

Analysis of Competition

Dealing with the Competition



"Are you sure this guy from Alaska is in a speed suit?"



*Poor firms ignore their competitors;
average firms copy their competitors;
winning firms lead their competitors.*

Philip Kotler

Why to analyze competitors?

- Knowing the competitors is critical to effective marketing planning
- A company must constantly compare its products, prices, places and promotion with those of its competitors
- In this way, it can identify areas of competitive advantage and disadvantage
- The company can launch more precise attacks on its competitors as well as prepare stronger defenses against attacks
- Sometimes competitor can become a partner



"I don't get it. If he's no faster than me, how come he always beats me?"

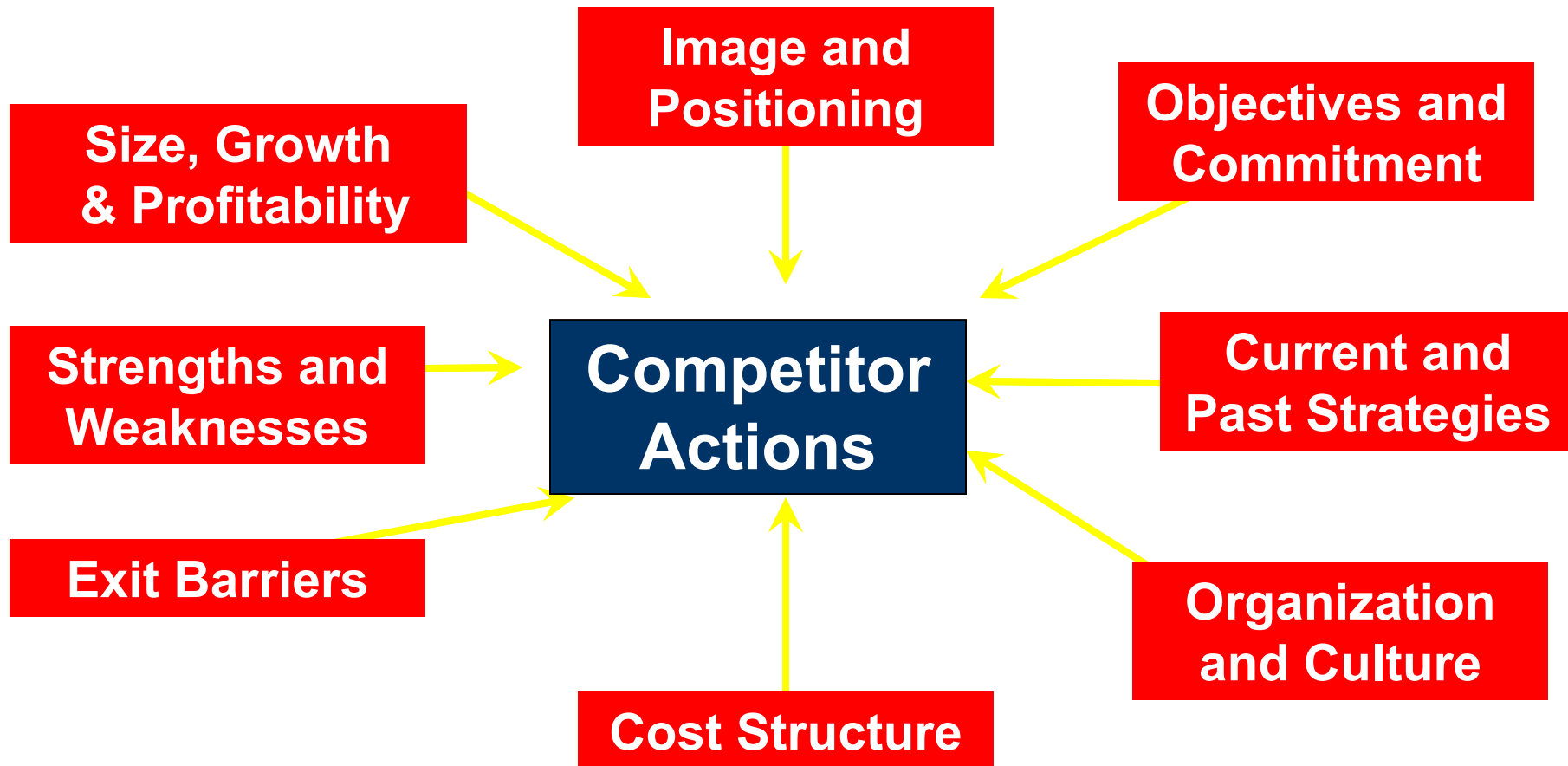
BASIC QUESTIONS

- **. Who are our competitors?**
- + **who are not our competitors yet but they can be? (why they are not competing now?)**
- **2. What are their objectives?**
- **3. What are their strategies? „4 Ps“**
- **. What are their strengths and weaknesses?**

Analyze competitors' ability to:

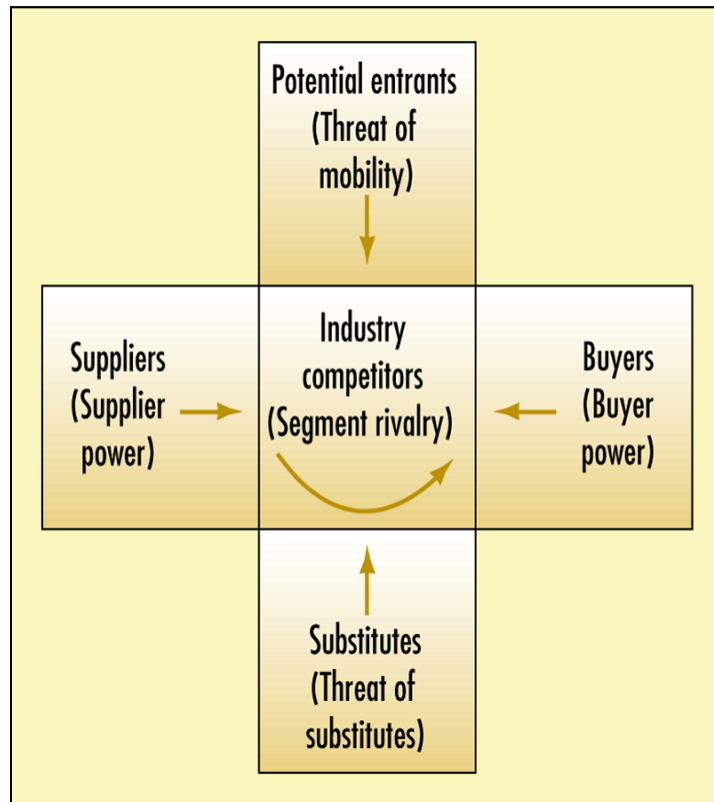
