

BUSINESS & COMPANY RESOURCE CENTER CURRICULUM SUPPORT DEMONSTRATION

ABOUT THIS DOCUMENT:

The screenshot displays the Business & Company Resource Center interface. At the top, there is a navigation bar with tabs for Home, Company, Industry, Articles, and Advanced Search. A search bar is present with the text 'Enter your search terms:' and a 'Company Search' dropdown. The main content area is titled 'Current Company: Walt Disney Co.' and features a 'Company Profile' tab. The profile information for Walt Disney Co. (DIS) is as follows:

Walt Disney Co. (DIS)	
500 S Buena Vista St. Burbank, California 91521 United States Tel: (818) 560-1000 Fax: (818)560-1930	
Business	Services: Entertainment company, including: motion picture film production for film, video and television industry, theme park operator. Retail: Gifts and novelty items. Finance: holding company.
Variant Names	Disney Walt Co. - Inverted Name The Walt Disney Co. - Legal Name Walt Disney Productions - Name Change For Kids Worldwide Inc. - Acquisition
Auditors	PricewaterhouseCoopers LLP
SIC Codes	7812 - Motion Picture, Video Tape Production 7819 - Services Allied To Motion Pictures 7995 - Amusement Parks 5947 - Gift, Novelty And Souvenir Shops 6719 - Holding Companies, Not Elsewhere Classified

The following is a simulation of an assignment given to students at an ACC school's business program. The research to complete the project was conducted by Thomson Gale using the *Business & Company Resource Center*, a comprehensive business information database that meets core curriculum requirements for undergraduate and graduate case study work in finance, economics and marketing.

The goal of this research paper is to demonstrate the depth and breadth of *Business & Company Resource Center* as a potential single source of business information. This is a simulation of a the research available to the student as part of completing the project or assignment for a competitive strategy course, requiring the student to analyze a strategic decision of an organization or analyze the competitive landscape, in this case the personal computer industry.

Additional research projects available for viewing were completed using the Business & Company Resource Center include other simulations of coursework at various colleges and universities throughout the country in the areas of International Operations Management, Information Systems for Product Management, Marketing Planning, SWOT Analysis, and Strategy in Information Goods Markets.

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1. How many computer manufacturers are necessary for a competitive computer industry? Two? Three?

The global computer industry is extremely competitive; in fact, by 2004 the worldwide computer industry was seeing consistent double-digit growth. The three main markets for computer sales are Japan, the United States, and Europe, and the five main personal computer manufacturing competitors include Dell, Hewlett-Packard, IBM, Gateway, and Apple. These manufacturers are constantly competing to produce least expensive yet most efficient machines on the market. As a means of improving sales volume and decreasing costs, it is not uncommon for these industry leaders to share research and development costs with other smaller companies; many of these smaller companies opt to merge together with their larger counterparts, thus creating increased competition between the industry leaders. As the electronic market is shifting from analog to digital technology, competition in the computer industry is further increasing. The once separate markets of computer manufacturing, telecommunications, entertainment, publishing and television, all of which have a stake in digital technology, are in direct competition with each other.¹ As technology changes rapidly, competition in the personal computer industry is on the rise. Whereas there are currently five industry leaders, the constant merging and separating of companies can cause this number to rise and fall. As these five manufacturers currently dominate the industry, it is increasingly difficult for smaller companies to establish themselves; however, since technology is rapidly improving and expanding, the thought of a new competitor becoming a threat to these industry giants is not absurd. Regardless of the number of companies present, the computer industry will continue to expand and remain competitive for a number of years to come.

2. Who are the suppliers to this industry? Do these suppliers have leverage over the PC manufacturers?

The main suppliers to the computer industry consist of full-line distributors, technical and professional distributorships, regional and local distributorships, hardware distributors, and software distributors. Full-line distributors dominate the industry (35%), with the broadest customer and product base. Hardware distributors constitute 22 percent of the industry, and

¹ Business & Company Resource Center; Industry Overview Display Page, Computers (SIC 3571; NAICS 334111).

emphasize sales to independent dealers, whereas technical distributors, who account for twenty percent of the market, filter their goods (disk drivers, terminals, computers, keyboards, printers, etc.) directly to corporations. Software-only distributors compose a mere four percent of the industry, and their primary focus is on the sale of educational and entertainment software to the mass market. Some of the industry leading companies include Ingram Micro, Inc., Tech Data Corporation, Arrow Electronics, Avnet Inc., and Comark, Inc. As competition between these suppliers is tight, they do not have much leverage over PC manufacturers. In fact, computer manufacturers have encouraged competition amongst these wholesalers in engaging in the practice of open sourcing, whereby dealers are required to contract exclusively with a specified wholesaler. Therefore, in an attempt to secure these exclusive contracts, suppliers are forced to cut their prices as a means of remaining competitive or else exit the marketplace altogether.²

