

I don't meet competition, I crush it.

CHARLES REVSON

# Competitive strategy

CHAPTER

twelve

## Chapter objectives

*After reading this chapter, you should be able to:*

- Explain the importance of developing competitive marketing strategies that position the company against competitors and give it the strongest possible competitive advantage.
- Identify the steps that companies go through in analysing competitors.
- Discuss the competitive strategies that market leaders use to expand the market and to protect and expand their market shares.
- Describe the strategies that market challengers and followers use to increase their market shares and profits.
- Discuss how market nichers find and develop profitable corners of the market.

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# Prelude case PS2 meets the X-box: certainly not all fun and games

In the games machine market life is even more challenging than *Tomb Raider*, more aggressive than *Grand Theft Auto* and more brutal than *Resident Evil*. In the early 1980s, no home could be without a video game console and a dozen cartridges. By 1983 Atari, Mattel and a dozen other companies offered some version of a video game system and industry sales topped €3.6 billion worldwide. Then, by 1985, home video game sales had plummeted to €100 million. Game consoles gathered dust, and cartridges, originally priced as high as €40 each, sold for €5. Industry leader Atari was hardest hit. Atari sacked 4,500 employees and sold the subsidiary at a fraction of its 1983 worth. Industry experts blamed the death of the industry on the fickle consumer. Video games, they said, were a passing fad.

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However, Nintendo, a 100-year-old toy company from Kyoto, did not agree. In late 1985, on top of the ruins of the video game business, the company introduced its Nintendo Entertainment System (NES). A year later, Nintendo had sold over 1 million NES units. By 1991 Nintendo and its licensees had annual sales of \$4 billion in a now revitalised €5 billion video game industry. Nintendo had 80 per cent share of the world market. Forty per cent of Japanese households and about 20 per cent of US and EU households had a NES.

How did Nintendo do it? First, it recognised that video game customers were not so much fickle as bored. The company sent researchers to visit video arcades to find out why alienated home video game fans still spent hours happily pumping arcade machines. The researchers found that Nintendo's *Donkey Kong* and similar games were still mainstays of the arcades, even though home versions were failing. The reason? The arcade games offered better quality, full animation and challenging plots. Home video games, on the other hand, offered only crude quality and simple plots. Despite their exotic names and introductory hype, each new home game was boringly identical to all the others, featuring slow characters that moved through ugly animated scenes to the beat of monotonous, synthesised tones. Kids had outgrown the first-generation home video games.

Nintendo saw the fall of the video game industry as an opportunity. It set out to differentiate itself by offering superior quality – by giving home video games customers a full measure of quality entertainment value for their money. Nintendo designed a

basic game system that sold for about €100 yet boasted near arcade-quality graphics. Equally important, it developed innovative and high-quality *Game Paks* to accompany the system. New games constantly appear and mature titles are weeded out to keep the selection fresh and interesting. The games contain consistently high-quality graphics and game plots vary and challenge the user. Colourful, cartoon-like characters move fluidly about cleverly animated screens. The most popular games involved sword-and-sorcery conflicts, or the series of *Super Mario* fantasy worlds, where young heroes battle to save endangered princesses or fight the evil ruler, *Wart*, for peace in the *World of Dreams*.

By differentiating itself through superior products and service, and by building strong relationships with its customers, Nintendo built a seemingly invincible quality position in the video game market. But it soon came under attack. New competitors such as Sony and Sega exploited the opportunities created as Nintendo junkies became bored and sought the next new video thrill. Sony beat Nintendo at its own game – product superiority – when it hit the market with its PlayStation machine, an advanced new system that offered even richer graphics, more lifelike sound and more complex plots. Nintendo countered with the Nintendo 64 and a fresh blast of promotion, but the competition has intensified and, while Nintendos were being discounted, the PlayStation was the Christmas hit toy of 1997.