- Conceive and design new products
- Produce the product or deliver the service
- Market their products
- Finance
- Manage
- **. What are their reaction patterns?**

Understanding the competitors



Michael Porter model of 5 competitive forces

Five Forces Determining Segment Structural Attractiveness



Threat of:

1. intense segment rivalry
2. new entrants
3. substitute products
4. buyers' bargaining power
5. suppliers' bargaining power

Rivalry Between Established Competitors

The extent to which industry profitability is depressed by aggressive price competition depends upon:

- **Concentration (number and size distribution of firms)**
- **Diversity of competitors (differences in goals, cost structure, etc.)**
- **Product differentiation**
- **Excess capacity and exit barriers**
- **Cost conditions**
 - **Extent of scale economies**
 - **Ratio of fixed to variable costs**

Identifying competitors

- Market concept of competition (WIDER VIEW)

Looking at companies that satisfy the same customer need

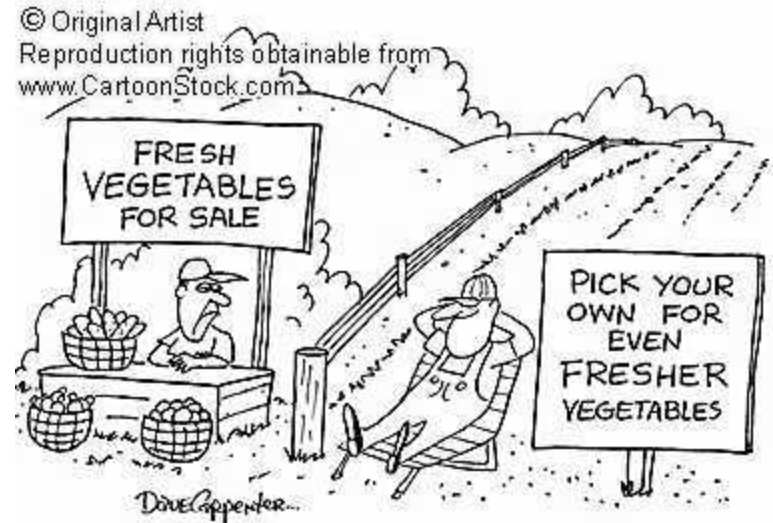
Gives broader set of actual and potential competitors and stimulates more long-run strategic marketing planning

