2. Competitive Analysis

2.1Concept of Competition

Competition in biology, ecology, and sociology, is a contest between organisms, animals, individuals, groups, etc., for territory, a niche, or a location of resources, for resources and goods, mates, for prestige, recognition, awards, or group or social status, for leadership. Competition is the opposite of cooperationIt arises whenever at least two parties strive for a goal which cannot be shared or which is desired individually but not in sharing and cooperation. Competition occurs naturally between living organisms which co-exist in the same environment. For example, animals compete over water supplies, food, mates, and other biological resources. Humans compete usually for food and mates, though when these needs are met deep rivalries often arise over the pursuit of wealth, prestige, and fame. Competition is also a major tenet in market economy and business is often associated with competition as most companies are in competition with at least one other firm over the same group of customers, and also competition inside a company is usually stimulated for meeting and reaching higher quality of services or products that the company produces or develop.

2.2 Types of Competition

Pure Competition

A purely competitive market is a theoretical state in which no single buyer or seller has influence over the products sold in the market. Any seller enters the market to sell any product, and buyers are free to purchase any product desired. A large number of producers and sellers operate in the purely competitive market, and the products sold by one producer are easily replaced by a similar product from another producer. Prices for goods would be established by the rate the majority of consumers are willing to pay, and producers would adjust productivity to match the going price.

Imperfect Competition

Imperfect competition describes a market where multiple firms offer variations of the same product or multiple products are offered, each with variations. A variation may be a difference in quality, durability, price or utility. Like pure competition, a large number of firms sell to consumers. No barriers to entry prevent a business from competing in the marketplace, however, businesses will be forced to exit the market if consumers will not purchase their products. A real example of imperfect competition is in the restaurant industry. A single cuisine may be served by more than a dozen restaurants, all differing in quality, quantity, price and cleanliness. Consumers are constricted only by personal preference and affordability in choosing a restaurant.

Oligopoly

Depending on the product, many industries tend towards oligopoly, where a limited number of companies compete for consumer purchases. The quality of the product from one business to another may be differentiated or the products may be identical. Industries that persist with oligopolistic competition tend to be those that have significant barriers to entry, such as commercial and military aircraft manufacturers. The barriers to entry in the aircraft industry are regulatory and financial. The cost for producing a single jet is prohibitively expensive for most manufactures and therefore not worth the competition, even if the competition is limited.

Monopoly

A monopoly lacks any competition either within the market or within a specific industry. Monopolies are defined by a single business, operating without competition in the market. The main barrier to entry into monopolistic markets is that one firm holds all of the market share and no market share is available for other businesses to succeed. A monopoly may be formed if a company owns all of one single resource, holds the patent for making a specific type of product or if the government has disallowed any other business from competing in the marketplace. Since the early 20th century, however, the U.S. government has outlawed the creation of monopolies.

2.3 Competitor Analysis

Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context to identify opportunities and threats. Profiling coalesces all of the relevant sources of competitor analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment.

Competitor analysis is an essential component of corporate strategy. It is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives." As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis.

2.3.1 Strategies

Competitor array

One common and useful technique is constructing a competitor array. The steps include:

- Define your industry - scope and nature of the industry
- Determine who your competitors are
- Determine who your customers are and what benefits they expect
- Determine what the key success factors are in your industry
- Rank the key success factors by giving each one a weighting - The sum of all the weightings must add up to one.
- Rate each competitor on each of the key success factors
- Multiply each cell in the matrix by the factor weighting.

2.3.2 Objectives

The strategic rationale of competitor profiling is powerfully simple. Superior knowledge of rivals offers a legitimate source of competitive advantage. The raw material of competitive advantage consists of offering superior customer value in the firm's chosen market. The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy. Profiling facilitates this strategic objective in three important ways. First, profiling can reveal strategic weaknesses in rivals that the firm may exploit. Second, the proactive stance of competitor profiling will allow the firm to anticipate the strategic response of their rivals to the firm's planned strategies, the strategies of other competing firms, and changes in the environment. Third, this proactive knowledge will give the firms strategic agility. Offensive strategy can be implemented more quickly in order to exploit opportunities and capitalize on strengths. Similarly, defensive strategy can be employed more deftly in order to counter the threat of rival firms from exploiting the firm's own weaknesses.

