined at the beginning of the chapter. (See slide 10.)

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**The Demographic Segment** - This section outlines the characteristics of populations in the marketplace that organizations consider when analyzing their environments.

See slide 11.

**Key Terms**
- **Demographic Segment** - segment of the environment concerned with a population’s size, age structure, geographic distribution, ethnic mix, and income distribution.

Refer to Table 3.1: The General Environment: Segments and Elements (slide 5).

See slide 12.

6. What types of demographic characteristics should be considered when conducting an analysis of the general environment? Discuss current demographic changes and trends that businesses should understand.
   - a. Population size
   - b. Age structure
   - c. Geographic distribution
   - d. Ethnic mix
   - e. Income distribution

**The Economic Segment** - This section discusses measurements of economic health that are considered during an analysis of the general environment.
### Chapter 3—The External Environment

**See slide 13.**

<table>
<thead>
<tr>
<th><strong>Key Terms</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Segment</strong> - nature and direction of the economy in which a firm competes or may compete</td>
</tr>
</tbody>
</table>

**Refer to Table 3.1:**
The General Environment: Segments and Elements (slide 5).

**See slide 14.**
See Additional Notes below.

<table>
<thead>
<tr>
<th>7. What aspects of the economy should be considered when conducting an analysis of the general environment? Discuss how the interconnectedness of nations requires a global perspective during this analysis.</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Gross National Product (GNP)</td>
</tr>
<tr>
<td>b. Interest rates</td>
</tr>
<tr>
<td>c. Inflation/Deflation</td>
</tr>
<tr>
<td>d. Foreign exchange rates</td>
</tr>
<tr>
<td>e. Trade balances</td>
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</tbody>
</table>

**Additional Discussion Notes for the External Environment** - These notes present two examples to illustrate how firms maintain growth during difficult economic times. Additional materials include a history of past performance and presentation of current strategies for the organizations.

**Example: Financial Services Industry (Bank of America and NationsBank)**

**Past Strategies**
In the 1990s, NationsBank and Bank of America expanded through asset gathering, diversification (i.e., inter-state banking, geographic, product, etc.). In less than ten years they went from roughly $8 billion to more than $620 billion on $35 billion in revenue in 2001

**M&A History**
1992 NCNB and C&S Sovran form NationsBank
1994 NationsBank acquires MNC
1995 NationsBank acquires BankSouth
1996 NationsBank acquires Boatman’s Bank & Montgomery Securities
1997 NationsBank acquires Barnet Bank
1998 NationsBank and Bank of America merge

**Major thrust**
U.S.-based retail banking: Consumer banking accounts for over 61% of Bank of America revenue and NI.

**Major Threat**
Bank of America has had very slow revenue growth the past three years. The goal is to have greater than 10% growth going forward.
1998 - $30.8 billion
1999 - $32.5 billion (rate 5.5%)
2000 - $33.2 billion (rate 3.1%)
2001 - $34.9 billion (rate 5.1%)
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Key Strategy
Leverage demographic and socioeconomic changes in the United States:
- Powerful branch network (4,208 as of 12/02)
- Powerful ATM network (13,013 as of 12/02)
- Do business in states with high minority populations (especially Latin-Americans), namely California, Texas, Florida, Maryland, Arizona, and so on)

Target Growing Minority Market
Expansion into areas where minority population is growing the fastest:
- Product development: SafePay, which allows immigrants, specifically Latin Americans, to send cash back home; competes with Moneygram and Western Union.
- Targeted Marketing I: Leverage outlets like Univision and Telemundo to reach Latin American population
- Targeted Marketing II: Install Spanish-language option ATMs in all key markets
- Diversity hiring strategy: Aggressively hire a diverse management-level workforce in order to better reflect the customer base
- Customer Service I: Multilingual customer service call centers and branch personnel
- Consumer Service II: Multilingual websites

Punch Line
Bank of America is betting on the demographic changes to generate much needed revenue growth.

The Political/Legal Segment - This section discusses how organizations try to influence government and how governments affect businesses.

See slide 15.

