

COMPETITION ANALYSIS

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INTRODUCTION

- ...Strategic Marketing planning is expected to be market-driven.
- ...Balance customer and competitor orientation
- ➤ Keen understanding of competitors

Key Aspects to Consider on Competitor Analysis

1. Identify

competitors...

**Types of
Competitors**

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graph TD; A[Types of Competitors] --> B[Potential Competitors]; A --> C[Existing competitors];
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**Potential
Competitors**

**Existing
competitors**

2. Identify *Strategic group* Orientation

- A company needs to identify the strategic group in which it competes

Dimensions to be used in identifying a strategic group include: -

- Product/service quality
- Level of technological sophistication
- Geographic scope
- Manufacturing methods
- Hours of operation
- Product features/Product mix
- Customer services

- Pricing policy
- Distribution coverage
- Sales force strategy
- Comm'n programmes
- Manufacturing
- Financial
- R & D
- Human recourse strategies

Note:

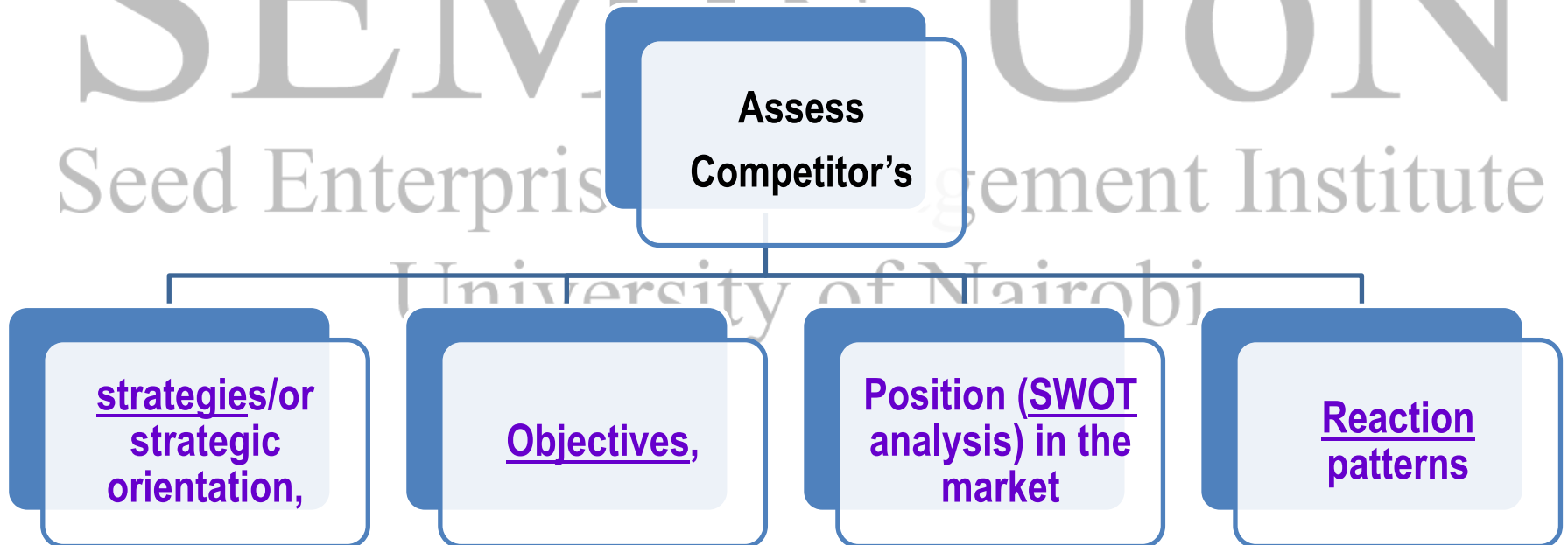
- *Entry barriers differ for each group*
- **continuously monitor**
- **revise its strategy through time**

3. Establish the *nature* and *level* of competition

- *Brand competition*... other companies offering **similar Brands** to the same *customers at similar prices*.
- *Industry competition*... all companies making the **same products or class of products**.
- *Form Competition* ...company sees its competitors as all companies manufacturing/ selling products that supply the same service.
- *Generic Competition* ...company sees its competitors as all companies that ***compete for the same customer's money***

4. Analyzing Competition

- *After identifying the competitors, ascertain...*



Determining competitor's Objectives

- ... both short-term and long-term objectives

May include

- Profit maximization
- Market share growth
- Technology Leadership
- Service leadership
- Market penetration
- Market leadership

- ...company should know how a competitor weighs its objectives and why?