- Industry concept of competition

Looking at companies that make the „same“ product

– **Industry** = set of sellers and degree of differentiation

- Pure monopoly
- Oligopoly
 - Pure oligopoly
 - Differentiated oligopoly
- Monopolistic competition
- Pure competition



- **Pure monopoly**

- Only one firm offers an undifferentiated product or service in an area
 - Unregulated
 - Regulated
- *Example:* Most utility companies



Differentiated oligopoly

- A few firms produce partially differentiated items
- Differentiation is by key attributes
- Premium price may be charged
- *Example:* Luxury autos



- **Pure oligopoly**

- A few firms produce essentially identical commodities and little differentiation exists
- Lower costs are the key to higher profits
- *Example:* oil



- *Monopolistic Competition*
- Many firms differentiate items in whole or part
- Appropriate market segmentation is key to success
- *Example:* beer, restaurants



- Pure competition
- Many competitors offer the same product
- Price is the same due to lack of differentiation
- *Example:* farmers selling milk, coal, wood...



Identifying and analyzing competitors

- Entry, Mobility, Exit Barriers
 - Entry barriers
 - Mobility barriers
 - Exit barriers
- Cost Structure
- Degree of Vertical Integration
 - Vertical integration
- Degree of Globalization
- Key characteristics of the competition must be identified:
 - Strategies
 - Objectives
 - Strengths and Weaknesses
 - Effect a firm's *competitive position* in the target market
 - Reaction Patterns

Other ways of Identifying Competitors

– Supply-based approaches

- Classify competitors based on objective attributes.

– Demand-based approaches

- Classify competitors based on customer attitudes and behaviors.

– The Product-Industry Hierarchy

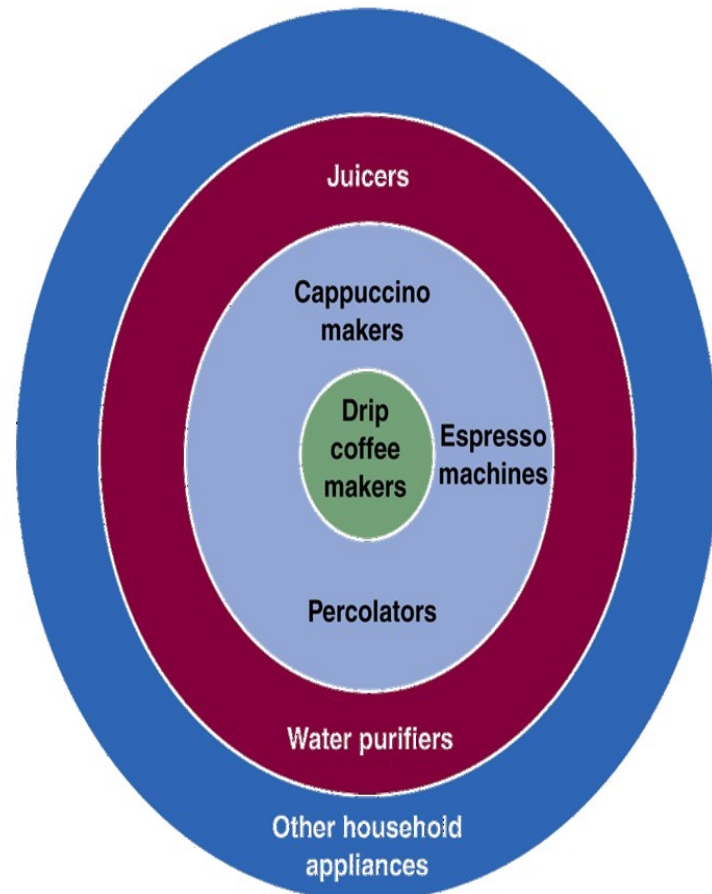
identifies four levels of competition.