Key Terms
- Political/Legal Segment - arena in which organizations and interest groups compete for attention, resources, and a voice for overseeing the body of laws and regulations guiding the interactions among nations.

Refer to Table 3.1: The General Environment: Segments and Elements (slide 5).

See slide 16.

The Socio-cultural Segment - This section discusses the values and attitudes that form the cornerstone of societies in which businesses operate.

8. How does this segment affect the nature of competition?
   - a. Laws
   - b. Regulations
   - c. Policies
### Key Terms

#### Socio-cultural Segment
- segment of the environment concerned with a society’s attitudes and cultural values.

#### Technological Segment
- segment of the environment that includes the institutions and activities involved with creating new knowledge and translating that knowledge into new outputs, products, processes, and materials.

#### Global Segment
- segment of the environment that includes relevant new global markets, existing markets that are changing, important international political events, and critical cultural and institutional characteristics of global markets.

### The External Environment

#### Chapter 3—The External Environment

<table>
<thead>
<tr>
<th>9. What are some of the existing socio-cultural considerations that affect businesses today?</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Workforce diversity</td>
</tr>
<tr>
<td>b. Changing attitudes toward work</td>
</tr>
<tr>
<td>c. Saving and retirement planning</td>
</tr>
<tr>
<td>d. Concern for the environment</td>
</tr>
<tr>
<td>e. Concern for quality of work life</td>
</tr>
<tr>
<td>f. Residential decisions (where people are choosing to live)</td>
</tr>
<tr>
<td>g. Shifts in product/service preferences</td>
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</tbody>
</table>

#### The Technological Segment - This section discusses some of the technological trends that are impacting businesses today.

<table>
<thead>
<tr>
<th>10. What are some of the technological issues that influence today’s organizations?</th>
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</thead>
<tbody>
<tr>
<td>a. Rapid pace of technological change</td>
</tr>
<tr>
<td>b. Promise of greater returns for early adopters of new technologies</td>
</tr>
<tr>
<td>c. Impact of the Internet on business practices</td>
</tr>
<tr>
<td>d. Impact of wireless communications on business practices</td>
</tr>
</tbody>
</table>

#### The Global Segment - This section discusses relevant new global markets, existing markets that are changing, important international political events, and critical cultural and institutional characteristics of global markets.
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important international political events, and critical cultural and institutional characteristics of global markets.

Refer to Table 3.1: The General Environment: Segments and Elements (slide 5).
See slide 22.
See slide 23.

11. How is the increasing interdependence among countries creating opportunities for businesses today?
   a. The flow of goods, services, financial capital, and knowledge is increasing easier than at any time in the past.
   b. Economically maturing markets are opening up.
   c. Reaching beyond national borders extends potential and increases the likelihood of earning a return on new innovations.

12. What are some of the challenges of the global marketplace?
   a. The low cost of goods developed in countries with extremely low-wage rates threaten industries in higher-wage nations.
   b. There are risks are associated with investing in less economically mature markets.
   c. Different socio-cultural and institutional attributes need to be recognized when expanding into global markets.

Industry Environment Analysis - This section presents the Five Forces of Competition model to provide a method for understanding the mix of acting strategies that influence an industry and offer a suggestion for appropriate strategies to employ while operating within a particular industry. This model yields an understanding of the intensity of industry competition and the long-term profit potential of the industry.

See slide 24.

Key Terms
- Industry - group of firms producing products that are close substitutes.

See Figure 3.2: The Five Forces of Competition Model (slide 25).

13. What are the five forces thought to best describe the competitive situation in an industry?
   a. Threat of new entrants
   b. Bargaining power of suppliers
   c. Bargaining power of buyers
   d. Threat of substitute produces
   e. Intensity of rivalry among competitors
### Threat of New Entrants

This section discusses the impact new entrants have on an industry, outlines the barriers that make entry into an industry difficult, and describes the impact of expected entry retaliation on the likelihood that firms will try to enter an industry.