Clearly, those firms practicing systematic and advanced competitor profiling have a significant advantage. As such, a comprehensive profiling capability is rapidly becoming a core competence required for successful competition. An appropriate analogy is to consider this advantage as akin to having a good idea of the next move that your opponent in a chess match will make. By staying one move ahead, checkmate is one step closer. Indeed, as in chess, a good offense is the best defense in the game of business as well.

A common technique is to create detailed profiles on each of your major competitors. These profiles give an in-depth description of the competitor's background, finances, products, markets, facilities, personnel, and strategies. This involves:

Background

location of offices, plants, and online presences

history - key personalities, dates, events, and trends

ownership, corporate governance, and organizational structure

Financials

P-E ratios, dividend policy, and profitability

various financial ratios, liquidity, and cash flow

profit growth profile; method of growth (organic or acquisitive)

Products

products offered, depth and breadth of product line, and product portfolio balance

new products developed, new product success rate, and R&D strengths

brands, strength of brand portfolio, brand loyalty and brand awareness

patents and licenses

quality control conformance

reverse engineering

Marketing

- segments served, market shares, customer base, growth rate, and customer loyalty
- promotional mix, promotional budgets, advertising themes, ad agency used, sales force success rate, online promotional strategy
- distribution channels used (direct & indirect), exclusivity agreements, alliances, and geographical coverage
- pricing, discounts, and allowances

Facilities

- plant capacity, capacity utilization rate, age of plant, plant efficiency, capital investment
- location, shipping logistics, and product mix by plant

Personnel

- number of employees, key employees, and skill sets
- strength of management, and management style
- compensation, benefits, and employee morale & retention rates

Corporate and marketing strategies

- objectives, mission statement, growth plans, acquisitions, and divestitures
- marketing strategies

2.3.3 Strengths and weaknesses

In addition to analyzing current competitors, it is necessary to estimate future competitive threats. The most common sources of new competitors are:

- Companies competing in a related product/market
- Companies using related technologies
- Companies already targeting your prime market segment but with unrelated products
- Companies from other geographical areas and with similar products
- New start-up companies organized by former employees and/or managers of existing companies

The entrance of new competitors is likely when:

- There are high profit margins in the industry
- There is unmet demand (insufficient supply) in the industry

- There are no major barriers to entry
- There is future growth potential
- Competitive rivalry is not intense
- Gaining a competitive advantage over existing firms is feasible

Considers implicit aspects of competitive behavior

Firms are more often than not aware of their rivals and do have a generally good understanding of their strategies and capabilities. However, motivational factors are often overlooked. Sufficiently motivated competitors can often prove to be more competitive than bigger but less motivated rivals. What sets this model apart from others is its insistence on accounting for the "implicit" factors such as culture, history, executive, consultants, and board's backgrounds, goals, values and commitments and inclusion of management's deep beliefs and assumptions about what works or does not work in the market.

Predictive in nature

Porter's four corners model provides a framework that ties competitor's capabilities to their assumptions of the competitive environment and their underlying motivations. By looking at both a firm's capabilities (what the firm can do) and underlying implicit factors (their motivations to follow a course of action) can help predict competitor's actions with a relatively higher level of confidence. The underlying assumption here is that decision makers in firms are essentially human and hence subject to the influences of affective and automatic processes described by neuroscientists.[1] Hence by considering these factors along with a firm's capabilities, this model is a better predictor of competitive behavior.

2.3.4 Reaction Models

Motivation – drivers

This helps in determining competitor's action by understanding their goals (both strategic and tactical) and their current position vis-à-vis their goals. A wide gap between the two could mean the competitor is highly likely to react to any external threat that comes in its way, whereas a narrower gap is likely to produce a defensive strategy. Question to be answered here is: What is it that drives the

competitor? These drivers can be at various levels and dimensions and can provide insights into future goals.

