



Marketing Analysis and Market Planning

Handout 1

Competitor Information To Obtain And Analyse

COMPETITOR INFORMATION TO OBTAIN AND ANALYSE

For each competitor in their strategic group an organisation needs, as far as possible, to establish the following:

Competitors' objectives

Competitors objectives can be identified by analysing three important factors. They are as follows:

- 1) Whether the competitors' current performance is likely to be fulfilling their objectives. If not, the competitor may initiate a change of strategy.
- 2) How likely the competitor is to commit further investment to the business. Financial objectives may indicate this. Investment is more likely from companies that have objectives, which are long term in nature, such as market share and sales growth, rather than organisations under pressure to produce short-term profitability. This also reveals potential trade-offs the competitor may be willing to take. If short-term profitability is the key objective then the rival is likely to be willing to lose market share in the short term in order to achieve its profitability targets.
- 3) The likely future direction of the competitor's strategy. The organisation may have non-financial objectives, such as gaining technology leadership.

Competitor's current and past strategies

There are three areas that should be explored in order to establish a competitor's current activities. They are as follows:

- 1) Identification of the current markets, or market segments, within which the competitor currently operates. This will indicate the scope of the business.
- 2) Identification of the way the competitor has chosen to compete in those markets. Is it based on quality of service, brand image or on price? This may be an indication of whether a low cost or differentiation strategy is being pursued.
- 3) Comparison between the current strategy and past strategies can be instructive. Firstly, it can illustrate the direction the competitor is moving, in terms of product and market development, over time. It can also highlight strategies that the organisation has tried in the past and have failed. The competitor is unlikely to attempt these approaches again without considerable reservations.

Competitor's capabilities

An analysis of a competitor's assets and competencies allow a judgement to be made about how well equipped they are to address the market, given the dynamics in the industry and the trends in the external environment. In order to evaluate a competitor's potential challenge to an organisation a number of areas need to be examined (Lehman and Weiner, 1991).

Management capabilities

The background and previous approaches of leading managers in a competitor company can give clues as to their likely future strategy. The level of centralisation or de-centralisation of management decisions will also affect decision making. Recruitment and promotion policies, along with the remuneration and rewards scheme, all give an indication as to the culture and style of the management team.

Marketing capabilities: An analysis of the competitor's actions, with the marketing mix, uncovers the areas where their marketing skills are high and also areas of vulnerability. There are a number of questions that can be asked: How good is the competitor's product line? Do they have a strong brand image? Is their advertising effective? How good are their distribution channels? How strong is their relationship with customers?

Innovation capabilities

Evaluating a competitor's ability to innovate allows an organisation to judge how likely the rival is to introduce new products and services or even new technology. Assessing the quality of a competitor's technical staff, its technical facilities and their level of investment in research and development will all help indicate their likely potential in this area.

Production capabilities

The configuration of a competitor's production infrastructure can highlight areas that may place them at an advantage or conversely point out areas that are problematic to a competitor. Such factors could be geographic spread of plant, level of vertical integration or level of capacity utilisation.

Financial capabilities

The ability to finance developments is a critical area. Competitors that have strong cash flows, or are a division of a major group, may have the ability to finance investment not available to other competitors.

Competitors' future strategies and reactions

One of the aims of the competitor analysis so far has been to gather information on rivals to establish their likely future strategy. Equally important is to evaluate competitor's likely reactions to any strategic moves the organisation might instigate. The reactions of organisations can be categorised into four types of response (Kotler et al., 1996):

Certain retaliation

The competitor is guaranteed to react in an aggressive manner to any challenge. Market leaders, in particular, are likely to react in this manner against any threat to their dominant position. Companies that have an aggressive culture may also fall into this category.

Failure to react

Competitors can be lulled into a false sense of security in an industry that, over a long period of time, has seen very little change. In this situation companies can be extremely slow to react to a competitive move. The classic example is British motorcycle companies failing to react to the entry of Japanese manufacturers into the lower end of the market.

Specific reactions

Some competitors may react, but only to competitive moves in certain areas. For instance, they may always react to any price reductions, or sales promotions, as they believe these will have an important impact on their business. But they may fail to respond to a competitor's increase in advertising expenditure. The more visible the competitor's move the more likely a competitor is to respond. Actions that are less visible such as support material for the sales force or dealerships are less likely to face a response.

Inconsistent reactions

These companies' reactions are simply not predictable. They react aggressively on occasion but at other times ignore similar competitive challenges.