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**Poor firms ignore their competitors;
Average firms copy their competitors;
Winning firms lead their competitors.**
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COMPETITIVE ANALYSIS

Course: Marketing Management

Five things companies need to know about their competition:

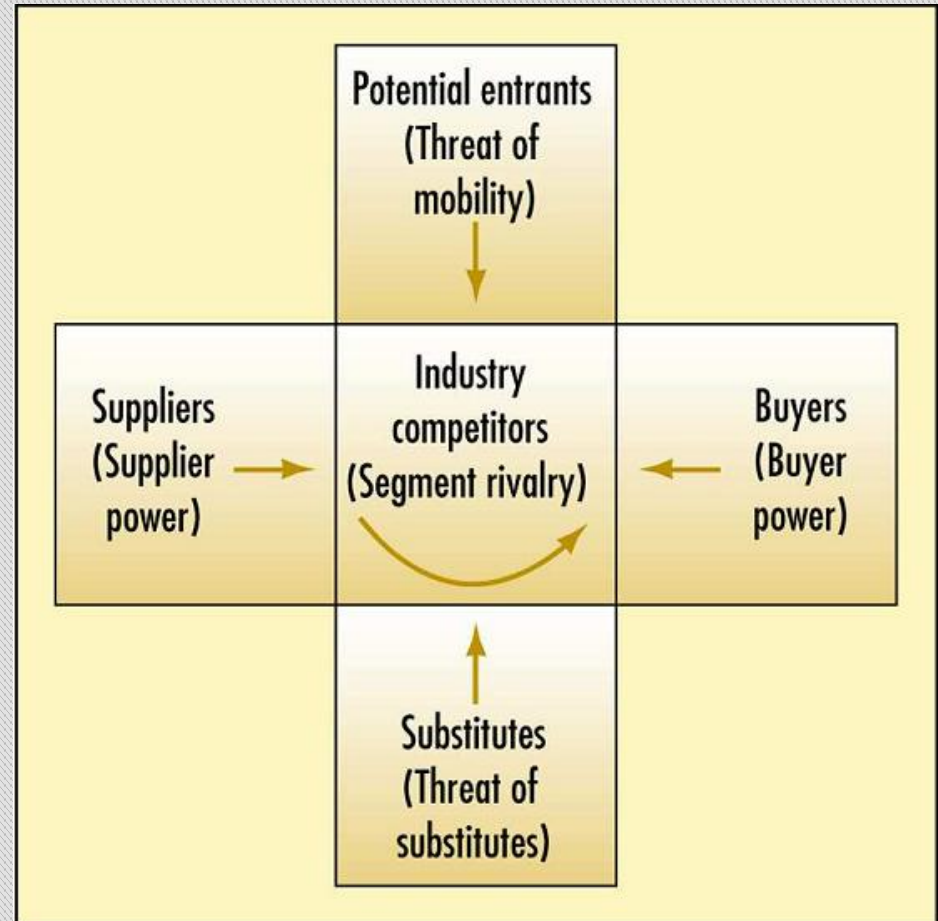
- ▶ Who the primary competitors are
- ▶ How to ascertain their strategies, objectives, strengths and weaknesses, and reaction patterns
- ▶ How to design a competitive intelligence system
- ▶ Whether to position as market leader, challenger, follower, or nicher
- ▶ How to balance a customer versus competitor orientation



Competitive Forces

Threat of:

1. intense segment rivalry
2. new entrants
3. substitute products
 - ▶ buyers' growing bargaining power
 - ▶ suppliers' growing bargaining power



Five Forces Determining
Segment Structural Attractiveness

Barriers and Profitability

		Exit Barriers	
		Low	High
Entry Barriers	Low	Low, stable returns	Low, risky returns
	High	High, stable returns	High, risky returns

Identifying Competitors

▶ **Industry Concept of Competition**

- ▶ Industry
- ▶ Number of Sellers and Degree of Differentiation
 - ▶ Pure monopoly
 - ▶ Oligopoly
 - Pure oligopoly
 - Differentiated oligopoly
 - ▶ Monopolistic competition
 - ▶ Pure competition
- ▶ Entry, Mobility, Exit Barriers
 - ▶ Entry barriers
 - ▶ Mobility barriers
 - ▶ Exit barriers
- ▶ Cost Structure
- ▶ Degree of Vertical Integration
 - ▶ Vertical integration
- ▶ Degree of Globalization

▶ **Market Concept of Competition**



Analyzing Competitors

- ▶ STRATEGIES
- ▶ OBJECTIVES
- ▶ STRENGTHS
- ▶ WEAKNESSES



Analyzing Competitors

- ▶ Three Variables to Monitor When Analyzing Competitors:
 - ▶ Share of market
 - ▶ Share of mind
 - ▶ Share of heart



Analyzing Competitors

Reaction Patterns

1. If competitors are nearly identical and make their living the same way, then their competitive equilibrium is unstable.
2. If a single major factor is the critical factor, then the competitive equilibrium is unstable.
3. If multiple factors may be critical factors, then it is possible for each competitor to have some advantage and be differentially attractive to some customers. The more factors that may provide an advantage, the more competitors who can coexist. Competitors all have their segment, defined by the preference for the factor trade—offs they offer.
4. The fewer the number of critical competitive variables, the fewer the number of competitors.
5. A ratio of 2 to 1 in market share between any two competitors seems to be the equilibrium point at which it is neither practical nor advantageous for either competitor to increase or decrease share.

