

*it's good and  
good for you*

## Chapter Eighteen

### Creating Competitive Advantage



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## Creating Competitive Advantage

### Topic Outline

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



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## Today's Companies

- 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

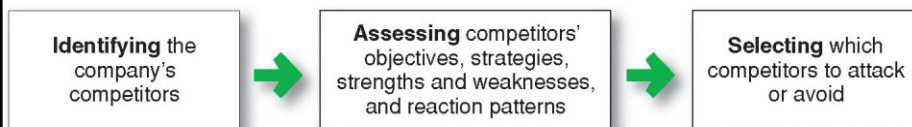


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## Competitor Analysis

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



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# 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



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# 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



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# Competitor Analysis

## Assessing Competitors

### Competitor's strengths and weaknesses

- What can our competitors do?
- Benchmarking

### Estimating competitor's reactions

- What will our competitors do?



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# 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



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# Competitor Analysis

## Selecting Competitors to Attack and Avoid

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



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# Competitor Analysis

## Selecting Competitors to Attack and Avoid

Finding uncontested market spaces



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## 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



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## 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

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



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# Competitive Strategies

## Basic Competitive Strategies

Michael Porter's four basic competitive positioning strategies

Overall cost leadership

Differentiation

Focus

Middle of the road



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# Competitive Strategies

## Basic Competitive Strategies

### Overall cost leadership strategy:

a company achieves the lowest production and distribution costs and allows it to lower its prices and gain market share



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# 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



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# Competitive Strategies

## Basic Competitive Strategies

A company that pursued a clear strategy would achieve superior performance

Companies without a clear strategy, **“middle of the road”**, would not succeed



No clear strategy is

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# 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



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# 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



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# 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



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# 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.



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# Competitive Strategies

## Competitive Positions

Market  
leader  
strategies

Market  
challenger  
strategies

Market  
follower  
strategies

Market  
niche  
strategies



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# 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



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# Competitive Strategies

## Competitive Positions

**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



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# Competitive Strategies

## Market Leader Strategies

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



The screenshot shows the Campbell's Kitchen website interface. At the top, there's a navigation bar with links like 'Welcome', 'Campbell's Kitchen', 'Nutrition & Wellness', 'Labels for Education', 'Our Company', and 'Visit our Product Websites'. Below this is a search bar with the text 'I need a recipe for...' and a 'GO' button. A sidebar on the left contains various menu items such as 'Kitchen Home', 'Open Your Recipe Box', 'Browse Our Meal Ideas', 'Thrifty Tips', 'Culinary Classics', 'Delicious Desserts', 'Easy Skillet Dishes', 'Campbell's Kitchen T.V.', 'Campbell's Kitchen Classics', 'Recipe Exchange', 'Share Ideas & Tips', 'Receive Recipe Emails', 'Visit Our Specialty Cooking Collections', and 'Shop'. The main content area is titled 'Campbell's Kitchen T.V.' and displays a list of recipes. The first recipe is 'Apricot Glazed Pork Roast' with a 4-star rating, categorized as a 'Main dish', and a prep/cook time of 5 min / 3 hrs. The second is 'Beef Stew' with a 4-star rating, also a 'Main dish', with a prep/cook time of 10 min / 2 hrs. The third is 'Campbell's Golden Mushroom Soup & Sides' with a 4-star rating, categorized as a 'Main dish', with a prep/cook time of 10 min / 3 hrs. A vertical 'meal ideas' banner is visible on the left side of the recipe list.

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## Competitive Strategies

### Market Leader Strategies Expanding Total Demand

Expand total demand by developing:

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



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## 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



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## 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



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## Competitive Strategies

### Market Challenger Strategies

Challenge the leader with  
an aggressive bid for  
more market share

**Second mover advantage**  
challenger observes  
what has made the  
leader successful and  
improves on it



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## Competitive Strategies

### Market Follower Strategies

Play along with competitors and not rock the boat

Copy or improve on leader's products and programs with less investment

Brings distinctive advantages

Must keep costs and prices low or quality and services high



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## 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



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## 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



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## 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



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## 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



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## Balancing Customer and Competitor Orientations

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



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## Balancing Customer and Competitor Orientations

		Customer-centered	
		No	Yes
Competitor-centered	No	Product orientation	Customer orientation
	Yes	Competitor orientation	Market orientation



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