

company's weighted overall competitive strength rating exceeds the scores of lower-rated rivals, the stronger is its overall competitiveness versus those rivals; the further a company's score is below those of higher-rated rivals, the weaker is its ability to compete successfully. The bigger the difference between a company's overall weighted rating and the scores of lower-rated rivals, the bigger is its implied *net competitive advantage* over these rivals. Thus, Rival 1's overall weighted score of 7.70 indicates a greater net competitive advantage over Rival 2 (with a score of 2.10) than over ABC Company (with a score of 5.95). Conversely, the bigger the difference between a company's overall rating and the scores of higher-rated rivals, the greater its implied *net competitive disadvantage*. Rival 2's score of 2.10 gives it a smaller net competitive disadvantage against ABC Company (with an overall score of 5.95) than against Rival 1 (with an overall score of 7.70).

Table 4.3 A Representative Weighted Competitive Strength Assessment

| Competitive Strength Assessments [Rating scale: 1 = Very weak; 10 = Very strong] | | | | | | | |
|---|-------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| Key Success Factors and Strength Measures | Importance Weight | ABC Co. | | Rival 1 | | Rival 2 | |
| | | Strength Rating | Weighted Score | Strength Rating | Weighted Score | Strength Rating | Weighted Score |
| Quality/product performance | 0.10 | 8 | 0.80 | 5 | 0.50 | 1 | 0.10 |
| Reputation/image | 0.10 | 8 | 0.80 | 7 | 0.70 | 1 | 0.10 |
| Manufacturing capabilities | 0.10 | 2 | 0.20 | 10 | 1.00 | 5 | 0.50 |
| Technological skills | 0.05 | 10 | 0.50 | 1 | 0.05 | 3 | 0.15 |
| Ability to access buyers via distributors/retailers | 0.05 | 9 | 0.45 | 4 | 0.20 | 5 | 0.25 |
| New product innovation capability | 0.05 | 9 | 0.45 | 4 | 0.20 | 5 | 0.25 |
| Financial resources | 0.10 | 5 | 0.50 | 10 | 1.00 | 3 | 0.30 |
| Relative cost position | 0.30 | 5 | 1.50 | 10 | 3.00 | 1 | 0.30 |
| Customer service capabilities | 0.15 | 5 | 0.75 | 7 | 1.05 | 1 | 0.15 |
| Sum of importance weights | 1.00 | | | | | | |
| Weighted overall competitive strength rating | | | 5.95 | | 7.70 | | 2.10 |

Strategic Implications of the Competitive Strength Assessments

In addition to showing how competitively strong or weak a company is relative to its rivals, the strength ratings provide guidelines for designing wise offensive and defensive strategies. For example, if ABC Co. wants to go on the offensive to win additional sales and market share, such an offensive probably needs to be aimed directly at winning customers away from Rival 2 (which has a lower overall strength score) rather than Rival 1 (which has a higher overall strength score). Moreover, while ABC has high ratings for technological skills (a 10 rating), dealer network/distribution capability (a 9 rating), new product innovation capability (a 9 rating), quality/product performance (an 8 rating), and reputation/image (an 8 rating), these strength measures have low importance weights—meaning that ABC has strengths in areas that don't translate into much competitive clout in the marketplace. Even so, it outclasses Rival 2 in all five areas, plus it enjoys substantially lower costs than Rival 2 (ABC has a 5 rating on relative cost position versus a 1 rating for Rival 2)—and relative cost position carries the highest importance weight of all the strength measures. ABC also has greater competitive strength than Rival 2 regarding customer service capabilities (which carries the second-highest importance weight). Hence, because ABC's strengths are in the very areas where Rival 2 is weak, ABC is in good position to attack Rival 2. Indeed, ABC may well be able to persuade a number of Rival 2's customers to switch their purchases over to its product.

But ABC should be cautious about cutting prices aggressively to win customers away from Rival 2, because Rival 1 could interpret that as an attack by ABC to win away Rival 1's customers as well. And Rival 1 is in