Global Business Strategy

LECTURE 4

2026.3.24

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I. Industry Analysis

II. Success Strategies

III. Team Presentation (Pick one big global firm and analyze it using the SWOT, Life-cycle, Porter's 5 forces) And offer the best success strategy.

IV. Q&A and Quizzes

I. Industry Analysis

1. Industry Analysis

1.1 SWOT Analysis

1.2 Industry Life Cycle Analysis

1.3 M. Porter’s 5 competitive forces

1. SWOT Analysis

SWOT Analysis

Strengths

- Strong brand & global distribution
- Semiconductor integration (vertical advantage)

Weaknesses

- Dependence on Android ecosystem
- Lower ecosystem lock-in vs Apple

Opportunities

- Foldable phone market expansion
- Emerging markets (India, Southeast Asia)

Threats

- Apple Inc. ecosystem dominance
- Xiaomi low-cost competition

BIG TECH IN HEALTHCARE

	Alphabet	amazon	Apple	Microsoft
Strengths	• Google Cloud • Verily Life Sciences • AI data analytics	• Amazon Web Services • HIPAA-eligible voice assistant • Amazon Care • PillPack	• Apple Watch • Research functions • Apple Health Records • iPhone consumer base	• Azure • Microsoft Genomics • Health Bot
Weaknesses	• Initiatives fragmented across divisions	• Many projects still in nascence	• Mixed clinical effectiveness of Apple Watch • Limited to iOS	• Lack of consumer-facing services
Opportunities	• Remote patient monitoring or research via Fitbit • EHR market disruption • Precision medicine	• Health insurance disruption • Broad-scale telehealth service • Medical supplies delivery	• Remote patient monitoring • Health system partnerships • Healthcare payments	• Precision medicine • Population health • Clinical decision support • Chatbot market dominance
Threats	• Consumer trust • Data security • Competition in the wearables space • Cloud competition	• Consumer trust • Data security • Cloud competition • Healthcare voice tech market competition	• Consumer trust • Data security • Competition from low-cost wearables	• Consumer trust • Data security • Cloud competition