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
</table>
| See slide 26. | 14. What factors affect the likelihood that firms will enter an industry?  
   a. Barriers to entry  
   b. Expected retaliation from current industry participants |
| See slide 27. | 15. Why are barriers to entry desired by existing competitors in an industry?  
   a. Barriers to entry reduce the likelihood that new competitive firms will enter their market and threaten their market share by adding new production capacity, hold consumer costs down, lower revenue, and reduce returns for competing firms. |
| See slides 28-29. | 16. Name and discuss some of the potentially significant market entry barriers.  
   a. Economies of scale yields high volume, low-cost production advantages for existing firms.  
   b. Mass customization can result in quick responsiveness to customer demands.  
   c. Perceived product differentiation can generate a strong customer following that is difficult to overcome.  
   d. Capital requirements can demand substantial investment resources to compete.  
   e. Customer switching costs to change products can make it undesirable for consumers to try new products.  
   f. Access to distribution channels may be restricted by existing relationships between manufacturers and their existing distribution networks.  
   g. Existing competitors may have a lock on other (independent of scale) cost advantages that are difficult for new businesses to replicate.  
   h. Some government policies control entry into an industry through licensing, regulation, and other government requirements.  
   i. An expectation of vigorous competitive response from existing industry participants can interfere with decisions to enter a market, with the exception of unserved market niches or neglected segments. |

See Additional Notes below.
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<table>
<thead>
<tr>
<th><strong>Additional Discussion Notes for the Industry Environment</strong> - These notes present two examples to illustrate how firms anticipate and deal with new entrants to the market. Wal-Mart’s entrance into the retail grocery business is detailed.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example: Walmart</strong></td>
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<tr>
<td><strong>Question</strong></td>
</tr>
<tr>
<td>How do we (Wal-Mart) leverage our strengths (fast turnover of goods, low-cost volume buying, etc.) to increase traffic and volume at our stores? In 2000 U.S. grocery sales grew by 3.4%, reaching $570 billion.</td>
</tr>
<tr>
<td><strong>Answer</strong></td>
</tr>
</tbody>
</table>
| - Create and expand shelf space for groceries and dry-good products.  
- Expand Supercenter Format to leverage additional shelf space: in 2001, grocery sales accounted for $17.1 billion in sales or 30% of total sales:  
  - First Supercenter store opened in 1988; by 2000 Wal-Mart had 721 Supercenters  
  - Supercenter openings consist of 60%-70% of new store openings within Wal-Mart  
  - Wal-Mart projects 1,400 Supercenters by 2005  |

**Fast Forward**  
What share of the grocery market will Wal-Mart control in 2010?  

| **Example: Traditional Supermarkets**  |
| **Question**  |
| Given the low margins and relatively low growth of this industry, should we (traditional supermarkets) expect new entrants into our domain? In 2000 U.S. grocery sales grew by 3.4%, reaching $570 billion. |
| **Answer**  |
| No new entrants are likely. Thus prepare for continued industry consolidation.  
**Specific Case**  
Winn Dixie (now known as WD) is a good example. It has over 1,000 stores in 14 states, primarily in the Southeast, a stronghold for Wal-Mart. WD has responded to Wal-Mart’s challenge by remodeling its stores (over 60% in the franchise), closing unprofitable stores (112 stores in 2001) and other manufacturing/distribution centers, taking a $522 million restructuring charge.  
**Strategic Reaction I**  
Crank up M&A activity to gain economies of scale and lower its cost structure:  
- In 2000 WD acquired the Gooding’s Markets chain in Orlando.  
- In 2001 WD acquired 68 stores of Mississippi-based Jitney Jungle. |
## Strategic Reaction II

Expand private label items: WD brand items carry higher profit margins than comparable national brands. Fifty-one percent of buying public purchase private label brands “every time” or “fairly often” when they shop. WD can leverage this trend. For example, its WD Chek soda is a market leader in many of WD’s core markets.

### Fast Forward
Will WD still be in existence as an independent company in 2010?

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### Bargaining Power of Suppliers - This section outlines factors that give suppliers industry power relative to the firms competing within the industry.

