



Chapter Three

Competitor Analysis

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Competitor Identification

Customer-Based Approaches

- Customer choices – What brand would you buy if your favorite was unavailable?
- Application associations – What applications?
What brands for each application?
- What product substitutes?

Competitor Identification

Strategic Groups

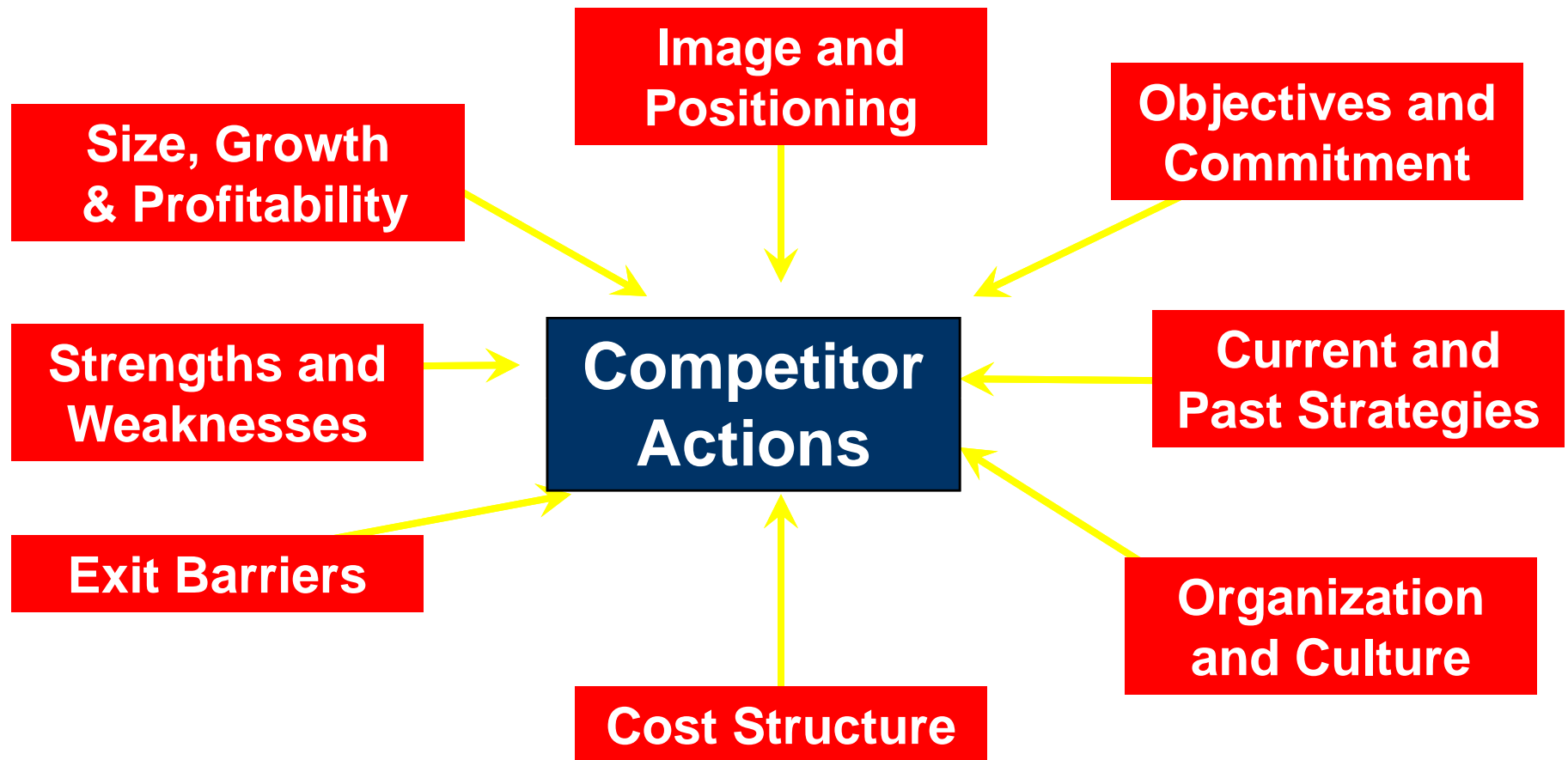
- Pursue similar competitive strategies
- Have similar characteristics
- Have similar assets and competencies

Competitor Analysis

Potential Competitors

- Market expansion
- Product expansion
- Backward integration
- Forward integration
- Export assets or competencies
- Retaliatory or defensive strategies

Understanding the Competitors



Identify Assets and Competencies

1) What businesses have been successful over time?

What assets or competencies contributed to their success?

What businesses have had chronically low performance?

Why?

What assets or competencies do they lack?

