

and perhaps even defining the business model for the industry.

3. *What forces are driving changes in the industry, and what impact will these changes have on competitive intensity and industry profitability?* Industry and competitive conditions change because forces are in motion that create incentives or pressures for change. The first phase is to identify the forces that are driving change in the industry; the most common driving forces include changes in the long-term industry growth rate, globalization of competition in the industry, emerging Internet capabilities and applications, changes in buyer composition, product innovation, technological change and manufacturing process innovation, marketing innovation, entry or exit of major firms, diffusion of technical know-how, changes in cost and efficiency, growing buyer preferences for differentiated versus standardized products (or vice versa), reductions in uncertainty and business risk, regulatory influences and government policy changes, and changing societal and lifestyle factors. The second phase of driving-forces analysis is to determine whether the driving forces, taken together, are acting to make the industry environment more or less attractive. Are the driving forces causing demand for the industry's product to increase or decrease? Are the driving forces acting to make competition more or less intense? Will the driving forces lead to higher or lower industry profitability?
4. *What market positions do industry rivals occupy—who is strongly positioned and who is not?* Strategic group mapping is a valuable tool for understanding the similarities, differences, strengths, and weaknesses inherent in the market positions of rival companies. Rivals in the same or nearby strategic groups are close competitors, whereas companies in distant strategic groups usually pose little or no immediate threat. The lesson of strategic group mapping is that some positions on the map are more favorable than others. The profit potential of different strategic groups varies due to strengths and weaknesses in each group's market position. Often, industry driving forces and competitive pressures favor some strategic groups and hurt others.