Meanwhile the computer games world is attacked for being 'violent, destructive, xenophobic, racist and sexist'. Sega Europe has also been attacked for marketing gruesome games such as *Mortal Kombat* and *Murder Death Kill*. The industry has been criticised for cultivating a generation of 'Video Kids' for whom 30 seconds without scoring is boring; moral zombies hooked on worlds where the rules are shot or be shot, consume or be consumed, fight or lose. In Japan, where many of the games come from, consumers are more broad-minded than in most western countries. Nintendo needs to extend its customer range beyond the terminally fickle teenage males. Sega sponsored roadshows with teen magazines, and put girls in its TV ads after complaints from schoolchildren on its 'advisory board' about sexism in advertising. Sega Europe created a new toy division to target 'housewives with children, instead of 14-year-old boys'. The first product was Pico, an electronic learning aid for kids that has taken a 'significant' share of the Japanese high-tech toys market. The €9 million European launch included TV, press and posters with a full below-the-line campaign. Next came an 'electronic

**Exhibit 12.1** Peak sales of games consoles

Peak sales year	Format	Games consoles	Peak annual sales
1982	Atari	Atari	10 m
1989	8-bit	NES, Master system	11 m
1993	16-bit	Megadrive/Genesis, SNES, 300	14 m
1997	32/64-bit	PlayStation, N64, Saturn	32 m
2003	128-bit	PS2, X-box, Game cube, Dreamcast	45 m

SOURCES: Sony, Durlacher, *The Economist*.

learning aid that thinks it's a toy' for three- to seven-year-olds. At the older end of the market more cerebral 'stealth games' are taking hold in Japan. *Metal Gear Solid* and *Theft* reward silence, concealment and strategy more than bang and blast. Is this new thrust making gaming more civilised? No way.

While Nintendo and Sega chased the new markets, Sony's PlayStation blasted the 1997 Christmas market with the 'arcade feel' of *Ridge Racer* and *Crash Bandicoot* and 'scary, tension building' *Doom*. It is the kids who drive the games market and what they want is power and the latest cult machine. Three years after PlayStation blasted the competition, their €450 PlayStation 2 (PS2) is aimed to do the same again for Christmas 2000. With Internet access, CD and DVD playability the PS2's 128-bit microprocessor has twice the power of Intel's latest Pentium chip. So powerful is the PS2's processor that its export had to be specially licensed by the Japanese government since it has the performance necessary to guide a cruise missile.

However, Sony is not having it all their own way. Sega launched their Dreamcast a years before PS2 but sales were lacklustre and the machine and its games were soon discounted. The market also attracted the mighty Microsoft whose X-box appeared in late 2001. Unlike other games machines, the X-box is intended for use in a living room using the family TV and operating Microsoft's PC products. Nintendo, too, is fighting back with their Game Cube.

The battle between Sony, Microsoft and Nintendo pushed world games console sales to new heights in 2003 (Exhibit 12.1) but worldwide sales for 2006 are forecast to be less than 10 million. The intense battle is pushing up peak sales but

total sales over the life-cycle of 128-bit consoles are little more than those of 64-bit consoles. Each generation of console generates higher peak sales but with a shorter life-cycle.

Along with Sega, Nintendo is the loser in the 128-bit war with worldwide sales totalling 9.63 million compared with PS2's 50 million plus. Sataro Iwata, Nintendo's president, is promising radically new games. He believes that *Tales of Symphonia* and *Pocket Monster Colosseum*, both extensions of their popular *Pokémon* range, 'will have a big impact on the world'. Some industry observers disagree. Takashami Oya, of Credit Suisse First Boston, observes that 'Nintendo is like a boat that has drifted ashore'. In his view, Nintendo have missed the growth market for older, lighter users of games machines. For the time being Nintendo's lead in hand-held machines and the huge margin on games are keeping profits and margins up despite the cube's problems. However, a new round of the console wars is set to open. Off the back of their PS2 success, Sony are launching a hand-held machine in 2005, and 2006 will see 256-bit consoles with undreamt-of multimedia capabilities.<sup>1</sup>

## Questions

1. Why do you think Microsoft has chosen to challenge market leader Sony in the computer games market?
2. What are the key ingredients for success in the computer games market?
3. Using information from the case, and your own knowledge, compare the competitive strengths and weaknesses of the competitors in the computer game machine market. Who do you think will be the long-term winners and why?

# Introduction

Understanding customers is not enough. As the game console market shows, this is a period of intense competition in local and global markets. Many economies are deregulating and encouraging market forces to operate. The EU is removing trade barriers among European nations and deregulating many previously protected markets. Multinationals are moving aggressively into the south-east Asian markets and competing globally. The result is that companies have no choice but to be 'competitive'. They must start paying as much attention to tracking their competitors as to understanding target customers. Nintendo at first succeeded by being innovative and providing an excellent product that competitors could not match. Their innovativeness revitalised the market, made it grow, made it profitable and large. In doing so they attracted new powerful competitors from other industries, first consumer electronics-based Sony and then super-wealthy Microsoft.

