

KEY POINTS

Thinking strategically about a company's external situation involves probing for answers to the following seven questions:

1. *What are the industry's dominant economic features?* Industries differ significantly on such factors as market size and growth rate, the number and relative sizes of both buyers and sellers, the geographic scope of competitive rivalry, the degree of product differentiation, the speed of product innovation, demand–supply conditions, the extent of vertical integration, and the extent of scale economies and experience/learning curve effects. In addition to setting the stage for the analysis to come, identifying an industry's economic features also promotes understanding of the kinds of strategic moves that industry members are likely to employ.
2. *What kinds of competitive forces are industry members facing, and how strong is each force?* The strength of competition is a composite of five forces: (1) competitive pressures stemming from the competitive maneuvering among industry rivals,