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Marketing Modules Series

Module 4: Competitor Analysis

Teaching Slides



<http://blog.friendseat.com/health-insurance-companies-invest-billions-in-fast-food/>

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Complete Marketing Modules Series available at: <http://hortmgt.gomez.dyson.cornell.edu/Marketing-Modules.html>

Competitor Analysis Defined

Through competitor analysis, firms can:

- Identify who their key competitors are
- Develop a profile for each competitor
- Identify competitors' objectives and strategies
- Assess their strengths and weaknesses
- Gauge the threat they pose, and
- Anticipate their reaction to competitive moves!

Competitor analysis provides both an offensive and a defensive strategic context for identifying opportunities and threats!

Identifying Current and Potential Competitors

- ***Industry-based Analysis:*** based on number of sellers and degree of product differentiation
 - Monopoly
 - Oligopoly
 - Differentiated Oligopoly
 - Monopolistic Competition
 - Pure Competition
- ***Market-based Analysis:*** Sellers that satisfy the same customer need
 - Brand Competition
 - Industry Competition
 - Product Competition
 - Generic Competition

Competitor Profiling

SWOT Analysis

- ***Internal factors (Strengths and Weaknesses)*** encompass factors such as: personnel, firm's culture, finance, manufacturing capabilities, the 4Ps, etc.
- ***External factors (Opportunities and Threats)*** relate to the opportunities and threats posed by the macro- and micro-environments. The macro-environment includes demographic, economic, technological, political, legal, social and cultural factors, etc. The micro-environment includes the customers, competitors, distributors and suppliers.

Collect Key Data on Competitors:

recent sales, profit margin, return on investment, cash flow, new investments, and capacity utilization

And Monitor:

- **Share of market:** competitor's sales share in the target market
- **Share of mind:** percentage of customers who name the competitor when asked which firm first comes to mind in an industry
- **Share of heart:** percentage of customers who name the competitor when asked from whom he/she would prefer to buy a specific product

Firms that exhibit increasing share of mind or share of heart, are positioned to experience an increasing market share and profitability!

SWOT Analysis Ben & Jerry's Ice Cream

Objective: get B&J's growing again

	Favorable	Unfavorable
Internal	<p>Strengths</p> <ul style="list-style-type: none">• Prestigious, well-known brand name across U.S. consumers• 40% share of the US super-premium ice cream market• Can complement Unilever's existing ice cream brands	<p>Weaknesses</p> <ul style="list-style-type: none">• Danger that B&J's social responsibility actions may add costs, reduce focus on core business• Need for experienced managers to help growth• Flat sales and profits in recent years
External	<p>Opportunities</p> <ul style="list-style-type: none">• Growing demand for quality ice cream in overseas markets• Increasing demand for frozen yogurt and other low-fat desserts• Success of many U.S. firms in extending successful brand in one product category to other categories	<p>Threats</p> <ul style="list-style-type: none">• Consumer concern with fatty desserts: B&J customers are the type that read new government-ordered nutritional labels• Competes with giant Pillsbury and its Haagen-Dazs brand• International downturns increase the risks for B&J's in European and Asian markets

Source: Figure 2-9, p 46 in Roger Kerin, Eric Berkowitz, Steven Hartley and William Rudelius. "Marketing". 7th Ed. (New York, NY: Mc Graw Hill, 2003)

Five Forces that Determine Market/Market Segment Attractiveness

According to Michael Porter these 5 forces are:

- **Industry competitors**
 - Competitors' number and competitive approach
- **Potential market entrants**
 - Entry and exit barriers
- **Product substitutes**
 - Actual or potential substitute products
- **Buyers' power**
 - Buyers' number, size, price sensitivity and vertical integration capabilities
- **Suppliers' power**
 - Degree of organization, product characteristics and vertical integration capabilities

Designing Competitive Strategies

- **Market leader**
 - Expanding total market, defending market share, expanding market share
- **Market challenger**
 - Frontal attack, flank attack, encirclement “blitz” attack, bypass attack, guerrilla warfare attack
- **Market follower**
 - Counterfeitors, cloners, imitators, adapters
- **Market nicher**
 - Specializes in serving one type of final customer; concentrates in selling to small, medium or large customers; limits its offer to one or a few major customers; sells only in a certain place, region, area; produces or carries only one product or product line; operates at the low- or at the high-quality end of the market; offers services not available from other firms; serves only one channel of distribution, etc.