Under the marketing concept, companies gain **competitive advantage** by designing offers that satisfy target-consumer needs better than competitors' offers. They might deliver more customer value by offering consumers lower prices than competitors for similar products and services, or by providing more benefits that justify higher prices. Marketing strategies must consider the strategies of competitors as well as the needs of target consumers. The first step is **competitor analysis**: the process of identifying key competitors; assessing their objectives, strengths and weaknesses, strategies and reaction patterns; and selecting which competitors to attack or avoid. The second step is developing **competitive strategies** that strongly position the company against competitors and give the company the strongest possible competitive advantage.

## Competitive advantage—

An advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

**Competitor analysis**—The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and selecting which competitors to attack or avoid.

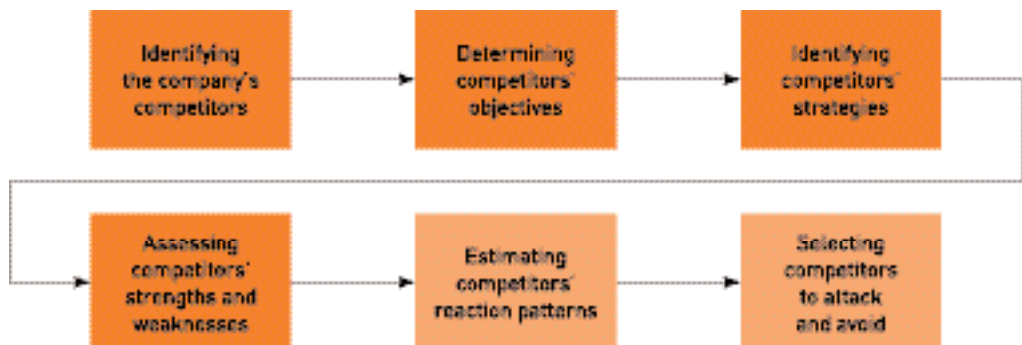
**Competitive strategies**—Strategies that strongly position the company against competitors and that give the company the strongest possible strategic advantage.

# Competitor analysis

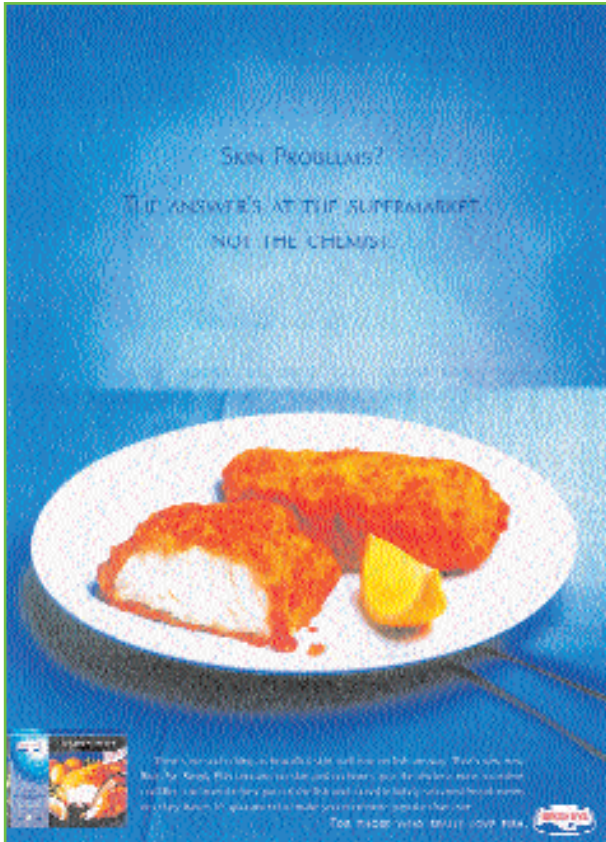
To plan effective competitive marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its products, prices, channels and promotion with those of close competitors. In this way the company can find areas of potential competitive advantage and disadvantage. It can launch more effective marketing campaigns against its competitors and prepare stronger defences against competitors' actions.