This helps to figure out:

- whether the competitor is satisfied with its current financial results
- how it might react to different competitive objectives

What shapes a competitors objectives

- Size,
- Ownership
- Its history
- Current management
- Financial situation

• ...company should also monitor its competitors expansion plan

Categorizing the Objectives and Strategies of Competitors

Competitive Scope	Strategic Intent	Market Share Objective	Competitive Position	Strategic Posture	Competitive Strategy
• Local	• Be dominant leader	• Aggressive expansion via acquisition & internal growth	• Getting stronger; on the move	• Mostly offensive	• Striving for low-cost leadership
• Regional	• Overtake industry leader		• Well-entrenched	• Mostly defensive	• Mostly focusing on a market niche
• National	• Be among industry leaders	• Expansion via internal growth	• Stuck in the middle of the pack	• Combination of offensive & defensive	• Pursuing differentiation based on <ul style="list-style-type: none"> – Quality – Service – Technology superiority – Breadth of product line – Image & reputation – More value for the money – Other attributes
• Multi-country	• Move to top 10	• Expansion via acquisition	• Going after a different position	• Aggressive risk-taker	
• Global	• Move up a notch in rankings	• Hold on to present share	• Struggling; losing ground	• Conservative follower	
	• Maintain current position	• Give up present share to achieve short-term profits	• Retrenching to a position that can be defended		
	• Just survive				

Competitors Position in the Market

Strength & Status	Example	Performance	Strategic options/opportunities available
Dominant		Excellent performance Controls the competition	Wide choice
Strong		Good performance Can act independently from competition	Many
Favorable		Above average performance Minimal effect on competition	Several More than average
Tenable		Fair performance Breakeven Negligible effect and competition	Fair options Less than average
Weak		Unsatisfactory performance but has potential No effect on current competition	Handful Could be developed
Nonviable		Unsatisfactory performance without hope for improvement	None

.Assessing competitors' strengths and weaknesses

Should be collected on

- Sales
- Market share
- Profit margin
- Return on investment
- Cash flow
- New investments and,
- Capacity utilization

Source of competitor information

- secondary data
- Personal experience
- Hear-say
- Conducting primary marketing research with customers, suppliers and dealers.

A Weighted Competitive Strength Assessment

KSF/Strength Measure	Weight	ABC Co.	Rival 1	Rival 2	Rival 3	Rival 4
Quality/product performance	0.10	8/0.80	5/0.50	10/1.00	1/0.10	6/0.60
Reputation/image	0.10	8/0.80	7/0.70	10/1.00	1/0.10	6/0.60
Manufacturing capability	0.10	2/0.20	10/1.00	4/0.40	5/0.50	1/0.10
Technological skills	0.05	10/0.50	1/0.05	7/0.35	3/0.15	8/0.40
Dealer network/distribution	0.05	9/0.45	4/0.20	10/0.50	5/0.25	1/0.05
New product innovation	0.05	9/0.45	4/0.20	10/0.50	5/0.25	1/0.05
Financial resources	0.10	5/0.50	10/1.00	7/0.70	3/0.30	1/0.10
Relative cost position	0.35	5/1.75	10/3.50	3/1.05	1/0.35	4/1.40
Customer service capability	0.15	5/0.75	7/1.05	10/1.50	1/0.15	4/1.60
Sum of weights	1.00					
Overall strength rating		6.20	8.20	7.00	2.10	2.90

Rating Scale: 1 = Very weak; 10 = Very strong

Other Factors to be considered when analyzing competitors' strengths and weaknesses

Share of the market

- The competitors' share of the target market

Share of the mind

- The % of customers who name the competitor in their responses -Recall

EG "Name the first company that comes to your mind in this industry"

Share of the heart

- The % of customers who name the competitor in responding to the statement; -loyalty

*EG "Name the company from whom you would prefer to buy **product x** from"*

**Establish competitors' reaction
patterns**

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1.The laid-back competitor

- A competitor that does not react quickly or strongly to a rival's move

Reasons:-

- May have loyal customers
- May be milking the business
- May be slow in noticing the move
- May lack funds to react

NB: Rivals must try to assess the reasons for the laid back behavior.

2.The selective competitor

- A competitor reacts only to certain types of attacks
 - It might respond to price cuts but not advertising expenditure increases.
 - Knowing what the key competitor reacts to gives its rivals a clue as to the most feasible lines to attack

3.The tiger competitor

- A competitor that reacts swiftly and strongly to any assault on its terrain

- It is a signal that you should not attack because the defender will fight to finish.