Demand-Based Methods

– from the customer's perspective.

4 – LEVEL COMPETITION

- *Product form competition:* narrowest form, includes products of the same product type.
- *Product class/category competition:* products with similar features that provide the same basic function.
- *Generic competition:* products that fulfill same basic need.
- *Budget competition:* products that compete for the same discretionary budget dollars.



other view: levels of competition

Brand Competition

Other companies offering a similar product and services to the same customer at similar prices

Industry Competition

All companies making the same product or class of products

Form Competition

All companies manufacturing products that supply the same service

Generic Competition

All companies competing for the same customer's money



- **Four-level model of competition** implies different tasks for each competitive level:
 - *Product form competition*: aim marketing activities at direct competitors.
 - *Product class/category competition*: convince customers that your product form is best in the category.
 - *Generic competition*: convince consumers of the superiority of your product category's ability to satisfy needs over other categories.
 - *Budget competition*: same challenge as with generic competition.

Identifying key success factors

Pre-requisites for success

What do customers want?

How does the firm survive competition

Analysis of demand

- Who are our customers?
- What do they want?

Analysis of competition

- What drives competition?
- What are the main dimensions of competition?
- How intense is competition?
- How can we obtain a superior competitive position?

KEY SUCCESS FACTORS

Analyzing competitors

- Strengths and Weaknesses
 - Dominant
 - Strong
 - Favorable
 - Tenable „sustainable“
 - Weak
 - Nonviable



Customer's Ratings of Competitors on Key Success Factors

	Customer Awareness	Product Quality	Product Availability	Technical Assistance	Selling Staff
Competitor A	E	E	P	P	G
Competitor B	G	G	E	G	E
Competitor C	F	P	G	F	F

Note: E = excellent, G = good, F = fair, P = poor.

Analyzing competitors

Three ways or variables to monitor when analyzing competitors:

- **Share of market**
- **Share of mind**

The percentage of customers who named the competitor in responding to the statement

“Name the first company that comes to mind in this industry”

- **Share of heart**

The percentage of customers who named the competitor in responding to the statement

“Name the company from whom you would prefer to buy the product”

<http://www.youtube.com/watch?v=nUrvPMQqZZQ>

KFC vs McDonalds´

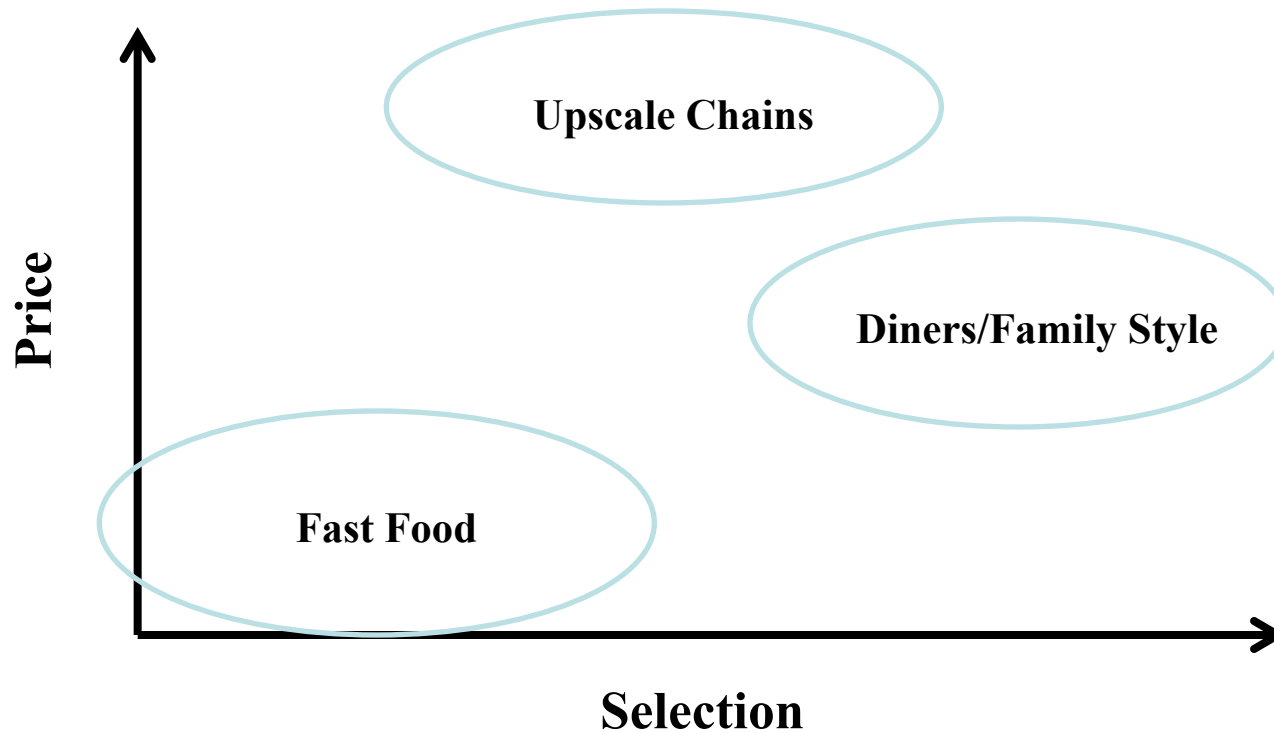
- <http://www.vidarena.com/coca-cola-vs-pepsi-video-599-1-vidEMo6o0BtFG8.html#video1>



