The 1975 Fortune 500 lists huge, respected corporations such as Esmark, Gulf & Western, Polaroid, and Singer that have essentially vanished. They didn't vanish overnight and they didn't vanish voluntarily. Even some survivors from 1975 are studies in falling short rather than flying high. Sears, Roebuck was founded in 1893 and moved into the Sears Tower in 1973, when Wal-Mart was a corporate toddler. Today, Wal-Mart is five times the size of Sears, and Sears has left the building.

Mark Chussil

Kotler on marketing

Poor firms ignore their competitors;
Average firms copy their competitors;
Winning firms lead their competitors.

Session Objectives

- Understanding PLC and its weaknesses
- Who the primary competitors are
- How to ascertain their strategies, objectives, strengths and weaknesses, and reaction patterns
- How to design a competitive intelligence system
- Whether to position as market leader, challenger, follower, or nicher
- How to balance a customer versus competitor orientation

The Cycle of Confusion

- PLC
  - Undefined concept
  - No common shape
  - Unpredictable turning points
  - Unclear implications
  - Not exogenous
  - Product oriented not marketing oriented

5 Forces Determining Segment Structural Attractiveness

<table>
<thead>
<tr>
<th>Potential Entrants (Threat of Mobility)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers (Supplier power)</td>
</tr>
<tr>
<td>Industry Competitors (Segment rivalry)</td>
</tr>
<tr>
<td>Buyers (Buyer power)</td>
</tr>
<tr>
<td>Substitutes (Threats of substitutes)</td>
</tr>
</tbody>
</table>
### Itemising marketing assets

**Customer based assets**
- Relationship with customers
- Company name and reputation
- Brands
- Country of origin
- Market domination
- Superior products and services

**Supply chain assets**
- Distribution networks & relationships
- Distribution control
- Pockets of strength
- Security of supply
- Supplier networks & relationships

**Internal support assets**
- Cost advantages
- Information systems
- Technical skills, Production expertise
- Copyrights and patents
- Franchises and licences
- Partnerships

**Alliance based assets**
- Access to markets
- Access to management skills
- Shared technology
- Exclusivity

### Barriers and Profitability

<table>
<thead>
<tr>
<th>Entry Barriers</th>
<th>Exit Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low, stable returns</td>
</tr>
<tr>
<td>High</td>
<td>High, stable returns</td>
</tr>
</tbody>
</table>

### Identifying Competitors

- **Industry Concept of Competition**
  - Industry
  - Number of Sellers and Degree of Differentiation
    - Pure monopoly
    - Oligopoly
    - Pure oligopoly
    - Differentially oligopoly
    - Monopolistic competition
    - Pure competition

### Identifying Competitors

- **Entry, Mobility, Exit Barriers**
  - Capital, Patents, Location, Relationships, Channel, Reputation
  - Legal or moral obligation, Govt. restriction, Lack of alternatives, Emotional barriers
- **Cost Structure**
- **Degree of Vertical Integration**
  - Vertical integration
- **Degree of Globalization**
- **Market Concept of Competition**

### Competitor Map – Eastman Kodak

### Analyzing Competitors

- **Competitor Map**
- **Objectives**
- **reaction Patterns**
- **Strengths & Weaknesses**
- **Strategies**
Analyzing Competitors

- Strategies: The Appliance Industry

<table>
<thead>
<tr>
<th>Quality</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>Narrow line</td>
<td>Lower mfg. cost</td>
</tr>
<tr>
<td>Group B</td>
<td>Full line</td>
<td>Low mfg. cost</td>
</tr>
<tr>
<td>Group C</td>
<td>Moderate line</td>
<td>Medium mfg. cost</td>
</tr>
<tr>
<td>Group D</td>
<td>Broad line</td>
<td>Medium mfg. cost</td>
</tr>
</tbody>
</table>

Vertical Integration

Three Variables to Monitor When Analyzing Competitors:
- Share of market
- Share of mind
- Share of heart

Reaction Patterns
- The Laid-Back Competitor
- The Selective Competitor
- The tiger Competitor
- The stochastic Competitor

Major Steps in Customer Value Analysis:
1. Identify the major attributes customers value.
2. Assess the quantitative importance of the different attributes.
3. Assess the company’s and competitors’ performances on the different customer values against their rated importance.
4. Examine how customers in a specific segment rate the company’s performance against a specific major competitor on an attribute-by-attribute basis.
5. Monitor customer values over time.
**Customer Lifetime Value**

Average transaction value
\[ \times \]
Yearly frequency of purchase
\[ \times \]
Customer life expectancy

\[
Value = \sum_{t=1}^{\infty} \left[ \int_{t}^{\infty} \left( e^{-k(t-d)} \right) (1 - e^{-k(t-d)}) \, dt \right] dk
\]


**Defence Strategies**

- (2) Flank defense
- (3) Preemptive defense
- (4) Counter-offensive defense
- (5) Mobile defense

**Attack Strategies**

- (1) Frontal attack
- (2) Flank attack
- (3) Encirclement attack
- (4) Bypass attack
- (5) Guerilla attack

**Specific Attack Strategies**

- Price-discount
- Cheaper goods
- Prestige goods
- Product proliferation
- Product innovation
- Improved services
- Distribution innovation
- Manufacturing cost reduction
- Intensive advertising promotion

**Nichemanship**

- End-user specialist
- Vertical-level specialist
- Customer-size specialist
- Specific-customer specialist
- Geographic specialist
- Product or product-line specialist
- Product-feature specialist
- Job-shop specialist
- Quality-price specialist
- Service specialist
- Channel specialist

**Hypothetical Market Structure & Strategies**

<table>
<thead>
<tr>
<th>Market leader</th>
<th>Market challenger</th>
<th>Market nicher</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>10%</td>
<td>40%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Expans Market*

*Defend Market Share*

*Status quo*

*Imitate*

*Specialize*