

# For the Change Makers

Dr Scott Dacko

## Warwick Summer School Marketing Environment: Market and Competitor

**Dr Scott Dacko**

# Market analysis

# Dimensions of a Market Analysis

- Emerging submarkets
- Actual and potential market and submarket size
- Market and submarket growth
- Market and submarket profitability
- Distribution systems
- Trends and developments
- Key success factors



**Meat-free days top reason for protein alternative use | Mintel.com**

While not fully committing to a meat-free lifestyle, 'Meatless Mondays' seem to be catching on

# Questions to Help Structure a Market Analysis

- Submarkets
  - Are forces such as augmented products, the emerging of niches, a trend toward systems, new applications, repositioned product classes, customer trends, or new technologies creating worthwhile submarkets? How should they be defined?
- Size and Growth
  - What are the important and potentially important submarkets? What are their size and growth characteristics? What submarkets are declining or will soon decline? How fast? What are the driving forces behind the trends?

# Questions to Help Structure a Market Analysis

- Profitability
  - For each major submarket consider the following: Is this a business area in which the average firm will make money? How intense is the competition among existing firms? Evaluate the threats from potential entrants and substitute products. What is the bargaining power of suppliers and customers? How attractive/profitable are the market and its submarkets both now and in the future?
- Cost Structure
  - What are the major cost and value-added components for various types of competitors?

# Questions to Help Structure a Market Analysis

- Distribution Systems
  - What are the alternative channels of distribution? How are they changing?
- Market Trends
  - What are the trends in the market?
- Key Success Factors
  - What are the key success factors, assets, and competencies needed to compete successfully? How will these change in the future? How can the assets and competencies of competitors be neutralised by strategies?

# Detecting Maturity and Decline

- Price pressure caused by overcapacity and the lack of product differentiation
- Buyer sophistication and knowledge
- Substitute products or technologies
- Saturation
- No growth sources
- Customer disinterest



## Risks of High-Growth Market

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graph TD; A[Risks of High-Growth Market] --> B[Competitive Risk]; A --> C[Firm Limitations]; A --> D[Market Changes];
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### Competitive Risk

- Overcrowding
- Superior competitive entry

### Firm Limitations

- Resource constraints
- Distribution unavailable

### Market Changes

- Changing KSFs
- New technology
- Disappointing growth
- Price instability

# Explaining Success

- The Rule of Ten Percent (Wensley, 1997)
- It is almost impossible for any single research study to come up with a variable which accounts for more than ten percent of the variation in any particular measure of business performance.
- Multiple, interacting factors influence performance
- Single-factor approaches for any particular marketing strategy will likely be poorly guided and insufficient

# Key Learnings

- The emergence of submarkets can signal a relevance problem.
- Market analysis should assess the attractiveness of a market, as well as its structure and dynamics.
- Market growth can be forecast by looking at driving forces, leading indicators, and analogous industries.