Assessing Competitive Positions: Strategic Groups

- A **Strategic Group** consists of those rival firms with similar competitive approaches and positions in an industry
- A **Strategic Group** displays different competitive positions that rival firms occupy
- Organizations in the same strategic group have one or more competitive characteristics in common
 - Sell in the same price/quality range
 - Cover same geographic areas
 - Be vertically integrated to same degree
 - Emphasize same types of distribution channels
 - Offer buyers similar services
 - Use identical technological approaches

Strategic groups



- Groups of firms that pursue similar strategies with similar resources

Balancing customer and competitor orientations



Competitor-centered company

- It develops a fighter orientation: being on constant alert, watching for weaknesses in its competitors' and its own position
- It determines its moves based on its competitors' moves; does not move towards its own goal



Customer-centered company

- It is in a better position to identify new opportunities and set a strategy course that makes long-run sense
- It can decide which customer groups and emerging needs are the most important to serve, given its resources and objectives

Designing Competitive Strategies



MARKET LEADER

- Expanding the total market
- Defending market share
- Expanding market share

MARKET CHALLENGER

- First define the strategic goals and opponent(s)
- Choose general attack strategy
- Choose specific attack strategy

MARKET LEADER

Expanding the total market:

- Targeting Product to New Users
 - Market-penetration strategy
 - New-market strategy
 - Geographical-expansion strategy
- Promoting New Uses of Product
- Encouraging Greater Product Use

❑ NEW
USERS

❑ NEW
USES

❑ MORE
USAGE



Defending market share

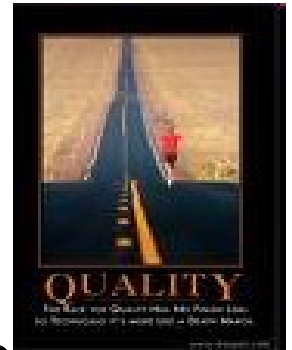
- Position defense
- Flank (side) defense
- Preemptive (preventive) defense
- Counteroffensive defense
- Mobile defense
- Contraction defense