Motivation – management assumptions

The perceptions and assumptions the competitor has about itself and its industry would shape strategy. This corner includes determining the competitor's perception of its strengths and weaknesses, organization culture and their beliefs about competitor's goals. If the competitor thinks highly of its competition and has a fair sense of industry forces, it is likely to be ready with plans to counter any threats to its position. On the other hand, a competitor who has a misplaced understanding of industry forces is not very likely to respond to a potential attack. Question to be answered here is: What are competitor's assumption about the industry, the competition and its own capabilities?

Actions – strategy

A competitor's strategy determines how it competes in the market. However, there could be a difference between the company's intended strategy (as stated in the annual report and interviews) and its realized strategy (as is evident in its acquisitions, new product development, etc.). It is therefore important here to determine the competitor's realized strategy and how they are actually performing. If current strategy is yielding satisfactory results, it is safe to assume that the competitor is likely to continue to operate in the same way. Questions to be answered here are: What is the competitor actually doing and how successful is it in implementing its current strategy?

Actions – capabilities

This looks at a competitor's inherent ability to initiate or respond to external forces. Though it might have the motivation and the drive to initiate a strategic action, its effectiveness is dependent on its capabilities. Its strengths will also determine how the competitor is likely to respond to an external threat. An organization with an extensive distribution network is likely to initiate an attack through its channel, whereas a company with strong financials is likely to counter attack through price drops. The questions to be answered here are: What are the strengths and weaknesses of the competitor? Which areas is the competitor strong in?

2.4 Competitive Intelligence System

Despite its strengths, Porter's four corners model is not widely used in strategy and competitive intelligence. In a 2005 survey by the Society of Competitive Intelligence Professionals (SCIP) frequently used analytical tools, Porter's four corners does not even figure in the top ten.

However this model can be used in competitive analysis and strategy as follows:

Strategy development and testing: Can be used to determine likely actions by competitors in response to the firm's strategy. This can be used when developing a strategy (such as for a new product launch) or to test this strategy using simulation techniques such as a business war game.

Early warning

The predictive nature of this tool can also alert firms to possible threats due to competitive action.

Porter's four corners also works well with other analytical models. For instance it complements Porter five forces analysis well. Competitive cluster analysis of industry products in turn complements four corners analysis. Using such models that complement each other can help create a more complete analysis.

2.5 Design Competition Strategies

Strategic design is the application of future-oriented design principles in order to increase an organization's innovative and competitive qualities. "Traditional definitions of design often focus on creating discrete solutions—be it a product, a building, or a service. Strategic design is about applying some of the principles of traditional design to "big picture" systemic challenges like health care, education, and climate change. It redefines how problems are approached, identifies opportunities for action, and helps deliver more complete and resilient solutions."

Its foundations lie in the analysis of external and internal trends and data, which enables design decisions to be made on the basis of facts rather than aesthetics or

intuition. As such it is regarded as an effective way to bridge innovation, research, management and design.

The discipline is mostly practiced by design agencies or by internal development departments. Businesses are the main consumers of strategic design, but the public, political and not-for-profit sectors are also making increasing use of the discipline.

Its applications are varied, yet often aim to strengthen one of the following: product branding, product development, corporate identity, corporate branding and service delivery.

Strategic design has become increasingly crucial in recent years, as businesses and organisations compete for a share of today's global and fast-paced marketplace.

"To survive in today's rapidly changing world, products and services must not only anticipate change, but drive it. Businesses that don't will lose market share to those that do. There have been many examples of strategic design breakthroughs over the years and in an increasingly competitive global market with rapid product cycles, strategic design is becoming more important."

Today's business environment calls for a leader who not only has sound analytical and business skills but is also able to think intuitively and look for creative solutions to business problems.