Designing The Competitive Intelligence System

Four Main Steps

- ▶ Setting Up the System
- ▶ Collecting the Data
- ▶ Evaluating and Analyzing the Data
- ▶ Disseminating Information and Responding



Designing The Competitive Intelligence System

Selecting Competitors

- ▶ Customer Value Analysis (CVA)
 - ▶ Customer Value = Customer Benefits – Customer Costs
 - ▶ Customer Benefits = product benefits, service benefits, personnel benefits, image benefits
 - ▶ Customer Costs = purchase price, acquisition costs, usage costs, maintenance costs, ownership costs, disposal costs

Designing The Competitive Intelligence System

Major Steps in Customer Value Analysis:

1. Identify the major attributes customers value.
2. Assess the quantitative importance of the different attributes.
3. Assess the companies' and competitors' performances on the different customer values against their rated importance.
4. Examine how customers in a specific segment rate the company's performance against a specific major competitor on an attribute-by-attribute basis.
5. Monitor customer values over time.

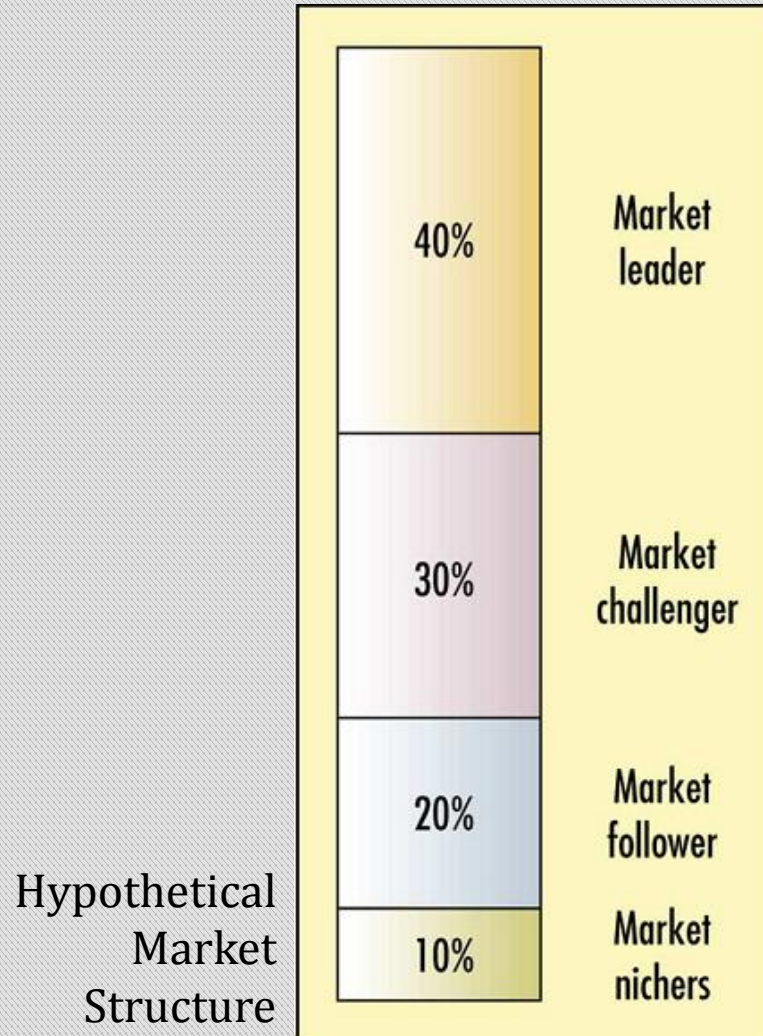
Designing The Competitive Intelligence System

Classes of Competitors

- ▶ Strong versus Weak
- ▶ Close versus Distant
- ▶ “Good” versus “Bad”



Designing The Competitive Intelligence System



Designing Competitive Strategies

▶ Market-Leader Strategies

▶ Expanding the Total Market

▶ New Users

- Market-penetration strategy
- New-market segment strategy
- Geographical-expansion strategy

▶ New Uses

▶ More Usage

▶ Defending Market Share

▶ Defense Strategies

- ▶ Position Defense, Flank Defense, Preemptive Defense, Counteroffensive Defense, Mobile Defense (*Market broadening, Principle of the objective, Principle of mass, Market diversification*), Contraction Defense (*Planned contraction / Strategic withdrawal*)

Designing Competitive Strategies

▶ Market-Challenger Strategies

▶ Defining the Strategic Objective and Opponent(s)