3. Do you consider this an attractive industry to operate in for investment?

The computer industry is an attractive industry to operate in for investment. According to an investment report comprised by Morgan Stanley, in 2005 worldwide PC shipments accelerated from 12.8% year/year growth in the March quarter to 18.5% in the June quarter. PC demand is accelerating, and a big growth in the sale of notebooks is an indicator that the market will continue to grow. The group feels that Intel is a promising investment, as their desktop shares are predicted to accelerate through the rest of the year as a result in the price decrease of their chips.³ Prudential Equity group also predicts an increase in the investment value of the computer industry, and predicts an overall 8% Y/Y growth in 2006.⁴

4. What has Apple done to position itself to be competitive in the PC industry? Has it worked?

In order to position itself to be competitive in the PC industry, in 2002 Apple resisted the slump in PC sales that other manufacturers bought in to, and upheld strong orders for its G4 Models and new iMac flat screen models. They released a new operating system, OS X, and

² Business & Company Resource Center: Industry Overview Display Page, Computers and Peripheral Equipment and Software. (SIC 5045; 42340).

³ Business & Company Resource Center: Investment Report (Computing Hardware/Semiconductor Industry). Contributor: Morgan Stanley.

⁴ Business & Company Resource Center: Investment Report (Computing Hardware/Semiconductor Industry). Contributor: Prudential Equity Group, Inc.

verbalized a commitment to release new and efficient innovative products⁵. This commitment to improving their products has proven to be a success. Apple's market share value has increased from 6.8 in September 2004, to 23.2 in September 2005. Financial analysts expect the new iPod Nano and ROKR iPod phone to drive hardware and iTunes revenue upside. In addition, Apple expects that thirty percent of cars sold in the United States next year will integrate iPod functionality, and that more artists will engage in exclusive contracts granting Apple complete access to their material (Madonna has such an agreement, and iTunes has exclusive rights to the Harry Potter audio-book).⁶

5. Prepare a Five-Forces Analysis for the personal computer industry. Use the analysis to reflect on whether this is an attractive industry to operate in for that investment.

1. Threat of entry by new competitor:

While there is always a potential for new competitors to emerge, the personal computer industry is dominated by five main competitors: Dell, HP, Gateway, IBM, and Apple. Perhaps a greater threat to the computer is the existence of a great number of mergers and buyouts amongst industry leaders. In such a competitive environment, these companies often pool costs together on the research and development field. This creates an increased competition between companies who are competing to build superior products based on the same information, and the larger companies often engage in buying out the smaller companies, increasing their competitive edge.⁷

2. The threat of substitute products and services:

As anti-trust agreements disallow imposters to produce similar products, the threat of substitute products is not an immediate threat to the computer industry. What serves as a greater threat is the global production of computers; the United States is currently the leader in producing personal computers; however, Japan and Europe are also key players in this industry. They pose a threat to United States computer manufacturers.⁸

3. The threat of the bargaining power of suppliers:

⁵ Business & Company Resource Center; Industry Overview Display Page, Computers (SIC 3571; NAICS 334111).

⁶ Business & Company Resource Center: Investment Report (Apple Computers). Contributor: Morgan Stanley. September 8, 2005.

⁷ Business & Company Resource Center; Industry Overview Display Page, Computers (SIC 3571; NAICS 334111).

⁸ Business & Company Resource Center; Industry Overview Display Page, Computers (SIC 3571; NAICS 334111).

As previously discussed, the computer manufacturers hold a power over the suppliers as opposed to the suppliers holding a power over the manufactures. It is the suppliers that are in direct competition with each other to obtain exclusive contacts with the manufactures to have them use their products. The suppliers, therefore, are often forced to slash prices or merge with larger companies in order to survive.⁹

4. The threat of the bargaining power of buyers:

5. Industry Rivalry

The five main manufacturers are in competition to produce the least-expensive and most efficient machine. (See number one).

⁹ Business & Company Resource Center: Industry Overview Display Page, Computers and Peripheral Equipment and Software. (SIC 5045; 42340).

Resources

Business & Company Resource Center: Industry Overview Display Page, Computers (SIC 3571; NAICS 334111).

Business & Company Resource Center: Industry Overview Display Page, Computers and Computer Peripheral Equipment and Software. (SIC 5045; NAICS 42340).

Business & Company Resource Center: Investment Report Display Page, Apple Computer Inc. Contributor: Morgan Stanley

Business & Company Resource Center: News/Magazine Article. "Does Intel's dominance hurt consumers? AMD's suit against Intel alleges anti-trust violations that lead to higher PC prices." *PC World*, 2005 23(10): 22

Business & Company Resource Center: Investment Report: Computing Hardware/Semiconductor Industry. Contributor: Morgan Stanley.