Globally and nationally there are a plethora of management programs that have created an army of learners who are strongly left brain oriented but tend to be undeveloped in the right brain hemisphere which works on synthesising information through intuitive thinking. The increasingly globalised business world needs leaders who are able to view the workplace holistically and develop an ability to 'connect the dots' in an effective and coherent manner. The current thinking in the management pedagogy has produced straight-jacketed managers who miss the view of the larger picture leading to leadership rigidity and absence of strategic thinking; hence stifling creativity; the foundation for the continued success and growth of business. The concept of design and design thinking has seen an upward surge in India due to the resurgent growth of design and a demand for students and professionals who can apply design thinking for both career development and exploring entrepreneurial opportunities. In a recent quote by

R.Gopalkrishnan, (E.D.) at Tata Sons has said that 'Future leaders are likely to use creativity more than analysis as a tool to shape their companies and manager their resources'.

The aim of Strategic Design is to encourage learners who are interested and passionate about 'design thinking' and would like to develop themselves as 'Design Visionaries' and align their learning with the strategic goals of the organization. The learners in Strategic Design will have a unique opportunity to develop this thinking through a cross – discipline program by interacting with academicians and industry professionals and will be introduced to the elements of design and management for strategic thinking.

2.5.1 Leader Strategies

Strategy is the creation of a unique and valuable market position supported by a system of activities that fit together in a complementary way (Porter, 1980). It is about making choices, trade-offs, and deliberately choosing to be different.

It should not be confused with operational effectiveness or best practices — what is good for everybody and what every business should be doing, e.g., performing the same activities your competitors perform, TQM, benchmarking, or being a learning organization (Porter, 1980). Thus, when developing strategies, the goal is to be different from your competitors. However, this does not mean that you are willing to do anything, but rather determine where the opportunities lie that you can best exploit.

All strategic plans need to tie in with the organization's strategic plan. That is, in going back to the definition of strategy, the leaders of the organization should create the unique and valuable market position; while your goal is to support the organization with activities that fit together in a complementary way. Now that does not mean you cannot do things differently or set your own goals. It simply means that you need to keep your leaders visions and goals in focus when setting your goals. For example, if the leaders have ethics and diversity at the forefront of their strategic vision, you cannot put elearning and knowledge management at the

forefront of your strategic goals. However, that does not mean you cannot use elearning and knowledge management technologies to bring about ethical and diversity goals.

2.5.2 Challenger Strategies

Market Challenger Strategies:

A) Frontal Attack:

In a frontal attack, the attacker matches its opponent's price, advertising, price and distribution. The principle of force says that the side with greater resources wins.

Examples:

* Pepsi Vs Coke

* Blackberry Vs Apple

* HUL Vs P&G (Rin Vs Tide)

HUL's frontal attack on P&G by reducing its price and with the help of this commercial which had become very famous

B) Flank Attack:

Attacking a weak position in the opponent's force is flank attack. Challenger identifies the weak areas in the offering as well as marketing territories of the opponent and attacks those areas.

Examples:

* Nirma Vs HUL

* Canon Vs Xerox [In the mid 1970's Xerox owned eighty-eight percent of the plain-paper copier market; however, almost ten years later the Japanese based Canon Copier took over half of Xerox's market. The main reason Canon took over such a large portion of Xerox's market was by use of the flanking strategy. Canon focused on the small size copier market that could not afford Xerox's larger copiers. This attack was successful because it put the attacker's strength against the defenders weakness]

* When Titan was the market leader for watches in India, Timex Watches launched a complete range of Plastic watches that offered a refreshing product alternative to the market particularly to the youth market (18 to 35 age group) and was able to achieve a staggering sales volume of 2 million watches in just two years, a figure that Titan took more than five years to reach.

C) Encirclement Attack:

Encirclement attack is an attempt to capture a wide slice of the enemy's territory through a blitz. It means launching a grand offensive on several fronts.

2.5.3 Follower Strategies

Market Follower strategy' is a strategy of product imitation. The innovator bears the expense of developing the new product, bringing in the technology, breaking entry barriers and educating the market. However, another firm can come along and copy or improve on the new product.