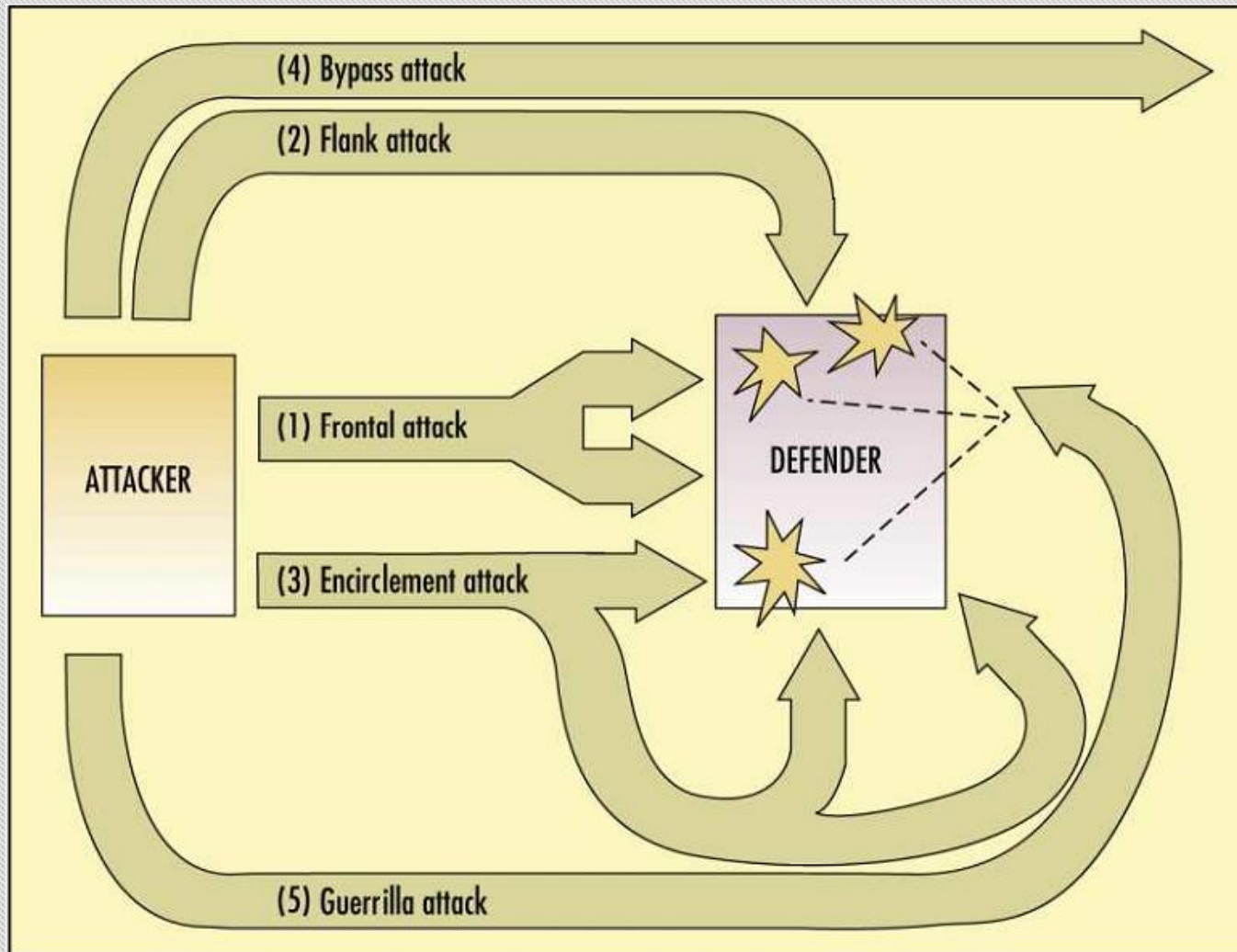
- ▶ It can attack the market leader
- ▶ It can attack firms of its own size that are not doing the job and are underfinanced
- ▶ It can attack small local and regional firms

▶ Choosing a General Attack Strategy

▶ Choosing a Specific Attack Strategy

- ▶ Price-discount, Lower price goods, Prestige goods, Product proliferation, Product innovation, Improved services, Distribution innovation, Manufacturing cost reduction, Intensive advertising promotion

Attack Strategies



Designing Competitive Strategies

- ▶ Market-Follower Strategies
 - ▶ Innovative imitation (Product imitation)
 - ▶ Product innovation
 - ▶ Four Broad Strategies:
 - Counterfeiter
 - Cloner
 - Imitator
 - Adapter

Designing Competitive Strategies

▶ Market-Nicher Strategies

- ▶ High margin versus high volume

▶ Nicher Specialist Roles

- ▶ End-user specialist

- Value-added reseller

- ▶ Vertical-level specialist

- ▶ Customer-size specialist

- ▶ Specific-customer specialist

- ▶ Geographic specialist

- ▶ Product or product-line specialist

- ▶ Product-feature specialist

- ▶ Job-shop specialist

- ▶ Quality-price specialist

- ▶ Service specialist

- ▶ Channel specialist

Balancing Customer and Competitor Orientations

- ▶ Competitor-centered company
- ▶ Customer-centered company



Reference

- ▶ Kotler, P., & Keller, K.L. (2009). Marketing Management, 13/E. New Jersey: Prentice-Hall.