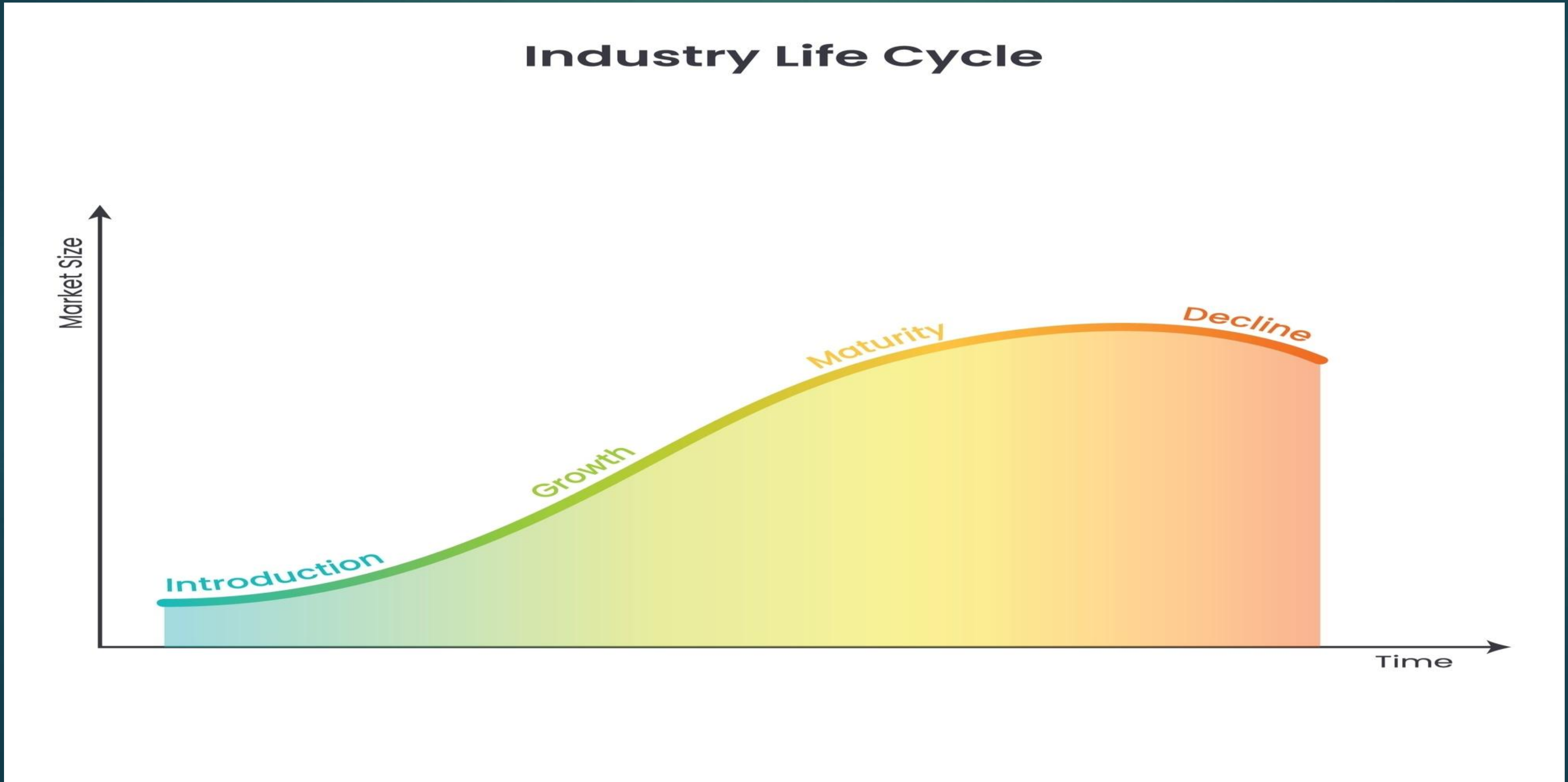
Source: Company filings

BUSINESS INSIDER INTELLIGENCE

Real Case: Netflix (The Pivot Era)

- **Strengths:** Massive proprietary data on user habits; global brand recognition.
- **Weaknesses:** High debt load from content production; reliance on licensed content (which is being pulled).
- **Opportunities:** Expansion into gaming; ad-supported tiers to capture price-sensitive users.
- **Threats:** "Stream-flation" (subscriber fatigue); intense competition from "ecosystem" giants (Amazon, Apple, Disney).

2. Life Cycle Analysis



3. Framework 2: Industry Life Cycle

📌 Stages

Stage	Characteristics	Strategy
Introduction	High cost, low demand	Innovation
Growth	Rapid expansion	Market share
Maturity	Saturation	Cost efficiency
Decline	Shrinking demand	Exit / niche