# Key Learnings

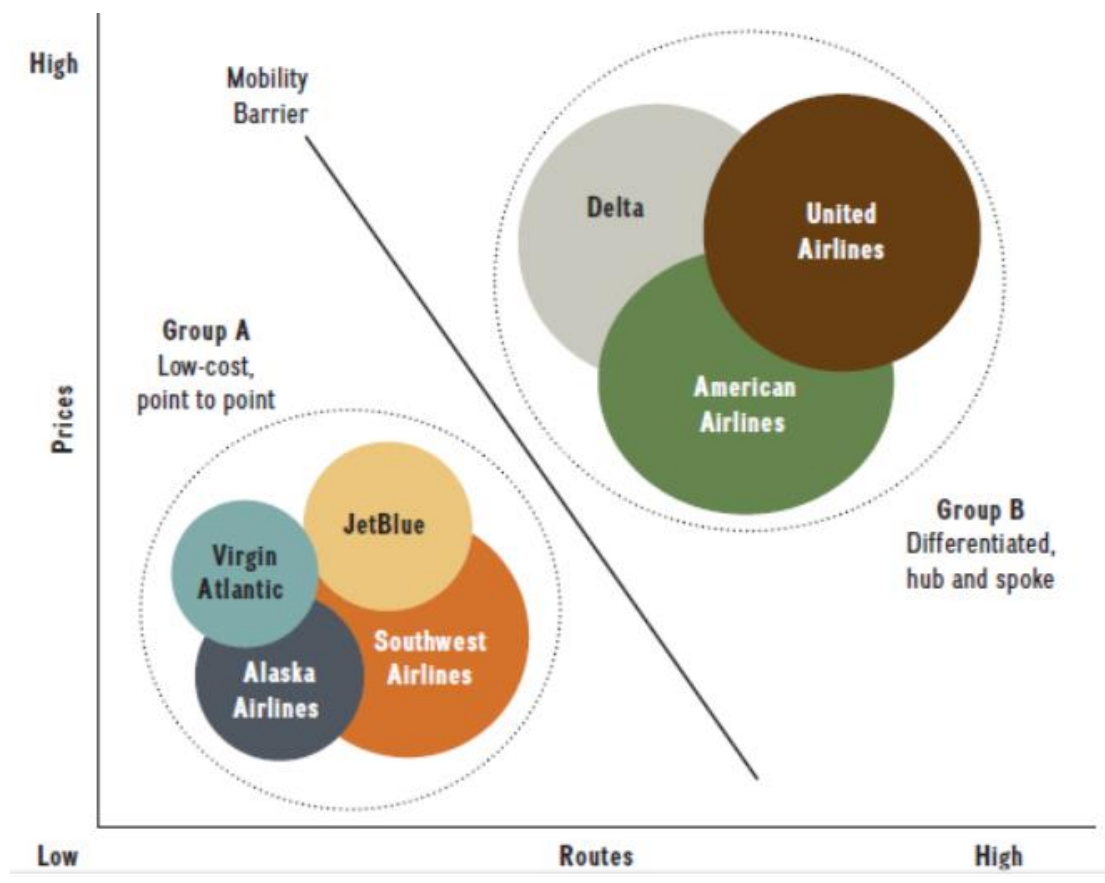
- Key success factors are the skills and competencies needed to compete in a market.
- Market trends will affect both the profitability of strategies and key success factors.
- “Growth market” challenges involve the threat of competitors, market changes, and firm limitations.

# Competitor Analysis

# Competitor Analysis

- **Strategic Groups**

- Pursue similar competitive strategies
- Have similar characteristics
- Have similar assets and competencies



