

Creating Competitive Advantage

Chapter 17

Learning Goals

- 1. Learn how to understand competitors as well as customers via competitor analysis.**
- 2. Understand the fundamentals of competitive marketing strategies based on creating value for customers.**
- 3. Realize the need for balancing customer and competitor organizations in order to become a truly market-centered organization.**

Case Study

Washington Mutual

- Rated highly in Fortune Magazine's most admired companies
 - Nation's 7th largest financial institution
 - Focus is on operational excellence and offering convenience and low prices
- Branches or retail stores provide high-tech customer convenience
 - Looks to cross sell products and build full customer relationships
 - Exuberant corporate culture for employees
 - Could be considered the Wal-Mart of banking

Definition

Competitive Advantage

- **An advantage over competitors gained by offering consumers greater value and satisfaction than competitors offer.**

Definition

Competitive Analysis

- **The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and selecting which competitors to attack or avoid.**

Competitor Analysis

Steps in the Process:

Identifying Competitors

Assessing Competitors

Selecting Competitors to Attack or Avoid

- Firms face a wide range of competition
- Be careful to avoid “competitor myopia”
- Methods of identifying competitors:
 - Industry point-of-view
 - Market point-of-view
 - Competitor maps can help

Competitor Analysis

Steps in the Process:

Identifying Competitors

Assessing Competitors

Selecting Competitors to Attack or Avoid

- **Determining competitors' objectives**
- **Identifying competitors' strategies**
 - **Strategic groups**
- **Assessing competitors' strengths and weaknesses**
 - **Benchmarking**
- **Estimating competitors' reactions**

Competitor Analysis

Steps in the Process:

Identifying

Competitors

Assessing Competitors

*Selecting Competitors
to Attack or Avoid*

- **Strong or weak competitors**
 - **Customer value analysis**
- **Close or distant competitors**
 - **Most companies compete against close competitors**
- **"Good" or "Bad" competitors**
 - **The existence of competitors offers several strategic benefits**

Competitor Analysis

Designing Competitive Intelligence Systems

- **A Well-Designed CI System:**
 - **Identifies types and sources of competitive information**
 - **Continuously collects information**
 - **Checks reliability and validity of information**
 - **Interprets and organizes information**
 - **Distributes information to decision makers and responds to queries**

Competitive Strategies

Approaches to Marketing Strategy

- **No single strategy is best for all companies**
- **Marketing strategy and practice often passes through three stages:**
 - **Entrepreneurial marketing**
 - **Formulated marketing**
 - **Intreprenurial marketing**

Competitive Strategies

Porter's Basic Competitive Strategies

- **Overall cost leadership**
 - Lowest production and distribution costs
- **Differentiation**
 - Creating a highly differentiated product line and marketing program
- **Focus**
 - Effort is focused on serving a few market segments

Competitive Strategies

Treacy and Wiersema's Basic Competitive Strategies: Value Disciplines

- **Operational excellence**
 - Superior value via price and convenience
- **Customer intimacy**
 - Superior value by means of building strong relationships with buyers and satisfying needs
- **Product leadership**
 - Superior value via product innovation

Competitive Strategy

Competitive Positions

Market Leader

Market Challenger

Market Follower

Market Nicher

Expanding the total demand

- Finding new users
- Discovering and promoting new product uses
- Encouraging greater product usage

Protecting market share

- Prevent or fix weaknesses
- Fulfill value promise
- Keep prices consistent with value
- Build relationships
- Continuous innovation

Expanding market share

- Profitability rises with market share

Competitive Strategy

Competitive Positions

Market Leader

Market Challenger

Market Follower

Market Nicher

- **Challenge the market leader**
 - High-risk but high-gain
 - Sustainable competitive advantage over the leader is key to success
- **Challenge firms of the same size or smaller regional and local firms**
- **Full frontal vs. indirect attacks**

Competitive Strategy

Competitive Positions

Market Leader

Market Challenger

Market Follower

Market Nicher

Follow the market leader

- Many advantages:
 - Learn from the market leader's experience
 - Copy or improve on the leader's offerings
 - Strong profitability
- Does not mean being a carbon copy of the leader

Competitive Strategy

Competitive Positions

Market Leader

Market Challenger

Market Follower

Market Nicher

- **Serving market niches means targeting subsegments**
- **Good strategy for small firms with limited resources**
- **Earns high margins rather than high volume**
- **Specialization is key**
 - **Customer size, geographic, quality-price, service**

Balancing Customer and Competitor Orientations

Companies can become so competitor centered that they lose their customer focus.

Types of companies:

- **Competitor-centered companies**
- **Customer-centered companies**
- **Market-centered companies**