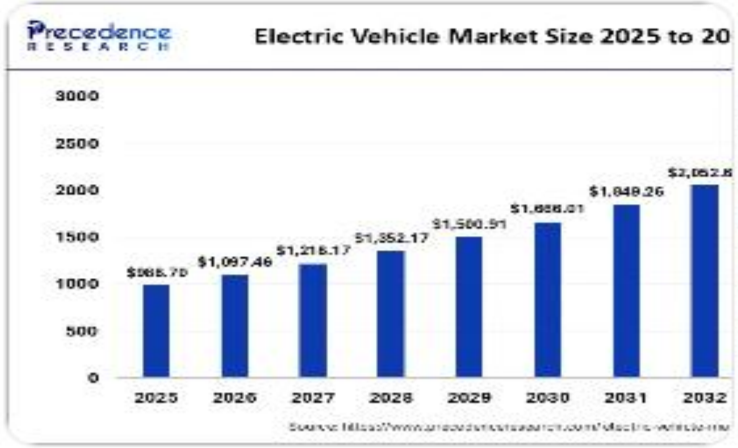
🧠 Teaching Instruction

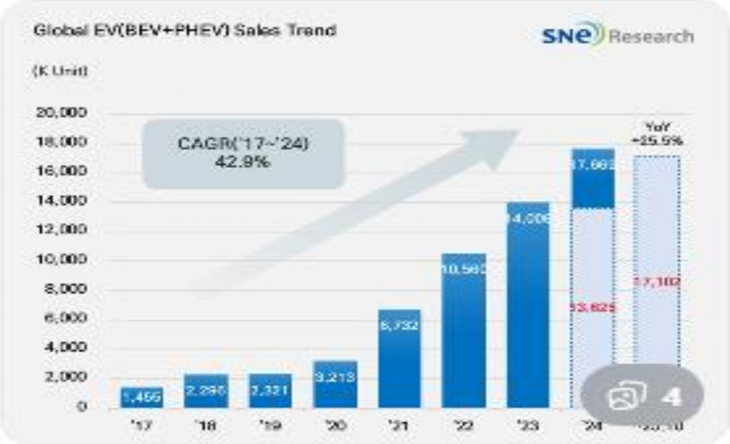
- Draw **S-curve on board**
- [redacted]
  - EV, AI → Growth
  - Steel → Maturity
  - DVD → Decline

Real Case Comparison

Stage	Industry	Characteristics
Embryonic	Green Hydrogen	High risk, no standard tech, high prices.
Growth	Electric Vehicles (EVs)	Rapidly increasing buyers, many new entrants, focus on features.
Maturity	Smartphones	Market saturation, price wars, focus on brand loyalty.
Decline	Linear Cable TV	Shrinking customer base, consolidation, heavy discounting.