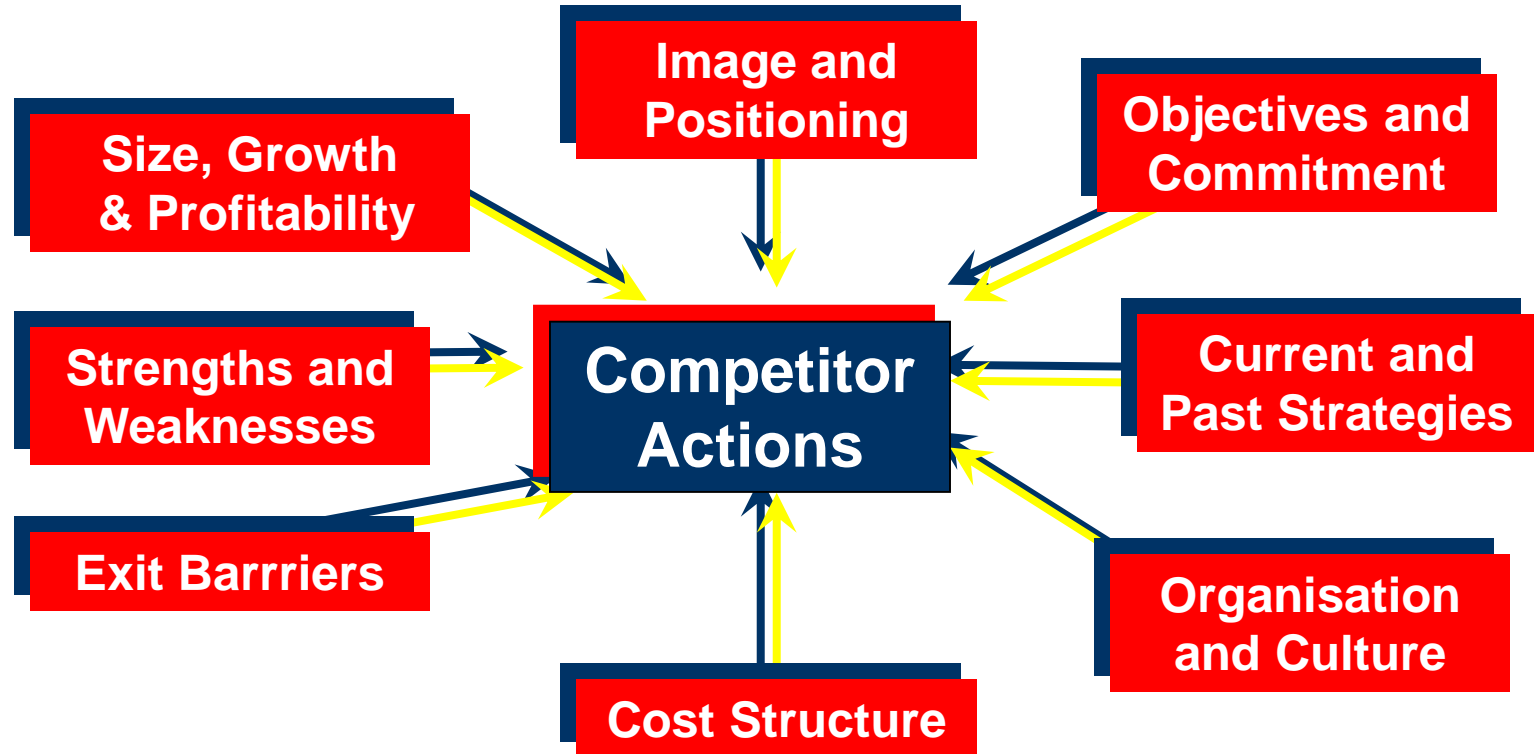
# Competitor Analysis

- **Potential Competitors**

- Market expansion
- Product expansion
- Backward integration
- Forward integration
- The export of assets or competencies
- Retaliatory or defensive strategies



# Understanding the Competitors



# Relevant Assets and Competencies

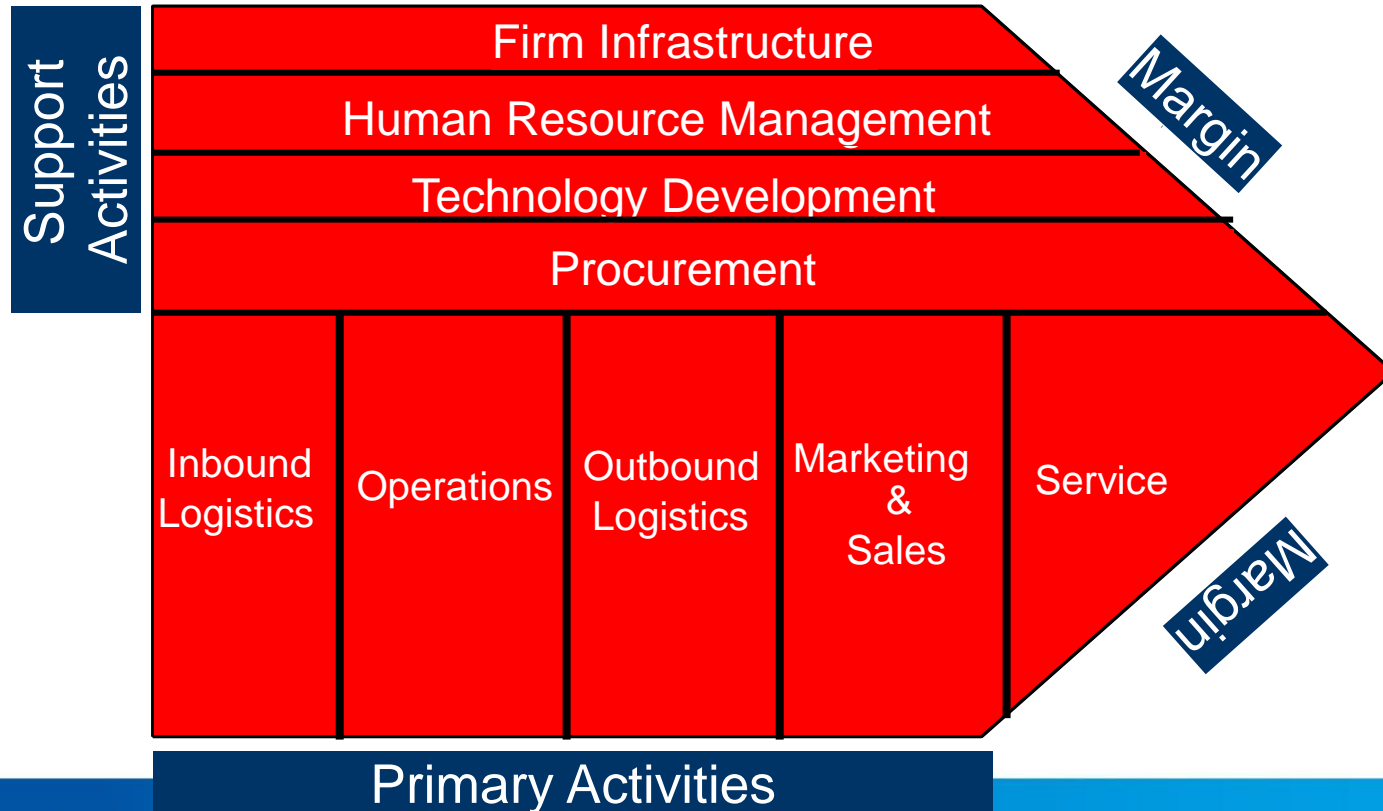
- 1) What businesses have been successful over time?  
What assets or competencies contributed to their success?  
What businesses have had chronically low performance?  
Why?  
What assets or competencies do they lack?