<table>
<thead>
<tr>
<th>See slide 30.</th>
<th>17. What conditions can provide suppliers a powerful position within their industry?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. The group of suppliers is dominated by a few large companies and is more concentrated than the market to which it sells.</td>
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<tr>
<td></td>
<td>b. Satisfactory substitute products are not available in the industry.</td>
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<tr>
<td></td>
<td>c. Any individual customer does not represent a significant portion of the supplier’s sales.</td>
</tr>
<tr>
<td></td>
<td>d. Suppliers’ goods are critical to the buyers’ marketplace success.</td>
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<tr>
<td></td>
<td>e. There is a high switching cost for changing to a new supplier’s product.</td>
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<tr>
<td></td>
<td>f. A credible threat of forward integration exists.</td>
</tr>
</tbody>
</table>

### Bargaining Power of Buyers - This section outlines factors that give buyers industry power relative to the supplier in the industry.

<table>
<thead>
<tr>
<th>See slide 31.</th>
<th>18. What conditions can provide buyers a powerful position within their industry?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. Buyers are purchasing a large portion of the industry’s total output.</td>
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<tr>
<td></td>
<td>b. Sales to buyers represent a significant portion of the selling firm’s revenues.</td>
</tr>
<tr>
<td></td>
<td>c. Switching costs from one product to another are low or non-existent.</td>
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<tr>
<td></td>
<td>d. Industry products are undifferentiated or standardized.</td>
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<tr>
<td></td>
<td>e. A credible threat of backward integration exists.</td>
</tr>
</tbody>
</table>
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**Threat of Substitute Products** - This section presents the dangers an industry faces when goods or services from outside of the industry can easily substitute, with little switching costs, the products that they are offering in their industry. (See slide 32.)

**Intensity of Rivalry among Competitors** - This section outlines the conditions that intensify the level of competitive rivalry among mutually-dependent industry competitors.

See slide 33.

19. What conditions tend to increase the level of competitive rivalry within an industry?
   a. Numerous or equally-balanced competitors
   b. Slow industry growth
   c. High fixed costs or high storage costs
   d. Lack of differentiation or low switching costs
   e. High strategic stakes
   f. High exit barriers

**Complementors** - This section briefly presents how providers of complementary products can also be a powerful influence on competition (sometimes considered a "sixth force").

See slide 34.

**Key Terms**
- **Complementors** - companies that sell complementary goods or services that are compatible with the focal firm’s own product or services.

**Interpreting Industry Analysis** - This section discusses the importance of considering international implications as they relate to industry analysis and completes the discussion of the five-forces competitive analysis, re-emphasizing that this study provides insight into the attractiveness of an industry by determining its potential for above-average returns over the long-term. (See slide 35.)

**Analysis of Direct Competitors** - This section takes the results of the five-forces analysis forward to understand the positions, intentions, and performance of direct competitors, including the closest of these competitors which fall into a strategic group.

**Strategic Groups** - This section defines the dynamics of strategic groups within an industry, the strategic dimensions that define the similarities of firms within a strategic group, and the implications of strategic groups.
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<table>
<thead>
<tr>
<th>See slide 36.</th>
<th><strong>Key Terms</strong></th>
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<tbody>
<tr>
<td></td>
<td><strong>Strategic Group</strong> - set of firms emphasizing similar strategic dimensions to use a similar strategy.</td>
</tr>
<tr>
<td></td>
<td><strong>Strategic Dimensions</strong> - areas that firms in a strategic group treat similarly.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>See slide 37.</th>
<th>20. What implications can be derived from strategic group dynamics?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. Intra-strategic group rivalry is more intense than inter-strategic group rivalry, increasing the threat to industry profitability.</td>
</tr>
<tr>
<td></td>
<td>b. Membership in a strategic group partially defines the essential characteristics of firms’ strategies, and the more similar strategies are across strategic groups, the greater the level of expected rivalry.</td>
</tr>
<tr>
<td></td>
<td>c. The strengths of industries’ five forces differ across strategic groups.</td>
</tr>
</tbody>
</table>

### Understanding Competitors and Their Intentions

- This section brings competitor intentions into the analysis of competitive firms. The importance and method for evaluating competitors’ objectives, strategies, assumptions, and capabilities are also discussed, along with the need to fully understand all relevant public policies.