Case: Electric Vehicle Industry





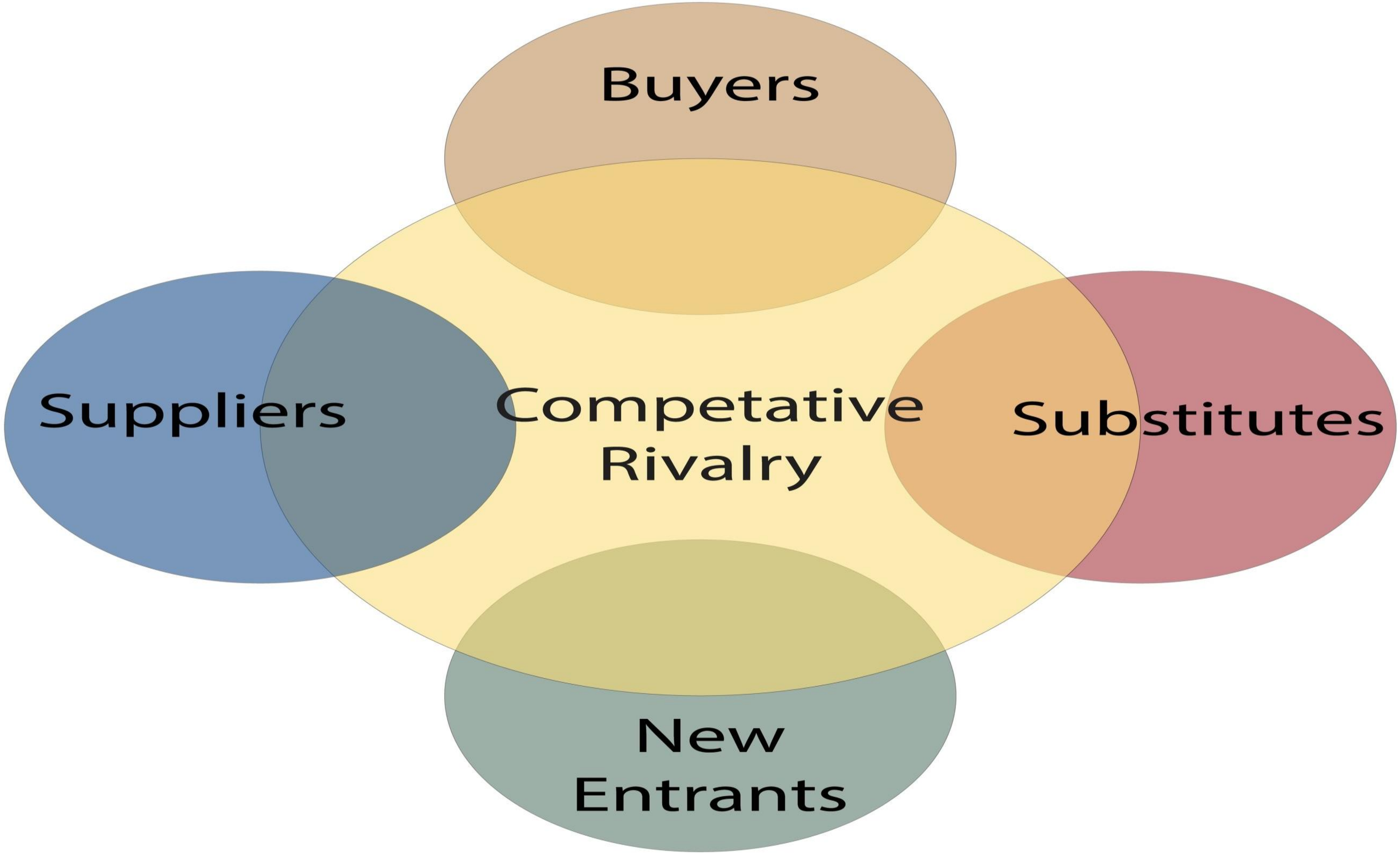
Example Firms

- Tesla
- BYD

Analysis

- Stage: **Growth**
- Drivers:
  - Government subsidies
  - ESG pressure
- Risks:
  - Overcapacity
  - Price wars

The Porter's 5 Forces Model



3. M. Porter's 5 competitive forces

RIVALRY AMONG EXISTING COMPETITORS:
- Number of competitors
- Diversity of competitors
- Industry concentration
- Industry growth
- Quality differences
- Brand loyalty
- Barriers to exit
- Switching costs

THREAT OF NEW ENTRANTS

THREAT OF NEW ENTRANTS:
- Barriers to entry
- Economies of scale
- Brand loyalty
- Capital requirements
- Cumulative experience
- Government policies
- Access to distribution channels
- Switching costs

BARGAINING POWER OF SUPPLIERS

BARGAINING POWER OF BUYERS

BARGAINING POWER OF SUPPLIERS:
- Number and size of suppliers
- Uniqueness of each supplier's product
- Focal company's ability to substitute

BARGAINING POWER OF BUYERS:
- Number of customers
- Size of each customer order
- Differences between competitors
- Price sensitivity
- Buyer's ability to substitute
- Buyer's information availability
- Switching costs

THREAT OF SUBSTITUTE PRODUCTS

THREAT OF SUBSTITUTE PRODUCTS:
- Number of substitute products available
- Buyer propensity to substitute
- Relative price performance of substitute
- Perceived level of product differentiation
- Switching costs

🌏 Case: Airline Industry

Analysis

1. Rivalry → VERY HIGH

- Many competitors, price wars

2. New Entrants → MEDIUM

- High capital but LCCs can enter

3. Buyer Power → HIGH

- Customers compare prices easily

4. Supplier Power → HIGH

- Boeing, Airbus dominate

5. Substitutes → MEDIUM

- Trains (short distance), video conferencing

Real Case: The U.S. Airline Industry (A "Low-Attractiveness" Industry)

- **Threat of New Entrants (High):** Easy to lease a plane; hard to get airport gates, but new "budget" carriers pop up constantly.
- **Bargaining Power of Suppliers (Very High):** Only two main choices for planes (Boeing/Airbus) and powerful pilot unions.
- **Bargaining Power of Buyers (Very High):** Customers are price-sensitive and use comparison sites (Expedia/Google Flights) to find the cheapest fare.
- **Threat of Substitutes (Medium):** High-speed rail (in Europe/Asia), Zoom/Teams for business travel, or driving for short distances.
- **Intensity of Rivalry (Extreme):** Airlines compete almost exclusively on price, leading to razor-thin margins.

Case 1: The Ultra-Luxury Fashion Industry (e.g., LVMH, Hermès)

Theme: *High Profitability through Brand Moats.*

This is an excellent example of an industry where the forces are "weak," allowing firms to maintain nearly **30% operating margins**.

- **Threat of New Entrants (Low):** It takes decades, if not centuries, to build the "heritage" required to compete with a brand like Louis Vuitton. The capital required for prime real estate (flagship stores in Paris or Seoul) is a massive barrier.
- **Bargaining Power of Buyers (Low):** In the "Ultra-Luxury" segment, scarcity is the value. Buyers have no power to negotiate price; in fact, brands like Hermès often "veto" buyers by requiring a purchase history before allowing them to buy a Birkin bag.
- **Bargaining Power of Suppliers (Moderate):** Major groups like LVMH are **vertically integrated**, meaning they own the tanneries and workshops, effectively neutralizing supplier power.
- **Threat of Substitutes (Low):** While a "high-street" bag carries items, it does not substitute for the *status* of a luxury brand.
- **Intensity of Rivalry (Moderate):** Rivalry is based on "Aspiration" rather than "Price." Brands compete on creative directors and celebrity endorsements rather than discounting.