What do companies need to know about their competitors? They need to know: Who are our competitors? What are their objectives? What are their strategies? What are their strengths and weaknesses? What are their reaction patterns? Figure 12.1 shows the main steps in analysing competitors.

Figure 12.1 Steps in analysing competitors







Under the broadest consideration, companies that manufacture certain healthy foods like fish are competing with the cosmetics industry. SOURCE: Unilever/Advertising Archives.

## Identifying the company's competitors

Normally, it would seem a simple matter for a company to identify its competitors. Boeing knows that Airbus is its strongest competitor; and Nokia knows that it competes with Motorola.<sup>2</sup> At the most obvious level, a company can define its *product category competition* as other companies offering a similar product and services to the same customers at similar prices. Thus Volvo might see Mercedes as a foremost competitor, but not Rolls-Royce cars or Reliant (makers of the three-wheeled cars that Mr Bean bullies).

In competing for people's money, however, companies actually face a much wider range of competitors. More broadly, the company can define its *product competition* as all firms making the same product or class of products. Volvo could see itself as competing against all other car manufacturers. Even more broadly, competitors might include all companies making products that supply the same service. Here Volvo would see itself competing against not only other car manufacturers, but also the makers of trucks, motor cycles or even bicycles. Finally and still more broadly, competitors might include all companies that compete for the same consumer's money. Here Volvo would see itself competing with companies that sell major consumer durables, foreign holidays, new homes or extensive home repairs or alterations.

### The industry point of view

Many companies identify their competitors from the *industry* point of view. An **industry** is a group of firms that offer a product or class of products that are close substitutes for each other. We talk about the car industry, the oil industry, the pharmaceutical industry or the beverage industry. In a given industry, if the price of one product rises, it causes the demand

**Industry**—A group of firms that offer a product or class of products that are close substitutes for each other. The set of all sellers of a product or service.

for another product to rise. In the beverage industry, for example, if the price of coffee rises, this leads people to switch to tea or lemonade or soft drinks. Coffee, tea, lemonade and soft drinks are substitutes, even though they are physically different products. A company must strive to understand the competitive pattern in its industry if it hopes to be an effective ‘player’ in that industry.

### The market point of view

Instead of identifying competitors from the industry point of view, the company can take a *market* point of view. Here it defines its *task competition* as companies that are trying to satisfy the same customer need or serve the same customer group. From an industry point of view, Heineken might see its competition as Beck’s, Carlsberg and other brewers. From a market point of view, however, the task competition may include all ‘thirst quenching’ or ‘social drinking’. Energy drinks, new-age drinks, alcopops, ‘designer’ water and many other drinks could satisfy the needs. Generally, the market concept of competition opens the company’s eyes to a broader set of actual and potential competitors. This leads to better long-run market planning.

The key to identifying competitors is to link industry and market analysis by mapping out product/market segments. Table 12.1 shows a reduced set of product/market segments in the spreads market by product types and competitor battling it out on Tesco’s dairy spreads shelf. Market leading Unilever cover almost all product classes with their Flora range augmented by I Can’t Believe Its Not Butter and Stork. Tesco’s own brands match Unilever in nearly every segment but that expensive and more technically demanding cholesterol lowering segment. Some of the specialist segments in the market are small but these have allowed Pure to establish a health oriented appeal. If Pure wanted to expand, it would need to estimate the market size of each segment, the market shares of the current competitors, and their current capabilities, objectives and strategies. Clearly each product/market segment would pose different competitive problems and opportunities.

**Table 12.1** Product market segments for spreads

Product/Market segments	Tesco	Unilever	Others
<b>Buttery taste</b>	Butter Me Up	I Can’t Believe Its Not Butter Flora Buttery Vegetable	St Ivel Utterly Butterly
<b>Family spreads</b>	Value	Flora Original	St Ivel Gold, Clover
<b>Reduced fat spreads</b>	Healthy Living Olive Light Only 5% Fat Sunflower	Flora Vegetable Low Fat Flora Diet	St Ivel Gold Light, Diet delight
<b>Olive oil based</b>	Tesco Olive Tesco	Flora Pro Activ Olive	Olivio, Carapelli, Bertolli (Olivio)
<b>Cholesterol lowering</b>	–	Flora Pro-Activ	Benecol
<b>Reduced salt</b>	–	Flora Low Salt	Pure LoSalt
<b>Dairy Free</b>	–	–	Pure Dairy Free Soya
<b>Organic</b>	–	–	Pure Organic Reduced Fat
<b>Cooking</b>	Baking Margarine	White Flora Stork	