<table>
<thead>
<tr>
<th>See slide 38.</th>
<th><strong>Key Terms</strong></th>
</tr>
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<tbody>
<tr>
<td></td>
<td><strong>Competitor Intelligence</strong> - set of data and information the firm gathers to better understand and better anticipate competitors’ objectives, strategies, assumptions, and capabilities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>See Figure 3.3: Competitor Analysis Components (slide 39).</th>
<th>21. What is the result of a complete study of the four components of competitor analysis?</th>
</tr>
</thead>
<tbody>
<tr>
<td>See Additional Notes below.</td>
<td>a. An anticipated response profile for each competitor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>22. In gathering competitive intelligence, what two guidelines should all firms follow?</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Competitor intelligence practices must be legal.</td>
</tr>
<tr>
<td>b. Competitor intelligence practices must be ethical.</td>
</tr>
</tbody>
</table>
Additional Discussion Notes for the Competitor Environment -
These notes present examples to illustrate how firms should respond to new competitors: by leading, following, and ignoring.

Example of Leading: Universal Studios' Universal Park, a New Entrant - Reaction by Established Firm Disney
Response I
In response to Universal Studios building its Universal Park in Orlando, Florida, on Disney’s home turf, Disney aggressively built new parks, new attractions to retain the buying public’s interest:
- In 2000, Disney expanded the MGM Park by adding new rides (Tower of Doom, etc.)
- In 2001, Disney completed its newest masterpiece, Disney’s Animal Kingdom; a cross between a traditional zoo and a traditional Disney theme park

Response II
Disney also expanded from its core Orlando turf by building attractions and/or strengthening attractions at its other theme parks:
- In 2000 Disney opened its California Adventure
- Disney also added attractions to both its Paris and Tokyo theme parks in order to maintain or expand its market position
- Disney is planning on building a new park in Hong Kong in order to tap into the growing affluence of East Asia, especially the Chinese market

Example of Following: Amazon.com, a New Delivery Channel for Books - Reaction by Established Firms Barnes & Nobles and Border Books
Barnes & Nobles
After the initial shock and denial, Barnes & Nobles has spawned out its own online bookstore. It also used its brick-and-mortar presence to deliver community experience and worked to establish new joint ventures. For example, Barnes & Nobles used existing assets that Amazon.com does not have to create “community centers” and “places of leisure” with comfy sofas, coffee bars, poetry readings, music recitals, art shows, etc.

Borders Books
Borders engaged in even deeper denial and “wait-and-see” tactics. Finally, it maintained its current platform by merging with Waldenbooks to imitate Barnes & Nobles’ community centers strategy and by using Amazon.com as its online platform.

Example of Following: CNN, the All-News Cable Television Channel - Reaction by Established Firm NBC
NBC
NBC tried to “tap” into the growing market for cable news television and follow CNN’s all-day news channel by creating MSNBC, a joint venture with Microsoft, to broaden its news operations.
### Facts
- MSNBC and MSNBC.com launched in 1996
- As of July 2002, MSNBC’s viewership was 76 million
- MSNBC revamped its format towards more talk news shows in order to expand its product line and to retain and expand its market share in response to Fox News

Note: No financial data available.

### Example of Ignoring: CNN, the All-News Cable Television Channel - Reaction by Established Firms CBS and ABC Television Broadcast Networks
CBS and ABC decided to ignore CNN’s entrance into the market place and maintain its core news programming without launching a 24-hour news only channel as a direct reaction to CNN.

#### CBS Lineup
- 6:00 Evening News
- 60 Minutes I and II feature news story programs
- 48 Hours Investigates feature news story program

#### ABC Lineup
- 6:00 Evening News
- 20/20 feature news story program
- Primetime feature news story program
- Peter Jennings’ special broadcast shows (e.g., Islam-related broadcasts)

### Ethical Questions
Recognizing the need for firms to effectively interact with stakeholders during the strategic management process, all strategic management topics have an ethical dimension. A list of ethical questions appears after the Summary section of each chapter in the textbook. The topic of ethics is best covered throughout the course to emphasize its prevalence and importance. We recommend posing at least one of these questions during your class time to stimulate discussion of ethical issues relevant to the chapter material that you are covering. (See slides 40-45.)