Case 3: The Specialty Coffee & Cafe Industry

Theme: *The "Perfect Competition" Trap.*

This is a "High-Force" industry. It is a cautionary case for students on why "passion projects" often struggle financially without a clear differentiation strategy.

- **Threat of New Entrants (Very High):** Barriers are low. Almost anyone with a lease and an espresso machine can open a shop. This leads to constant "market crowding."
- **Bargaining Power of Buyers (High):** Customers have **zero switching costs**. If the line is too long at Shop A, they walk 50 meters to Shop B. Price sensitivity is very high.
- **Bargaining Power of Suppliers (Moderate):** While "commodity" coffee is cheap, "Specialty" beans (Single Origin) come from specific farms, giving those elite suppliers more leverage over the cafe owner.
- **Threat of Substitutes (Very High):** Coffee competes with tea, energy drinks, and increasingly, high-quality "home-brewed" coffee and capsule machines (Nespresso).
- **Intensity of Rivalry (Extreme):** Cafes often engage in "Amenity Wars" (providing free Wi-Fi, better seating, or loyalty cards) which drives up costs and shrinks margins.

NVIDIA: Porter's Five Forces Analysis (2026)

1. Bargaining Power of Suppliers: HIGH 🔴

NVIDIA is "fabless," meaning it designs chips but doesn't build them. This makes it entirely dependent on a tiny group of elite suppliers.

- **The TSMC Bottleneck:** TSMC is the sole manufacturer for NVIDIA's most advanced chips (Blackwell and Rubin architectures). As of 2026, TSMC has implemented annual price hikes of 3-10%, and NVIDIA has had to "bid" to secure 70% of TSMC's advanced packaging capacity (CoWoS).
- **Memory Monopoly:** High-Bandwidth Memory (HBM3E/HBM4) from SK Hynix, Samsung, and Micron is in chronic shortage. Prices for HBM increased by **20%** in early 2026. Without these suppliers, NVIDIA's GPUs are just expensive paperweights.

2. Bargaining Power of Buyers: MODERATE TO HIGH 🟡

NVIDIA's "Big Tech" customers are its biggest strength and its biggest threat.

- **Revenue Concentration:** Just four customers (Microsoft, Meta, Google, and Amazon) account for nearly **40-50%** of NVIDIA's revenue. This gives these "Hyperscalers" significant leverage to demand better pricing or customized hardware.
- **The CUDA Lock-in (The Counterweight):** Despite their size, buyers are "locked in" by NVIDIA's software ecosystem (CUDA). Switching to a competitor would require these giants to rewrite millions of lines of code, which keeps buyer power from becoming "Extreme."

3. Threat of Substitutes: HIGH 🔴

This is currently NVIDIA's most dangerous "Force." The threat isn't just other GPUs; it's **custom silicon (ASICs)**.

- **The Rise of ASICs:** In 2026, ASICs (like Google's TPU v6e and AWS Trainium) are projected to make up **27.8%** of all AI server shipments.
- **Performance vs. Flexibility:** While NVIDIA's GPUs are the "Swiss Army Knife" (good for everything), ASICs are "Scalpels" designed for a single task (like AI inference). They are often **4x more cost-effective** than NVIDIA's hardware for specific workloads.

4. Threat of New Entrants: LOW 🟢

The barriers to entry in the high-end AI chip market are essentially vertical walls.

- **Capital & R&D Intensity:** Developing a chip that competes with the "Rubin" architecture requires billions in R&D and years of lead time.
- **The Ecosystem Barrier:** A new entrant doesn't just need a chip; they need a software platform that thousands of developers already know how to use. Breaking the "CUDA standard" is a hurdle most startups cannot clear.

5. Intensity of Rivalry: MODERATE 🟡

While NVIDIA holds roughly **85-90%** of the AI accelerator market, the "Nvidia Fatigue" among buyers is fueling rivals.

