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TOPIC: Competitor Analysis and Strategy Execution

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INTRODUCTION

Building strong brands, **devising** and **implementing** best brand positioning strategies requires:

- Keen understanding of competitors

NB:

Markets have also become too competitive to focus on the consumer alone.

This section examines

- 1) the role competition plays and
- 2) how marketers can manage their brands depending on their market position

- Competitor Analysis is another technique that you could use in your annual planning presentation to impress your boss.
- Competitor Analysis drafts
 - a clear picture of your company and
 - selected rivals' strengths and weaknesses among the marketing mix.
- It will also give you and your company management the opportunity to identify opportunities for growth and anticipate the resulting competitive actions.

Steps

- Step 1: Identify your close rivals
- Step 2: Identify each of your rivals' strengths and weaknesses among the marketing mix
- Step 3: Study the result and identify each one's barriers to gain more market shares
- Step 4: Come up with a solution for your firm and anticipate what the rivals will react
- Finally, here is an example of how a Competitor Analysis looks like for Quick Seed Co

	MY COMPANY(Quick Seed Co)	ABC COMPETITOR'S Strengths (+) and Weaknesses (-)	XYZ COMPETITOR'S Strengths (+) and Weaknesses (-)
TARGET MARKET(S)	<ul style="list-style-type: none"> • High Altitude • Medium Altitude • Low Altitude 	<ul style="list-style-type: none"> • Same as My Company but focus specifically on high altitude 	<ul style="list-style-type: none"> • Same as My Company but also other price-sensitive segments
PRODUCT	<ul style="list-style-type: none"> ▪ Strong brand name (+), ▪ high quality products (+) ▪ good after sales services (+) 	<ul style="list-style-type: none"> • Strong brand name (+). • Long delivery cycle (-). • No after sales services (-) 	<ul style="list-style-type: none"> • Comparatively low quality products (-).
PLACE	<ul style="list-style-type: none"> • Plenty of NGOs, government' Agro-dealers and direct sales across the country (+). • No access to other major resellers in town (-) 	<ul style="list-style-type: none"> • Sell through Agro-dealers retailers in town (+). • Direct sales (+) 	<ul style="list-style-type: none"> • Excellent online purchasing channel (+). • Work closely with over 80% of the major department stores and Agro-dealers in town (+).
PROMOTION	<ul style="list-style-type: none"> • Strong sales force (+). • Weak Marketing department (-) 	<ul style="list-style-type: none"> • Rely on local Agro-dealers for advertising and promotions (-). • No local sales force in territories(-) 	<ul style="list-style-type: none"> • Highest Marketing budget (+). • Worked out deals with department stores to do joint promotions (+)
PRICE	<ul style="list-style-type: none"> • Highest price in town (-) 	<ul style="list-style-type: none"> • High price for individual purchase (-) but relatively cheap for volume purchase (+) 	<ul style="list-style-type: none"> • Best price in town (+). • Bundle pricing also available (+)
POTENTIAL COMPETITIVE BARRIERS	<ul style="list-style-type: none"> • Inability to decrease cost (-) and gain access to other sales channels (-). • Best quality (+) and sales force (+) 	<ul style="list-style-type: none"> • Can only rely on corresponding Agro-dealers to act (-). • Strong presence in the segment. 	<ul style="list-style-type: none"> • Economic of scales and low price (+). • Inability to sell if price is not a factor (-)
LIKELY RESPONSE(S)	<ul style="list-style-type: none"> • Establish relationship with other stores in town and hire sales representatives. 	<ul style="list-style-type: none"> • Work more closely with Agro-dealers and • give them more incentives to promote the products. 	<ul style="list-style-type: none"> • Do more promotions • launch high quality product lines. • If My Company tries to get into the department store channel, cut price and give incentive to department stores.

Detailed Aspects to

Understand for the above

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table to be developed

QUESTIONS TO ADDRESS IN THIS Task:

- 1) How do marketers **identify** primary competitors?
- 2) How should we analyze competitors' -----
strategies,
-objectives,
-strengths and
-weaknesses?
- 1) How can the **market leaders**
-expand the total market and
-defend market share?
- 1) How should **market challengers** attack market leaders?
- 2) How can **market followers** or nichers compete effectively?

WHAT TO DO

1. **Identify** Competitors
2. **Analyze** competitors
3. Design the **competitive intelligence system**
4. Design **competitive strategy**
5. Balance customer and competitor orientation

TASK:1.Competitors Identification

- The silent commandment

“know thy enemies and outwit them”.

Kenya seed Co is major competitor in kenyan market with almost 80% of market share .

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Types of Competitors

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**Potential
Competitors**

**Existing
competitors**

Levels of competition

- Brand competition
- Industry competition
- Form competition
- Generic competition

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Brand competition

- A firm sees its competitors as other companies offering **similar products** to the same **customers** **at similar prices**.