Although it probably will not overtake the leader, the follower can achieve high profits because it did not bear any of the innovation expense.Many companies prefer to follow rather than challenge the market leader. Many runner-up companies do not challenge the market leader.

The four follower strategies are as given below:

1. Counterfeiter: Copies the leader's product and packages and sells it on the black market. E.g.pirated music/ movie CDs

2. Cloner: Copies the leader's products as it is as well as name, packaging with slight variations.

3. Imitator: Copies some of the things from leader's product but maintains difference in packaging, and other factors.

4. Adaptor: Launches improved products over that of the innovator's.

2.5.4 Flanking Strategies

In military tactics, a flanking maneuver, or flanking manoeuvre (also called a flank attack), is an attack on the sides of an opposing force. If a flanking maneuver succeeds, the opposing force would be surrounded from two or more directions, which significantly reduces the maneuverability of the outflanked force and its ability to defend itself. A psychological advantage may also be present, as the confusion and threat from multiple directions is often problematic for morale.

A larger-scaled tactical flanking is called a strategic flanking, where the targets of the flanking could be as large as divisions or even entire armies.

Strategic flanking

Flank attacks on the strategic level are seen when a nation or group of nations surround and attack an enemy from two or more directions, such as the Allies surrounding Nazi Germany in World War II. In these cases, the flanked country usually has to fight on two fronts at once, placing it at a disadvantage.

The danger of being strategically flanked has driven the political and diplomatic actions of nations even in peace time. For example the fear of being strategically flanked by the other in The Great Game 'played' by the British and Russian Empires, led to the expansion of both into China, and the British eastwards into South-East Asia. The British feared that British India would be surrounded by a Persia and Central Asia satellite to Russia in the west and north and a Russian dominated China in the east. Whilst to the Russians a China under British influence would mean that the Russian Empire would be penned in from the south and east. Subsequently the Russians were more successful than the British in gaining territorial concessions in China. However the British were able to counteract this through the cultivation of the emerging Empire of Japan as a counterweight to the Russians, a relationship which culminated in the Anglo-Japanese Alliance.

The Cold War version of the Great Game was played on a global scale by the United States and the Soviet Union, each seeking to contain the influence of the other.

2.5.5 Guerrilla Strategies

The strategy and tactics of guerrilla warfare tend to involve the use of a small, mobile force against a large, unwieldy one. The guerrilla force is largely or entirely organized in small units that are dependent on the support of the local population. Tactically, the guerrilla army makes small, repetitive attacks far from the opponent's center of gravity with a view to keeping its own casualties to a minimum and imposing a constant debilitating strain on the enemy. This may provoke the enemy into a brutal, excessively destructive response which will both anger their own supporters and increase support for the guerrillas, ultimately compelling the enemy to withdraw.

Tactics of guerrilla warfare

Guerrilla warfare is distinguished from the small unit tactics used in screening or reconnaissance operations typical of conventional forces. It is also different from the activities of pirates or robbers. Such criminal groups may use guerrilla-like tactics, but their primary purpose is immediate material gain, and not a political objective.

Guerrilla tactics are based on intelligence, ambush, deception, sabotage, and espionage, undermining an authority through long, low-intensity confrontation. It can be quite successful against an unpopular foreign or local regime, as demonstrated by the Cuban Revolution, Afghanistan War and Vietnam War. A guerrilla army may increase the cost of maintaining an occupation or a colonial presence above what the foreign power may wish to bear. Against a local regime, the guerrilla fighters may make governance impossible with terror strikes and sabotage, and even combination of forces to depose their local enemies in conventional battle. These tactics are useful in demoralizing an enemy, while raising the morale of the guerrillas. In many cases, guerrilla tactics allow a small force to hold off a much larger and better equipped enemy for a long time, as in Russia's Second Chechen War and the Second Seminole War fought in the swamps of Florida (United States of America). Guerrilla tactics and strategy are

summarized below and are discussed extensively in standard reference works such as Mao's "On Guerrilla Warfare."