Competitor analysis & Competitive advantage
(Chapter 18)

&

Competitive marketing strategy
(Chapter 19)

Table of Content

Analysing competitors
- competitive industry structure
- 5-question process of competitor analysis

Creating a competitive advantage
- differentiation and differentiation focus
- cost leadership and cost focus
- sources of competitive advantage

Developing a competitive marketing strategy
- competitive behaviour
- strategic marketing objectives (build, hold, harvest, divest, niche)
Analysing competitive industry structure

- determinants of industry attractiveness (5 forces)
  - threat of entry of new competitors
  - threat of substitutes
  - bargaining power of buyers
  - bargaining power of suppliers
  - rivalry between the existing competitors

Porter model of competitive industry structure
Competitor analysis

➢ important to understand & monitor competitors
➢ finding answers to 5 key questions

1. Who are our competitors?
2. What are their strengths and weaknesses?
3. What are their strategic objectives and thrust?
4. What are their strategies?
5. What are their response patterns?


1. Who are our competitors?

➢ the competitive arena comprises:

- product form competitors
  (technically similar products)

- product substitutes
  (technically dissimilar products)

- generic competitors
  (products that solve problem or eliminate in dissimilar way)

- potential new market entrants
  (technically similar or dissimilar products)
2. What are their strengths and weaknesses?

- competitor audit

3-stage process:

1. identify key factors for success in the industry
2. competitive profile analysis
3. possible competitive strategies

3. What are their strategic objectives and thrust?

- Build
- Hold
- Harvest
- Divest

<table>
<thead>
<tr>
<th>Existing Markets</th>
<th>New Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market expansion</td>
<td>Market development</td>
</tr>
<tr>
<td>Product development</td>
<td>Entry into new markets</td>
</tr>
</tbody>
</table>
4. What are their strategies?

- e.g. niching vs. serving the whole market
- necessary to monitor continuously

5. What are their response patterns?

- retaliatory competitors
- hemmed-in competitors
- unpredictable in its response pattern

Competitive Advantage

- 2 means of competitive advantage
  - differentiation of the product offering
  - lowest delivered cost

- results in 4 generic competitive strategies
  - differentiation
  - differentiation focus
  - cost leadership
  - cost focus

- danger of a stuck-in-the-middle position!
sources of competitive advantage:

- superior skills & superior resources
- company's core competences

locate these skills and resources by a value chain analysis (primary and support activities)

The value chain

<table>
<thead>
<tr>
<th>Primary activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-bound logistics</td>
</tr>
<tr>
<td>Operations</td>
</tr>
<tr>
<td>Out-bound logistics</td>
</tr>
<tr>
<td>Marketing and sales</td>
</tr>
<tr>
<td>Service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
</tr>
<tr>
<td>Technology development</td>
</tr>
<tr>
<td>Human resource management</td>
</tr>
<tr>
<td>Firm infrastructure</td>
</tr>
</tbody>
</table>

Differential advantage

- creating a differential advantage with any aspect of the marketing mix
  - product
  - price
  - promotion
  - distribution

- sustainable differential advantage
- factors that cannot easily be copied !!

Cost Leadership

- factors that affect cost:
  - economies of scale
  - learning
  - capacity utilization
  - linkages
  - interrelationships
  - integration
  - timing
  - policy decisions
  - location
  - institutional factors
Competitive marketing strategy 1/3

- Strategic triangle: approach to strategy development

  ![Diagram showing the strategic triangle with Company, Customers, and Competitors]

Competitive marketing strategy 2/3

- Competitive behaviour
  - Can take 5 forms:
    - Conflict
    - Competition
    - Co-existence
    - Co-operation
    - Collusion

  ![Examples of competitive behaviour]

  - British Airways vs. Laker Airways
  - Fisher & Paykel vs. Bic Corporation
  - General Motors + Ford
Developing competitive marketing strategies

- achievement of strategic marketing objectives:
  - build
  - hold
  - harvest
  - divest
  - niche

Build objectives

- attractive conditions
  - growth markets
  - exploitable competitive weaknesses
  - exploitable competitive strengths
  - adequate corporate resources

- strategic focus
  - market expansion
  - winning market share from competition
  - merger or acquisition
  - forming strategic alliances
Attack strategies

- Bypass attack
- Flanking attack
- Encirclement attack

Attacker

- Frontal attack
- SEIKO

Defender

- Guerilla attack

Hold objectives

**attractive conditions**
- market leader in a mature or declining market
- costs exceed benefits of building

**strategic focus**
- monitoring the competition
- confronting the competition
Defence strategies

- Pre-emptive defence
- Flanking defence
- Counter-offensive defence
- Position defence
- Defender
- Mobile defence
- Strategic withdrawal

Harvest objectives

**attractive conditions**
- market is mature or declining
- in growth markets where the costs of building or holding exceed the benefits
- core of loyal customers
- future breadwinners exist

**strategic focus**
- eliminate R&D expenditures
- product reformulation
- rationalize product line
- cut marketing support
- consider increasing price
Divest objectives

**attractive conditions**
- loss-making products or businesses
- often low share in declining markets
- costs of turnaround exceed benefits
- removal will not significantly affect sales of other products

**strategic focus**
- getting out quickly so as to minimize costs

Niche objectives

**attractive conditions**
- small budgets
- strong competitors dominating major segments
- pockets existing for profitable operations
- creating a competitive advantage

**strategic focus**
- market segmentation
- focused R&D
- differentiation
- thinking small
Sources

  - http://highered.mcgraw-hill.com/
  - http://www.libraries.psu.edu
  - http://gsm.about.com
  - http://www.austriantrade.org
  - http://www.pdm.com.co
  - http://www.konsument.at

Thanks
for your attention!