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Industry competition

- A company sees its competitors as all companies making the **same products or class of products.**

Form Competition

- A company sees its competitors as all companies manufacturing/selling products

that **supply the same service.**

Generic Competition

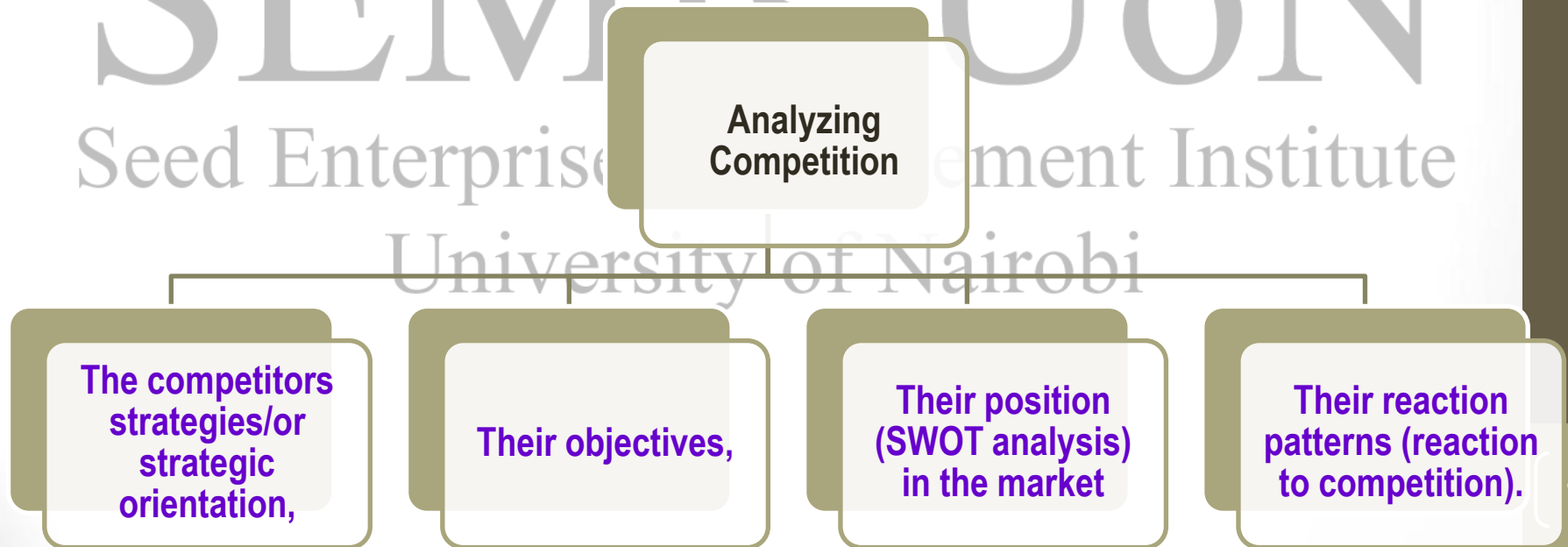
- A company sees its competitors as all companies that ***compete for the same customer's money***

Examples:

- **MTN**
- **Cocacola**
- **Nokia**
- **Kcb Bank**
- **University of Nairobi, etc**

TASK:2. Analyzing Competition

- *After identifying the competitors the company must ascertain...*



a). Strategic Orientation

- A group of companies following the same strategy in a given target market is called a **strategic Group**
- 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

b).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

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

Importance/ 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, etc

- A company should also monitor its competitors expansion plan

Competitors Position in the Market

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

c).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
- Hearsay
- Conducting primary marketing research with customers, suppliers and dealers.

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 responding to the statement;

"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;

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

d).Estimating competitors' reaction patterns

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 down behavior.

2.The selective competitor

- A competitor reacts only to certain types of attacks and not others

• 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 another firm had better 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

Examples are many small businesses. They compete on certain fronts when they can afford to wage a battle and holding 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.
- @@@

TASK:3. Designing the Competitive Intelligence System

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How do you know them?

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. Data information gathering

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

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Designing the competitive intelligence system cont.

