Chapter 7

Competitive Positioning
Ch7. Competitive Positioning

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- Strengths & Advantages
- Weaknesses & Limitations
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Short Description

• Analyze a position relative to one’s own in order to:
  – Preserve an advantage
  – Attempt an improvement
  – Withdraw from a market
• Looks at:
  – Market share, client perceptions, current marketing strategies, prices and costs, and competitors’ positions.
## Background

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<th>Description</th>
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| 1950’s-60’s | • ‘Corporate planning’ approach by firms founded on steady expansion in a stable financial environment.  
• Marketing tells about product benefits in comparison with competition. |
| Late 60’s-70’s | • Corporate planning shifts to strategic planning and management to as competition increases and market is more volatile.  
• Marketing attempts to change perception of product in the mind of the customer by creating unique position. |
| 1980’s- now | • Competitive positioning continues to evolve to provides information with importance to the development of a strategic plan by giving a firm an overview of its industry and enabling it to appraise its own competitive position. |
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Strategic Rationale & Implications

- Analysis should reveal firms’ position within an industry.
- Overview of industry as a whole.
- A variety of tools and models can assist, including:
  - Porter’s Five Forces Industry Analysis
  - Nine Forces Industry Analysis
  - BCG Matrix
  - McKinsey Matrix
  - Perceptual Maps
• **Strategic Rationale & Implications**

4 Directions for any Strategy

- **Develop firms’ position**
  - Expand niche
  - Minor to dominant
  - Joint to sole dominance

- **Defend dominant position**
  - Price cutting strategy
  - New product strategy
  - Other strategies

- **Maintain strong position**
  - Preserve market share in mature market

- **Withdraw from market**
  - Market decline or obsolescence
  - Unsuccessful expansion
Strengths and Advantages

• Improves decision making
• Provides information for firms of all sizes, stages, and positions on:
  - Gaps in marketplace
  - Viability of products or markets
  - Competition in new markets
  - Attracting investment and creating alliances
Weaknesses and Limitations

- Care must be taken in defining industries and markets.
- Competitor information is not always available.
- Competitor and new product information is not always accurate.
- Results may be limited by internal biases.
- Third party analysts may be misled by incomplete information.
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Process for Applying the Technique

Can be defined as a broad 3-step process:

1. Identify focus of your firm's current strategy and analysis parameters such as market or products to be assessed.

2. Conduct analysis with the following:
   - Market segmentation
   - Industry Analysis
   - Market Research

3. Derive insights from the above analysis and formulate positioning strategy for your firm.
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Process for Applying the Technique

• Step 1: Assess current strategy and market, product, project, parameters.
  - What is the scope of this project?
  - What do you plan to do with this information?
  - Will research be done in house, or by a third party?
### Process for Applying the Technique

- **Product Market Matrix**

<table>
<thead>
<tr>
<th>Markets</th>
<th>Products</th>
<th>Current</th>
<th>Potential</th>
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<td>Current</td>
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*SOURCE: Royce and Morse (1983), Competitive Analysis, SRI International.*
Process for Applying the Technique

• Step 2: Conduct Analysis
  – Market Segmentation:
    • Identifiable and measurable
    • Accessible by communication/distribution channels
    • Have unique needs
    • Be stable over time
  – Segments may be made up of individual or industry consumers.
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Process for Applying the Technique

- Step 2: Conduct Analysis: Market Segmentation

![Diagram of Market Segmentation]

- Individual
  - Geography
  - Demographics
  - Psychographics
  - Behavior

- Industry
  - Geography
  - Client Type
  - Client Behavior
Process for Applying the Technique

• Step 2: Conduct Analysis: Industry
  - SWOT Analysis
  - Porter’s Five Forces Model
  - Other tools

• Step 2: Conduct Analysis: Market Research
  - Preferably conducted by third party.
  - Use surveys, telemarketing, face-to-face interviews.
### Process for Applying the Technique

- **Step 3: Formulate position strategy**
  - Use combination of perceptual maps, strengths and weaknesses of self and competitors on matrices, and refer back to information gathered in Steps 1&2.

### Strength/Weakness Evaluation Matrix: Sales Force Quality

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<thead>
<tr>
<th>Strength or Weakness</th>
<th>Relative Importance to Success</th>
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<tr>
<td>Much Better</td>
<td>0</td>
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<tr>
<td>Somewhat Better</td>
<td>2</td>
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<tr>
<td>Same</td>
<td>4</td>
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<td>Somewhat Worse</td>
<td>6</td>
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<tr>
<td>Much Worse</td>
<td>8</td>
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*SOURCE: Royce and Morse (1983), Competitive Analysis, SRI International*
• **Summary:**

Complete competitive positioning analysis will have:

- Outline of current and potential products/markets
  - Product/market matrix can be helpful.
- Identified competitive practices in the industry including
  - Costs, revenue and profits, opportunities, weaknesses to exploit and strengths to overcome or avoid.
- Factors contributing to client satisfaction with their current suppliers
  - Ability to understand value of purchases, availability & convenience of products, quality of service, loyalty, effort required to change suppliers.
Summary Continued:

- Undertake an overall appraisal of the competitive environment to identify any strategies or tactics, which may improve your firm’s competitive position and identified a set of strategies to take the firm where it wishes to go in an industry.
- Should have comprehensive view of the market.
- Any gaps or unmet needs should be apparent.
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- **FAROUT Summary**

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Related Tools and Techniques

- Industry Analysis
- SWOT Analysis
- Value Chain Analysis
- Competitor Analysis
- Financial Ratio and Statement Analysis
- Customer Segmentation Analysis
- BCG Growth/Share Portfolio Matrix
- GE Business Screen
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Related Tools and Techniques Cont’d

• Supply Chain Analysis
• Product Line Analysis
• Benchmarking
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For More About Competitive Positioning and 23 Other Useful Analysis Methods, see:

Fleisher, Craig S. and Babette E. Bensoussan

Business and Competitive Analysis: Effective Application of New and Classic Methods

Upper Saddle River, NJ
2007