

# Competitor Analysis

Induce your competitors not to invest in those products, markets and services where you expect to invest the most . . . that is the fundamental rule of strategy.

—Bruce Henderson, founder of BCG

There is nothing more exhilarating than to be shot at without result.

—Winston Churchill

The best and fastest way to learn a sport is to watch and imitate a champion.

—Jean-Claude Killy, skier

**T**here are numerous well-documented reasons why the Japanese automobile firms were able to penetrate the U.S. market successfully, especially during the 1970s. One important reason, however, is that they were much better than U.S. firms at doing competitor analysis.<sup>1</sup>

David Halberstam, in his account of the automobile industry, graphically described the Japanese efforts at competitor analysis in the 1960s. "They came in groups. . . . They measured, they photographed, they sketched, and they tape-recorded everything they could. Their questions were precise. They were surprised how open the Americans were."<sup>2</sup> The Japanese similarly studied European manufacturers, especially their design approaches. In contrast, according to Halberstam, the Americans were late in even recognizing the competitive threat from Japan and never did well at analyzing Japanese firms or understanding the new strategic imperatives created by the revised competitive environment even though the Japanese car firms were very open about their methods.

Competitor analysis is the second phase of external analysis. Again, the goal should be insights that will influence the development of successful business strategies. The analysis should focus on the identification of threats, opportunities, or strategic uncertainties created by emerging or potential competitor moves, weaknesses, or strengths.

Competitor analysis starts with identifying current and potential competitors. There are two very different ways of identifying current competitors. The first examines the perspective of the customer who must make choices among competitors. This approach groups competitors according to the degree to which they compete for a buyer's choice. The second approach attempts to place competitors in strategic groups on the basis of their competitive strategy.