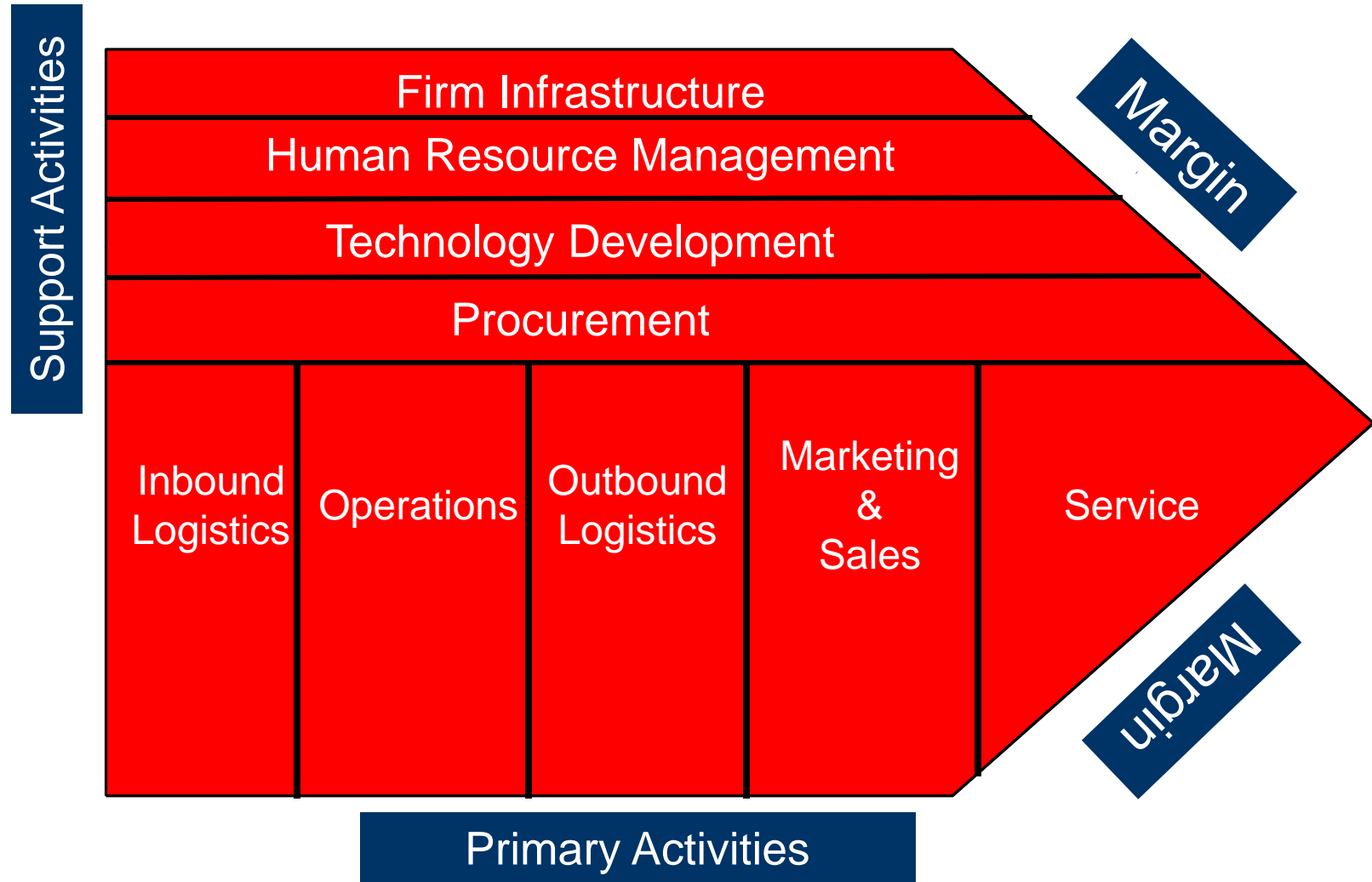
Relevant Assets and Competencies

- 2) What are the key customer motivations?
What is really important to the customer?
- 3) What are the large mobility barriers (both entry and exit)?

Relevant Assets and Competencies

- 4) Consider the components of the value chain.
Do any provide the potential to generate a competitive advantage?

The Value Chain



Key Learnings

- Competitors can be identified by customer choice (the set from which customers select) or by clustering them into strategic groups, (firms that pursue similar strategies and have similar assets, competencies, and other characteristics). In either case, competitors will vary in terms of how intensely they compete.
- Competitors should be analyzed along several dimensions, including their size, growth and profitability, image, objectives, business strategies, organizational culture, cost structure, exit barriers, and strengths and weaknesses.
- Potential strengths and weaknesses can be identified by considering the characteristics of successful and unsuccessful businesses, key customer motivations, and value-added components.
- The competitive strength grid, which arrays competitors or strategic groups on each of the relevant assets and competencies, provides a compact summary of key strategic information.

Ancillary Slides

“Induce your competitors not to invest in those products, markets and services where you expect to invest the most... that is the fundamental role of strategy.”

**- *Bruce Henderson*
*Founder of BCG***

**“There is nothing more
exhilarating than to be shot at
without result.”**

- *Winston Churchill*

“The best and fastest way to learn a sport is to watch and imitate a champion.”

**- *Jean-Claude Killy,
Skier***

“There is one rule for industrialists and that is: Make the best quality of goods possible at the lowest cost possible, paying the highest wages possible.”

- *Henry Ford*

“We often give our enemies the means for our own destruction.”

- Aesop

“In business, the competition will bite you if you keep running, if you stand still, they will swallow you.”

- *William Knudsen*