# Relevant Assets and Competencies

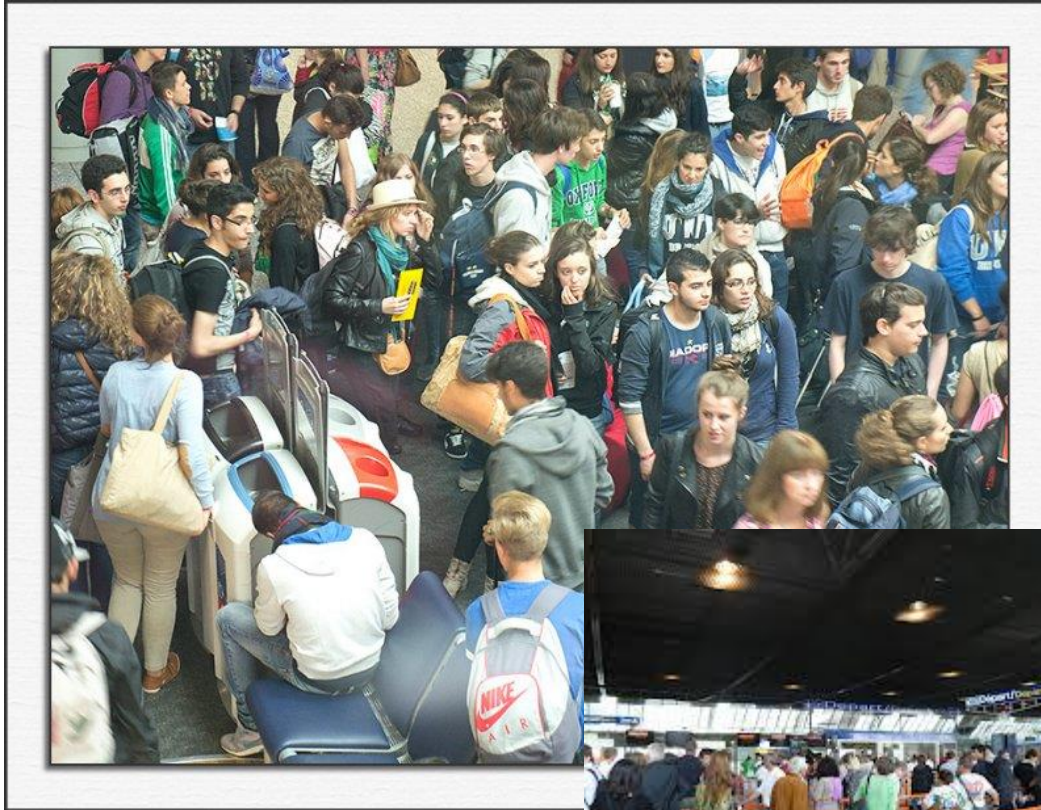
- 2) What are the key customer motivations?  
What is really important to the customer?
- 3) What are the large value-added parts of the product or service?  
What are the large cost components?
- 4) Consider the components of the value chain.  
Do any provide the potential to generate a competitive advantage?

# The Value Chain











# Key Learnings

- Competitors can be identified by customer choice (the set from which customers select) or by clustering them into strategic groups, (firms that pursue similar strategies and have similar assets, competencies, and other characteristics). In either case, competitors will vary in terms of how intensely they compete.
- Competitors should be analysed along several dimensions, including their size, growth and profitability, image, objectives, business strategies, organisational culture, cost structure, exit barriers, and strengths and weaknesses.
- Potential strengths and weaknesses can be identified by considering the characteristics of successful and unsuccessful businesses and their value-added components.