4. The stochastic competitor

- It is a competitor that does not exhibit a predictable reaction pattern

Example:

- ***Many small businesses.***
- ***They compete on certain fronts when they can afford to wage a battle and hold back when competition is too costly.***

- It might or might not retaliate on a particular occasion.
- There is no way of predicting this decision on the basis of economic situation, history, e.t.c.

Designing the Competitive Intelligence System

STEPS

1. Set up the system

- Identify vital types of competitive information needed.
- Assign responsibility for management of the competitors' information to specific person.

2. Gather Data/ Information

- Continuous process.
- Use multifaceted approach to data gathering such as
 - ✓ sales force,
 - ✓ distributors,
 - ✓ suppliers,
 - ✓ trade association,
 - ✓ market research,
 - ✓ employee poaching, etc.

3. Evaluate & Analyze the data

➤ Organize the data logically.

➤ Interpret, make references

➤ Disseminating information & results

Designing Competitive Strategies and Execution

Designing Competitive Strategies and Execution

- Depends on the position of the company in the market.
- Common market position;
 - a) **Market leader Position**
 - b) **Market challenger Position**
 - c) **Market follower Position**
 - d) **Market nicher Position**

Market Leader Strategies

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a) Objective: To Expand total market

Go for

- ✓ New user
- ✓ New uses
- ✓ More usage

1. Position Defense execution

- Involves building superior brand power.
- Best form of defense , a good and effective offense (spending on R & D, innovation, distribution channel) increasing customers value.

Objective: Defend Market Share (Using)

2. Flank Defense

- Cover the major flanks never leave them exposed- eg distribution systems

- Keep cost down
- Maintain competitive prices
- Diversification – create other brands

3. Competitive Defense

- Attack before enemy
(competitor) starts its offense.

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4. Counter Offensive Defense

- Hitting back at the enemy where it hurts the most.

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5. Mobile Defense -

Broaden Market

- opening new battle fronts,
- market diversification.

6. Contraction Defense

- Concentrating on few strong markets/ segments

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Market Challenger Strategies

- Challengers occupy 2nd and 3rd of such lower ranks in the industry.
- They attack the leaders and other competitors in an aggressive bid to further market shares.

Objective & Opponents

Objective

-to gain market share

Opponents to attack:

- market leader
- firms of its own size
- smaller local firms

Possible Attack Strategies by the challenger

a) Frontal attack

How?

- The attacker matches its opponents marketing strategies

Note

- The side with greater manpower / resources wins

b. Flank attack

How?

Direct attack along two dimensions-

1. geographical, segmental, or identify gaps in the market.
2. Enemy's weak spots

c. Encirclement attack

How?

- launch a grand offensive on several fronts

Note

- The challenger must command superior resources

d. Bypass attack

- ...means bypassing the enemy and attacking easier markets to broaden one's resource base

Such as

- diversifying into unrelated products,
- Entering into new geographical markets and
- leapfrog into new technologies to supplement existing products

e. Guerrilla attack

Involves

- waging small, intermittent attacks to harass and demoralize the opponent and eventually secure permanent footholds

Guerrilla challenger use

- conventional and unconventional means of attack

Examples :selective price cuts, intense promotions,

- #####

Market Challenger some areas of focus

Challengers Specific Strategies

- a) Price discounts
- b) Lower price goods
- c) Prestige goods
- d) Product proliferation
- e) Product innovation
- f) Improved services
- g) Distribution innovations
- h) Cost reduction
- i) Intensive advertising promotion.

Market Follower Strategies

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- ...many entities would rather not “stir the waters” and provoke retaliation from the market leaders.
- They are content to play second fiddle and maintain their current market shares.

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However, to survive these followers employ some of these strategies:

- a) They counterfeit the leaders products
- b) They imitate or copy the leaders, but differentiate in pricing, packaging & advertising
- c) Adopt and improve on the leaders products; e.g. Japanese car industry adapted the American big cars and improved on their fuel efficiency and aesthetic.

Market Nicher Strategy

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- These are leaders in smaller, differentiated market segments.
- The nicher focuses attention on target customers
- Tries to understand, and meets its customers needs better than larger firms.

END

APPLICATION

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Competitor Analysis-Application

Listed below are several company strengths noted by top management of a seed marketing company like Kenya Seed Company after conducting an internal audit:

1. Innovative product features
2. Broad distribution network in all market it serves
3. Lower cost per unit
4. Lower prices in the market
5. Broad product line
6. Strong sales team

How could each of these business strengths be translated into customer benefits that would give Keya Seed Company a competitive Advantage? Give your Recommendations.