- **The AMD "Second Source" Strategy:** AMD has emerged as the primary alternative with its Instinct MI355 series, gaining share among cost-sensitive customers who want to avoid a "NVIDIA monopoly."
- **Intel's Rebuilding:** Intel is positioning itself as the "third pillar," focusing on sovereign AI (government-funded data centers) and corporate enterprise clients.

Summary Table [redacted]

Force	Rating	The "Why" in 2026
Supplier Power	**High**	TSMC and HBM makers control the physical supply.
Buyer Power	**Moderate/High**	Massive revenue comes from only 4-5 giant tech companies.
Substitutes	**High**	Google, Amazon, and Meta are building their own "In-house" chips.
New Entrants	**Low**	It's too expensive and technically complex for new players.
Rivalry	**Moderate**	AMD is closing the gap, but NVIDIA's software moat is deep.

Samsung Electronics: Porter's Five Forces (March 2026)

1. Intensity of Rivalry: EXTREME 🔴

Samsung faces a "multi-front war" where it is rarely the undisputed leader in any single category in 2026.

- **The Semiconductor Duel:** In the memory market, **SK Hynix** has taken the lead in High-Bandwidth Memory (HBM3E/HBM4), which is the "oil" for AI. In the Foundry business, **TSMC** still holds over 55% of the market, leaving Samsung to fight for the remainder.
- **The Smartphone Premium War:** In 2025, Apple emerged as the global market leader in shipments (20% share), pushing Samsung (19%) to second place. Meanwhile, Chinese brands like **Xiaomi** and **Honor** are aggressive in the mid-range and foldable segments.

2. Bargaining Power of Buyers: MIXED 🟡

Samsung's power depends entirely on which customer you are looking at.

- **B2C (Individual Consumers): High Power.** Switching from a Galaxy to an iPhone or a Xiaomi is relatively easy. Brand loyalty is high, but price sensitivity in the mid-range (Galaxy A-series) is extreme.
- **B2B (Tech Giants like AMD/Nvidia): Moderate Power.** Because of the global "AI Chip Shortage" in 2026, Samsung has regained leverage. In a famous 2026 move, Samsung used its **HBM4 supply as a "bargaining chip"** to force companies like AMD to use Samsung's Foundry for chip production.

3. Threat of Substitutes: MODERATE 🟡

- **Cloud over Hardware:** For the mobile business, the rise of "Cloud Gaming" and "Cloud Computing" means users don't necessarily need the most powerful phone hardware to run high-end apps.
- **Custom Silicon:** Major buyers (Google, Amazon, Meta) are building their own AI chips (ASICs) to avoid buying from Samsung or Nvidia. This substitutes Samsung's standard memory/processor sales with "in-house" solutions.

4. Bargaining Power of Suppliers: MODERATE 🟡

Samsung is **Vertically Integrated**, which is its greatest defense against supplier power.

- **Internal Supply:** Samsung Electronics buys its screens from Samsung Display and its chips from its own DS (Device Solutions) division. This shields them from the price hikes that hit rivals.
- **The ASML/ARM Exception:** Samsung still relies on **ASML** for EUV lithography machines (essential for 2nm chips) and **ARM** for chip architectures. These few "bottleneck" suppliers hold significant power over Samsung's production roadmap.

2026 Real Case: "The HBM-Foundry Bundle"

This is a perfect example for your students of **Strategic Leverage.**

The Situation: In early 2026, AMD desperately needed HBM4 chips to compete with Nvidia.

The Strategy: Samsung, knowing they were the only ones with enough capacity to meet AMD's volume, reportedly conditioned the HBM4 sale on AMD moving a portion of their chip fabrication (Foundry) away from TSMC and into Samsung's 2nm plants.

The Lesson: This shows how a company can use a **Strength** in one "Force" (Supplier power in Memory) to neutralize a **Weakness** in another (Rivalry in Foundry).

III. Team Presentation

1. Topic: Pick one global firm and analyze it with 1) SWOT, 2) Life Cycle, 3) M. Porter's 5 forces
2. Offer your team's idea of strategy how the firm will succeed in the future.

- Presentation time: within 10 minutes, including Q&A
- All members should participate in the presentation
- Presentation material should be loaded in advance and should be sent to email: stevekim7@naver.com

IV. Q&A and Quizzes