WHO ARE THE COMPETITORS?

- Against whom do we usually compete? Who are our most intense competitors? Less intense but still serious competitors? Makers of substitute products?
- Can these competitors be grouped into strategic groups on the basis of their assets, competencies, and/or strategies?
- Who are the potential competitive entrants? What are their barriers to entry? Is there anything that can be done to discourage them?

EVALUATING COMPETITORS

- What are their objectives and strategies? Their levels of commitment? Their exit barriers?
- What are their cost structures? Do they have cost advantages or disadvantages?
- What are their images and positioning strategies?
- Which are the most successful/unsuccessful competitors over time? Why?
- What are the strengths and weaknesses of each competitor or strategic group?
- What leverage points (or strategic weaknesses or customer problems or unmet needs) could competitors exploit to enter the market or become more serious competitors?
- How strong or weak is each competitor with respect to their assets and competencies? Generate a competitor strength grid.

Figure 3.1 Questions to Structure Competitor Analysis

After competitors are identified, the focus shifts to attempting to understand them and their strategies. Of particular interest is an analysis of the strengths and weaknesses of each competitor or strategic group of competitors. Figure 3.1 summarizes a set of questions that can provide a structure for competitor analysis.

IDENTIFYING COMPETITORS—CUSTOMER-BASED APPROACHES

One approach to identifying competitor sets is to look at them from the perspective of customers—what choices are customers making? A Cisco buyer could be asked what brand would have been purchased had Cisco not made the required item. A buyer for a nursing home meal service could be asked what would be substituted for granulated potato buds if they increased in price. A sample of sports car buyers could be asked what other cars they considered and perhaps what other showrooms they actually visited.

Brand-Use Associations

Another approach that provides insights is the association of brands with specific-use contexts or applications. Perhaps twenty or thirty product users could be asked to identify a list of use situations or applications. For each use context they would then name all the brands that are appropriate. Then for each brand, they would identify appropriate use contexts so that the list of use contexts would be more complete. Another group of respondents would then be asked to make judgments about how appropriate each brand is for each use context. Then brands would be clustered based on the similarity of their appropriate use contexts. Thus, if Doritos was perceived as a snack, its set of competitors would be different than if it was perceived as a party enhancer.

The same approach will work with an industrial product that might be used in several distinct applications.

Both the customer-choice and brand-use approaches suggest a conceptual basis for identifying competitors that can be employed by managers even when marketing research is not available. The concept of alternatives from which customers choose and the concept of appropriateness to a use context can be powerful tools to understand the competitive environment.

Indirect Competitors

In most instances, primary competitors are quite visible and easily identified. Coke competes with Pepsi, other cola brands, and private labels such as President's Choice. CitiBank competes with Chase, Bank of America, and other major banks. NBC competes with ABC, CBS, and Fox. Boeing competes with Airbus. The competitor analysis for this group should be done with depth and insight.

In many markets, however, customer priorities are changing, and indirect competitors offering customers product alternatives are strategically relevant. Understanding these indirect competitors can be strategically and tactically important, as the following examples demonstrate.

- Coke focused on Pepsi and ignored for many years the emerging submarkets in water, energy drinks, and fruit-based drinks. The result was a missed opportunity and the eventual need to pursue an expensive and difficult catch-up strategy.
- While the major television networks struggle against each other, independent networks have emerged. Strong cable networks, such as ESPN, Fox, HBO, and CNN, have flourished; pay-per-view, Netflix, computer games, mobile applications, and the Internet are competing for the leisure time of viewers.
- While banks focused on competing banks, their markets were eroded by mutual funds, insurers, and brokers.
- While Folgers, Maxwell House, and others competed for supermarket business using coupon promotions, other firms, such as Starbucks, succeeded in selling a very different kind of coffee in different ways. And Starbucks has more recently been threatened by gourmet coffee makers sold for home use and by alternatives offered by chains like Dunkin' Donuts and McDonald's.
- Steel minimills were ignored by the major steel firms until they gradually became a major player.

The energy bar category, established in the mid-1980s by PowerBar, includes direct competitors such as Clif, Balance, and dozens of small, local niche firms. There are also a host of indirect competitors, many with very similar products: candy bars (Snickers was called "the energy bar" for many years), breakfast bars, meal replacement bars, diet bars, granola bars, and the cereal bar category. Understanding the positioning and new product strategies of these indirect competitors will be strategically important to businesses in the energy bar category.

Both direct and indirect competitors can be further categorized in terms of how relevant they are, as determined by similar positioning. Thus, candy bars will be more relevant to Balance than to PowerBar because of where the former has positioned itself (Balance Gold is even marketed as