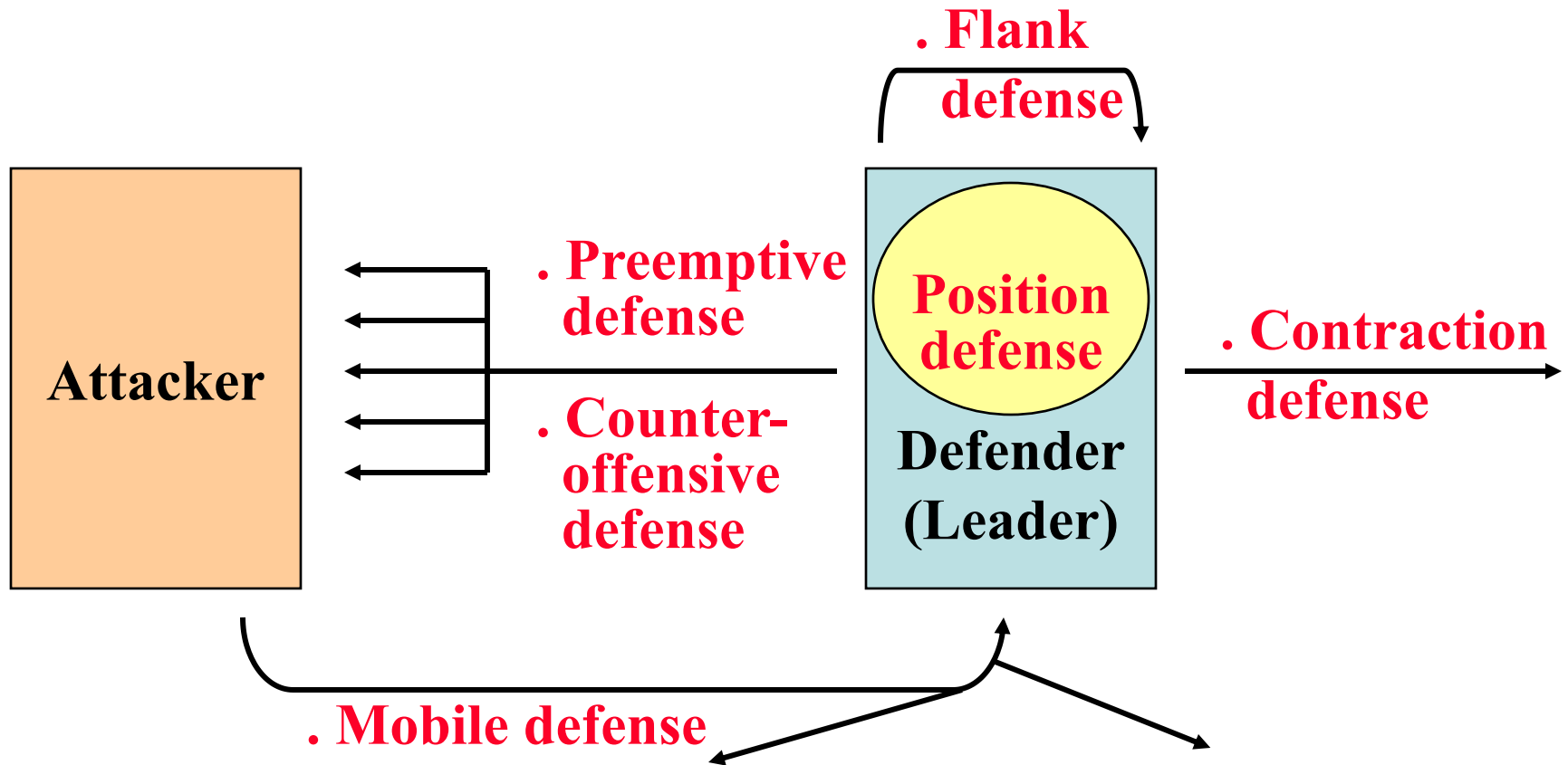
Expanding Market Share



- Develop and add more new products to the line
- Increase the product quality relative to competitors
- Increase the marketing expenditures faster the rate of market growth to achieve share gains
- Avoid price cut, but offer other values to the customers



Defending Market Share



MARKET CHALLENGER

General attack strategies:

