

INDUSTRY STRUCTURE ANALYSIS

This paper explains how to use the internet to quickly analyze an industry and determine:

- Main manufacturers;
- Sales and distribution channels;
- Industry organizations; and
- Additional information sources (magazines, etc).

As an example, this paper analyzes the downhill ski binding industry. By following the methodology described you get results quickly. It took me less than two hours to do this ski binding research.

Many industries have a structure that includes:

- A **small number of companies** (3-8) that make up more than 80% of the market, these firms may sell under multiple brands, making it appear that there are a more suppliers;
- **Distribution** is either direct (if it is a high-value sale) or through a well-organized multi-level distribution channel with specialized firms;
- There are several **trade magazines** that provide tremendous information about this industry, and often are distributed for free; and
- There are several **industry organizations** that promote the industry and may also be involved in government lobbying.

By looking for these things, you quickly get a picture.

Step 1. Get Keywords.

Before you can effectively do an internet search, you need keywords. My favorite way to get keywords is to visit retailer or look in a catalog or telephone directory that has advertisements for products or services from this industry. My favorite type of keywords are company and brand names.

To start my downhill ski binding search, I visited a local ski shop and found they primarily sold the following brands of bindings: Atomic; Look; Marker; Rossignol; and Salomon. I also saw a couple of bindings made by Diamir and Dynafit.

To research an industry that doesn't have retail products, I try to find someone who works in this field. For example, when I needed to do this exercise for an instrument used by analytical chemists, I found an analytical chemist and asked him for brands of this type of instrument that he knew.

Step 2. Search the Web.

Next, I went to Google, used these keywords and followed the leads:

- **Atomic** ski binding. The site for this brand is at <http://www.atomicsnow.com>. The manufacturer has a site at <http://www.amersports.com>. This firm has four main brands for various sports: Atomic, Wilson, Suunto, and Precor and Atomic. Atomic is their skiing-related brand. Amersports is public and headquartered in Helsinki, Finland. They had revenues of 1.1 Billion Euros in 2002. 18% of these revenues came from winter sports--downhill skiing, cross-country skiing and snowboarding. Atomic makes both skis and ski bindings. 51% of Amersports revenues come from North America. Atomic's products are primarily manufactured in Austria. In 2002, Amersports sold 540,000 Atomic bindings worldwide. The Atomic division had revenues of 200 million Euros and 19.6% operating profit. Amersports estimates that 4.4 million pairs of downhill skis were sold worldwide in 2002, giving them 12.3% of the binding market.
- **Look** ski binding. I discovered that Look, **Dynastar**, **Lange** and **Rossignol** the same company. The parent company's name is Rossignol and the English-language website is at <http://www.rossignolcorporate.com>. They had revenues of 255 million Euros in 2002, of which bindings were 41.4 million Euros. Total binding production was 1.117 million pairs (making an average selling price of about 38 Euros).
- **Marker's** is at <http://www.markerltd.com> for the brand and <http://www.marker.de> for the company headquarters in Germany. Marker's parent controls **Tecnica**, **Vöelki**, **Blizzard**, **Elan**, **K2**, **Kneissl**, and **Dynafit**. **Tecnica** (in Italy) is the parent company. Tecnica also controls **Nordica**, **Dolomite**, **Lowa**, and **Rollerblade**. I found no financial information on their site.
- **Salomon SA** is located in Annecy, France, and owned by Adidas-Salomon AG in Germany. Their site is at <http://www.adidas-salomon.com>. 2002 revenues were 6.5 billion Euros and net income was 229 million Euros for Adidas-Salomon. Salomon's revenues were 684 million Euros and net income was 39 million Euros.
- **Diamir** ski bindings are made by **Fritschi** in Reichenbach, Switzerland. Their site is at

<http://www.fritschi.ch>. Fritschi 50 employees and revenues of about \$10 million/year. Downhill and cross-country kki bindings are their only business..

In addition to these, <http://www.sportsgearguide.com> identified three other binding manufacturers:

- **Fischer** at <http://www.fischer-ski.com>. They are located at Reid im Innkreis, Austria. Although Fischer appears to be independent, they co-produce and co-market with Salomon. Fischer makes Salomon's cross country skis and Salomon makes Fischer's cross-country bindings. It appears that Fischer is privately held, primarily makes skis and doesn't release their financials.
- **Nordica** ski binding which is part of Tecnica (see previous page).
- **Tyrolia's** site touts that they are the world's largest maker of downhill ski bindings. Tyrolia is owned by Head NV, a Dutch-registered company with most of their production in Austria. Their site is at <http://www.head.com>. Head NV also owns Penn and had revenues of \$387 million in 2002 of which winter sports were 37%. North America is 32% of revenues. Bindings were 31% of the \$145 million revenues from winter sports.

Based on this, I concluded that the majority of worldwide ski binding manufacturing occurs in Austria, with one company operating in Switzerland and one in France. There appears to be no downhill ski binding production in North America or Asia. This is typical of industry clustering.

Among the sources of further information I found during my search:

- <http://www.skidealer.com> is an industry trade magazine.
- Retail magazines include <http://skingmag.com>, <http://www.outdoorreview.com>, <http://www.skimag.com>, <http://www.freeskier.com>, <http://www.freezeonline.com>, and <http://www.skipressmag.com>.
- The international ski federation site is at <http://www.fis-ski.com>.

Document as you Go.

Once you start getting useful sites, the information comes fast. To keep from repeating my work, I copy over each URL and make notes in a Word document as I go, by having the browser open in one window and a Microsoft Word document open in a second window. I then organize these links into an industry framework. Main categories in my document are:

- Manufacturers.
- Distributors, dealers and distribution channel.
- Industry associations
- Trade magazines.
- Suppliers

Step 3. Look at Other Useful Sources:

In addition to this "Google assault," the following sites can also be helpful:

- The US Patent and Trademark office (<http://www.uspto.gov>) is great for searching patents. Using the right keywords, you can discover what's in a competitor's development pipeline and how their products work.
- Hoovers (<http://www.hoovers.com>) has financial information and other company information. Sometimes you have to pay for this, sometimes you don't. I've found useful information about small companies that don't have a website.

Conclusions:

I hope that you have found this paper helpful. Please let me know if you have any comments, corrections, questions or suggestions for areas that should be covered in more depth. The *Market Size Assessment* paper at <http://www.corp21.com/download.htm> shows ways I've used industry structure analysis.

The following are two references if you'd like to explore this topic in greater depth:

- Abrams, Rhonda. *The Successful Business Plan: Secrets and Strategies*. (c) 1991-2003 Rhonda Abrams. Pages 14-34.
- Lesonski, Rivea. *Start Your Own Business: The Only Start-up Book You'll Ever Need*. (c) 2001 Entrepreneur Media. Pages 88-109.

If you'd like help, I'd be happy to consult with you. My details are at <http://www.corp21.com>.