3. Evaluating & Analyzing the data

- Organize the data logically.
- Interpret, make references
- Disseminating information & results

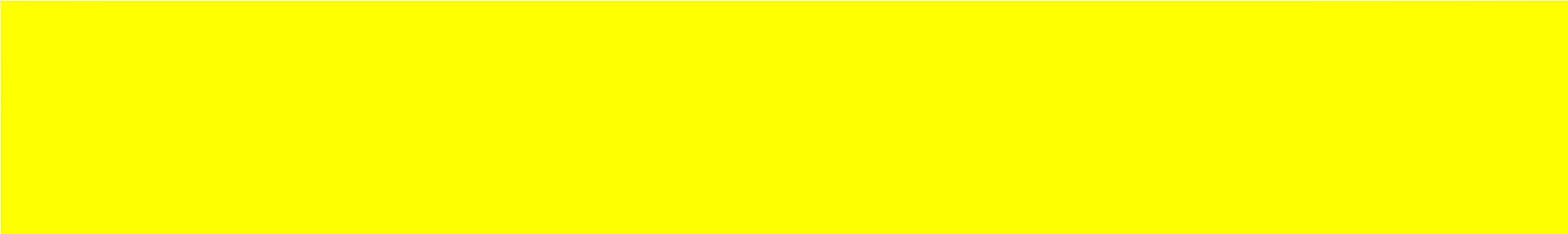
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**TASK:4. Designing your company Competitive
Strategies (or) Likely
Strategic Responses**

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How Do you go about it?

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- 
- Depends on the position of the entity in the market.

i. Market leaders

ii. Market challenger

iii. Market follower

iv. Market nichers

1. Market Leader Strategies

a) Objective One- To Expand total market

■ New user

1. Position Defense strategy

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

b. Objective Two-Defending Market Share

2. Flank Defense strategy

- Cover the major flanks never leave them exposed

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

3.Competitive Defense strategy

- Attack before enemy (competitor) starts its offense.

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4. Counter Offensive Defense strategy

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

5. Mobile Defense strategy

How?

- Market broadening,
- opening new battle fronts,
- market diversification.

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6. Contraction Defense strategy

- Concentrating on few strong markets.

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2. Market Challenger Strategies

Challengers occupy 2nd and 3rd of such lower ranks in the industry

Objective & Opponents

1. Attack market leader – to gain market share, target weak point
2. Attack firms of its own size- to gain market share
3. Attack smaller local firms- to gain market share

Attack Strategies for challengers

a) Frontal attack strategy

- The attacker matches its opponents marketing strategies
- The side with greater manpower / resources wins

b. Flank attack strategy

- Can be directed along two dimensions— geographical, segmental, identify gaps in market.
- Enemy's weak spots are natural targeted

c. Encirclement attack strategy

- Involves launching a grand offensive on several fronts
- The challenger must command superior resources

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d. Bypass attack strategy

- ...Means bypassing the enemy and attacking easier markets to broaden one's resource base
- Such as diversifying into new geographical markets and leapfrogging into new technologies to supplement existing products

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e. Guerrilla attack strategy

- 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, occasional legal actions

Market Challenger Strategies Cont.

- They attack the leaders and other competitors in an aggressive bid to further market shares.

Challengers Specific Strategies

- i. Price discounts
- ii. Lower price goods
- iii. Prestige goods
- iv. Product proliferation
- v. Product innovation
- vi. Improved services
- vii. Distribution innovations
- viii. Cost reduction
- ix. Intensive advertising promotion.

3. Market Follower Strategies

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- Many entities would rather not “stir the waters” and provoke retaliation from the market leaders.
- They are contented to play second fiddle and maintain their current market shares.
- However, to survive these followers employ some of these strategies:
 - i. They counterfeit the leaders products
 - ii. They imitate or copy the leaders, but differentiate in pricing, packaging & advertising
 - iii. Adopt and improve on the leaders products.

4. Market Nicher

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

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TASK: 5-Balancing customer and competition orientation

Customer orientation

- The entity focuses more on customers in formulating its strategies.
- **It monitors the customers' need through market research to determine which customers groups and emerging needs are the most important to serve**
- The customer and their needs take the center stage in strategic alignment.
- Does not ignore competition and their doings in the market, but is not obsessed with them.
- Customer orientation is inclined towards **relationship marketing**.
- Appreciating the customer knowing that your best customer is also your competitors best potential or current customer.
- Ensuring that you mission towards customer is about winning, keeping and developing them, and not just about winning them over.
- Knowing that customers are different. They are not homogeneous and people are more sensitive than products.

Competitor Orientation

- This is fighter/warrior orientation.
- The entity views the market as a battle field and devises strategies to deal with the adversaries.
- Marketers are kept on high alert always watching the competitors to exploit their weaknesses, and hide its own weaknesses
- This form of orientation is too reactive.
- The entity's moves are dictated by the competition rather than the customers needs and want that it should seek to satisfy.
- Like other battles, no one truly knows when, and how they will end.

The Balance

- Marketers should focus their efforts on the customers' need and wants, but like a good soccer team should always seek to know what is happening in the opponents' camp and how to exploit gaps or defend attacks.

(END)

THANK YOU

QUESTIONS

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COMMENTS

DISCUSSIONS