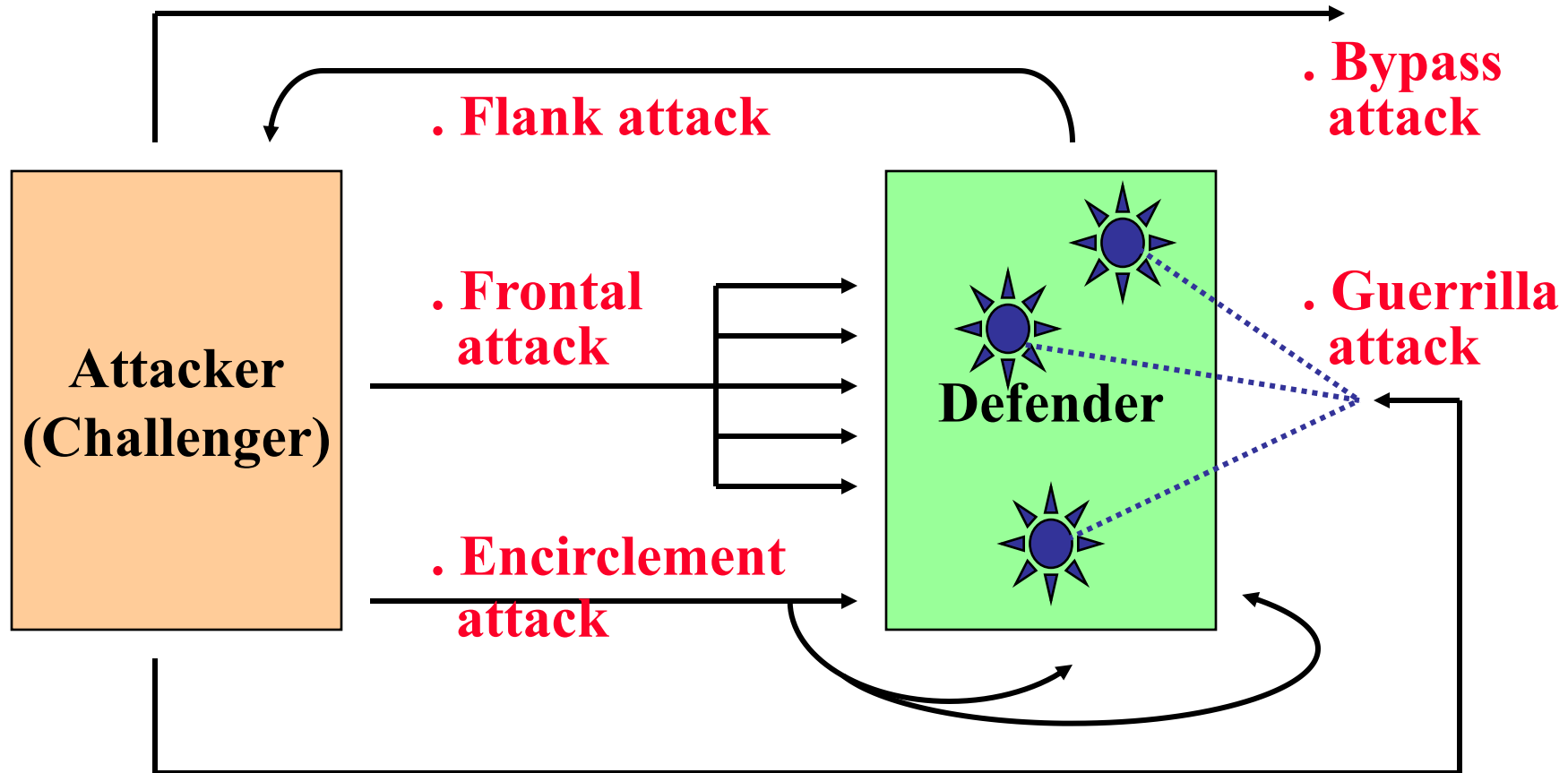
- Frontal attacks match competition
- Flank attacks serve unmet market needs or underserved areas
- Encirclement “blitzes” opponent
- Bypassing opponent and attacking easier markets is also an option

Specific attack strategies include:

- Price-discount
- Lower-price goods
- Prestige goods
- Improved services
- Product proliferation
- Product innovation
- Distribution innovation
- Manufacturing cost reduction



Strategies for Market Challenger





MARKET FOLLOWER

- Imitation may be more profitable than innovation
- Four broad strategies:
 - Counterfeiter
 - Cloner
 - Imitator
 - Adapter



MARKET NICHER

- Niche specialties:
 - End-user
 - Vertical-level
 - Customer-size
 - Specific customer
 - Geographic
 - Product/product line
 - Product feature
 - Job-shop
 - Quality-price
 - Service
 - Channel