SOURCE: The Margarine and Spreads Association’s [www.margarine.org.uk](http://www.margarine.org.uk) and [www.tesco.com](http://www.tesco.com)

## Chapter 12 Competitive strategy

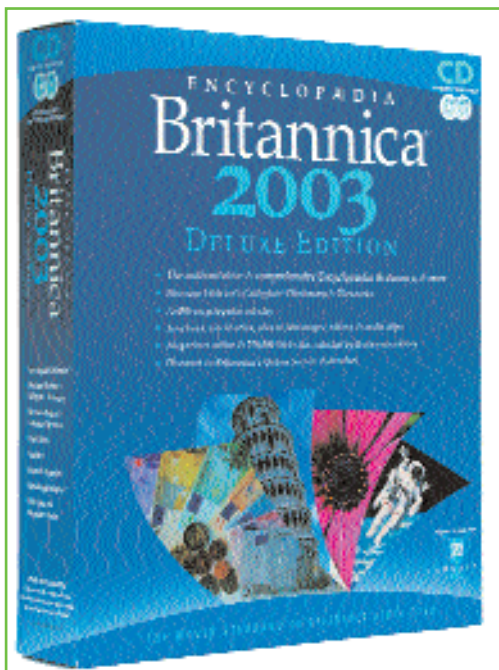
Taking a customer-oriented view of the market is critical to avoiding ‘competitor myopia’ where the immediate competition blinds a company to latent competitors who can completely destroy the old ways of doing business.

Encyclopedia Britannica viewed itself as competing with other publishers of printed encyclopedia sets selling for as much as €2,500 per set. However, it learned a hard lesson when Microsoft Encarta, an encyclopedia on CD-ROM, was introduced and sold for only €60. It seems that parents bought the *Britannica* less for its intellectual content than out of a desire to do what’s right for their children. Although less comprehensive than the *Britannica*, Encarta and other CD-ROM encyclopedias served this ‘do what’s right’ purpose well. By the time *Britannica* introduced its own CD-ROM and online versions, its sales of its print edition plunged by more than 80 per cent. Thus, Encyclopedia Britannica’s real competitor was general databases, in books, on CD-ROM, websites (studyweb.com) or even news groups (comp.infosystems.interpedia).<sup>3</sup>

### Determining competitors’ objectives

Having identified the main competitors, marketing management now asks: What does each competitor seek in the marketplace? What drives each competitor’s behaviour?

The marketer might at first assume that all competitors would want to maximise their profits and choose their actions accordingly. However, companies differ in the emphasis they put on short-term versus long-term profits, and some competitors are oriented towards ‘satisfying’ rather than ‘maximising’ profits. They have profit goals that satisfy them, even if the strategies could produce more profits.



Encyclopedia Britannica viewed itself as the world’s leading publisher of printed encyclopedias until it discovered that its real competitors were CD-ROM-based software and Internet access.  
SOURCE: Encyclopedia Britannica.

Marketers must look beyond competitors' profit goals. Each competitor has a mix of objectives, each with differing importance. The company wants to know the relative importance that competitors place on current profitability, market share growth, cash flow, technological leadership, service leadership and other goals. Knowing a competitor's objectives reveals whether it is satisfied with its current situation and how it might react to competitive actions. For example, a company that pursues low-cost leadership will react much more strongly to a competitor's cost-reducing manufacturing breakthrough than to the same competitor's advertising increase. A company must also monitor its competitors' objectives for attacking various product/market segments. If the company finds that a competitor has discovered a new segment, this might be an opportunity. If it finds that competitors plan new moves into segments now served by the company, it will be forewarned and, hopefully, forearmed.

## Identifying competitors' strategies

The more that one firm's strategy resembles another firm's strategy, the more the firms compete. In most industries, the competitors sort into groups that pursue different strategies. A **strategic group** is a group of firms in an industry following the same or a similar strategy in a given target market. For example, in the washing machine industry, Electrolux and Whirlpool belong to the same strategic group producing a full line of medium-price appliances supported by good service. On the other hand, quality-oriented Bosch, Maytag, and innovative new entrant Dyson, belong to a different strategic group. They produce a narrower line of appliances and charge a premium price.

