

P R I N C I P L E S O F
Marketing

Chapter Eighteen

Creating Competitive Advantage



Creating Competitive Advantage

Topic Outline

- Competitor Analysis
- Competitive Strategies
- Balancing Customer and Competitor Orientations



Creating Competitive Advantage

- Competitive advantages require delivering more value and satisfaction to target consumers than competitors do
- Competitive marketing strategies are how companies analyze their competitors and develop value-based strategies for profitable customer relationships



Competitor Analysis

- Competitor analysis is the process of identifying, assessing, and selecting key competitors



Competitor Analysis

Identifying Competitors

Competitors can include:

- All firms making the same product or class of products
- All firms making products that supply the same service
- All firms competing for the same consumer dollars



Competitor Analysis

Assessing Competitors

Competitor's objectives

- Profitability
- Market share growth
- Cash flow
- Technological leadership
- Service leadership

Competitor's strategies

- Strategic group offers the strongest competition



Competitor Analysis

Assessing Competitors

Competitor's strengths and weaknesses

- What can our competitors do?
- Benchmarking

Estimating competitor's reactions

- What will our competitors do?



Competitor Analysis

Selecting Competitors to Attack and Avoid

Customer value analysis determines the benefits that target customers' value and how customers rate the relative value of various competitors' offers.

- Identification of major attributes that customers value and the importance of these values
- Assessment of the company's and competitors' performance on the valued attributes



Competitor Analysis

Selecting Competitors to Attack and Avoid

- **Strong or weak competitors**
- **Close or distant competitors**
- **Good or bad competitors**



Competitor Analysis

Selecting Competitors to Attack and Avoid

- Finding uncontested market spaces called blue ocean strategy
- No direct competitors



Competitor Analysis

Designing a Competitive Intelligence System

- Identifies competitive information and the best sources of this information
- Continually collects information
- Checks information for validity and reliability
- Interprets information
- Organizes information
- Sends key information to relevant decision makers
- Responds to inquiries about competitors



Competitive Strategies

Approaches to Marketing Strategy

Stages of approaches to marketing strategy include:

- Entrepreneurial marketing
- Formulated marketing
- Intreprenurial marketing



Competitive Strategies

Approaches to Marketing Strategy

Entrepreneurial marketing involves visualizing an opportunity and constructing and implementing flexible strategies

Formulated marketing involves developing formal marketing strategies and following them closely

Intreneurial marketing involves the attempt to reestablish an internal entrepreneurial spirit and refresh marketing strategies and approaches



Competitive Strategies

Basic Competitive Strategies

Michael Porter's four basic competitive positioning strategies

Overall cost leadership

Differentiation

Focus

Middle of the road



Competitive Strategies

Basic Competitive Strategies

Overall cost leadership strategy is when a company achieves the lowest production and distribution costs and allows it to lower its prices and gain market share



Competitive Strategies

Basic Competitive Strategies

Differentiation strategy is when a company concentrates on creating a highly differentiated product line and marketing program so it comes across as an industry class leader

Focus strategy is when a company focuses its effort on serving few market segments well rather than going after the whole market



Competitive Strategies

Basic Competitive Strategies

Porter believed that a company that pursued a clear strategy would achieve superior performance and that companies without a clear strategy would not succeed

Porter considered no clear strategy to be **“middle of the road”**



Competitive Strategies

Basic Competitive Strategies

Michael Treacy and Fred Wiersema suggest companies can gain leadership positions by delivering superior value to their customers in three strategies or “value disciplines:”

- Operational excellence
- Customer intimacy
- Product leadership



Competitive Strategies

Basic Competitive Strategies

Operational excellence refers to a company providing value by leading its industry in price and convenience by reducing costs and creating a lean and efficient value delivery system



Competitive Strategies

Basic Competitive Strategies

Customer intimacy refers to a company providing superior value by segmenting markets and tailoring products or services to match the needs of the targeted customers



Competitive Strategies

Basic Competitive Strategies

Product leadership refers to a company providing superior value by offering a continuous stream of leading-edge products or services. Product leaders are open to new ideas and solutions and bring them quickly to the market.



Competitive Strategies

Competitive Positions

Market
leader
strategies

Market
challenger
strategies

Market
follower
strategies

Market
niche
strategies



Competitive Strategies

Competitive Positions

Market leader is the firm with the largest market share and leads the market price changes, product innovations, distribution coverage, and promotion spending

Market challengers are firms fighting to increase market share

Market followers are firms that want to hold onto their market share

Market nichers are firms that serve small market segments not being pursued by other firms



Competitive Strategies

Market Leader Strategies

- Expand total demand
- Protect their current market
- Expand market share



Competitive Strategies

Market Leader Strategies Expanding Total Demand

Expand total demand by developing:

- New users
- New uses
- More usage of its products



Competitive Strategies

Market Leader Strategies

Protecting Market Share

Protect current market by:

- Fixing or preventing weaknesses that provide opportunities to competitors
- Maintain consistent prices that provide value
- Keep strong customer relationships
- Continuous innovation



Competitive Strategies

Market Leader Strategies

Expanding Market Share

Expand market share by:

- Increasing profitability with increasing market share in served markets
- Producing high-quality products
- Creating good service experiences
- Building close relationships



Competitive Strategies

Market Challenger Strategies

Challenge the leader with an aggressive bid for more market share

Play along with competitors and not rock the boat



Competitive Strategies

Market Follower Strategies

Second mover advantage occurs when a market follower observes what has made the leader successful and improves on it

Challenges firms its own size or smaller



Competitive Strategies

Market Nicher Strategies

Ideal market niche is big enough to be profitable with high growth potential and has little interest from competitors

Key to market niching is specialization

- Market
- Customer
- Product
- Marketing mix



Balancing Customer and Competitor Orientations

Companies need to continuously adapt strategies to changes in the competitive environment

- Competitor-centered company
- Customer-centered company
- Market-centered company



Balancing Customer and Competitor Orientations

Competitor-centered company spends most of its time tracking competitor's moves and market shares and trying to find ways to counter them

- Advantage is that the company is a fighter
- Disadvantage is that the company is reactive



Balancing Customer and Competitor Orientations

Customer-centered company spends most of its time focusing on customer developments in designing strategies

Provides a better position than competitor-centered company to identify opportunities and build customer relationships



Balancing Customer and Competitor Orientations

Market-centered company spends most of its time focusing on both competitor and customer developments in designing strategies