**Strategic group**—A group of firms in an industry following the same or a similar strategy.

Some important insights emerge from strategic group identification. For example, if a company enters one of the groups, the members of that group become its key competitors. Thus, if the company enters the first group against Electrolux and Whirlpool, it can succeed only if it develops some strategic advantages over these large competitors.

Although competition is most intense within a strategic group, there is also rivalry among groups. First, some of the strategic groups may appeal to overlapping customer segments. For example, no matter what their strategy, all major appliance manufacturers will go after the apartment and home builders segment. Second, the customers may not see much difference in the offers of different groups – they may see little difference in quality between Electrolux and Bosch. Finally, members of one strategic group might expand into new strategy segments, as Whirlpool has done by extending its washing machine range to approach Bosch's prices.<sup>4</sup>

The company needs to look at all the dimensions that identify strategic groups within the industry. It needs to know each competitor's product quality, features and mix, customer services, pricing policy, distribution coverage, sales force strategy, and advertising and sales promotion programmes. It must study the details of each competitor's R&D, manufacturing, buying, financial and other strategies.

## Assessing competitors' strengths and weaknesses

Can a company's competitors carry out their strategies and reach their goals? This depends on each competitor's resources and capabilities. Marketers need to identify accurately each competitor's strengths and weaknesses. For example, for a long time American and British acts dominated the popular music industry. Abba signalled a change in the industry structure with an increasing number of Swedish bands or bands recording in Sweden. Marketing Insights 12.1 looks at the marketing strengths underlying this phenomenon.

As a first step, a company gathers key data on each competitor's business over the last few years. It wants to know about competitors' goals, strategies and performance. Admittedly, some of this information will be hard to collect. For example, industrial goods companies find it hard to estimate competitors' market shares because they do not have the same syndicated



## The singing Swedes

12.1

Why has pop music become one of Sweden's greatest exports and Stockholm one of the hit-making capitals of the world?

### Melody makers

'Swedes are very musical people to start with', says Bol Hydena, MD of Nordic MTV. 'Melody-making is important to us and somehow we all seem to be good at it, perhaps because we are exposed to it at such an early age. Most everyone goes to music lessons when they are young. And we all have to sing – the making of song is a national art.' According to Holger Jensen, professor of music at Stockholm University, 'Swedes have an almost inborn ability to create easy, nice-sounding melodies.'

### State support

At Sweden's secondary schools, any instrument is easily available to anyone who wants to play. Pupils are strongly encouraged to study musical composition. The immediate result is that thousands of bands, from the awful to the superb, play at weekends in front rooms and garages across the country. Another important tradition, dating back to pre-Woodstock days, is that new and established singers and bands can try out their material in so-called people's or folk parks. Abba, notably, were a product of the circuit that has grown up around these free, government-supported, outdoor venues.

### Anglophiles

Swedes pride themselves on their ability to speak and sing in English and, because American and British movies are generally subtitled rather than dubbed, they also have a good grasp of American and English idioms. According to one defiant Swedish-language singer, 'on a certain level, we're all American and English wannabes'. There's nothing particularly Swedish about the chart-topping songs that Max Martin and his musicians whip up for Britney Spears and the Backstreet Boys, but some Swedes argue that Martin's ability to imitate Anglo-American pop and add hummable lyrics is itself thoroughly Swedish.

### Market economics

Because the domestic Swedish market is so small, real money-making success requires acts to win fans from abroad. In a country where thousands aspire to a music

## ...12.1

career, to survive for any length of time one needs to be able to create music for the larger, English listening market. As Sanji Tandan, managing director of Warner Brothers Sweden, puts it: 'They've got to be able to make it out there to make it in here.'

### Blonde looks

To really, really make it big requires one more crucial factor. As Professor Jensen slyly observes: 'An interesting feature common to Abba, the A-Teens, the Cardigans and others, is the union of male and female – usually with at least one blonde woman.'

### Global competitiveness

The advantage that the Swedish environment gives its musicians is an example of many advantages that a competitor gains from its location. Agencies rate these advantages that are often related to the economic growth of nations. For example, an index of economic freedom shows one advantage that businesses in Hong Kong (first), Singapore (second), the US (third) and the UK (fourth) have over businesses in other countries, while indices of entrepreneurial activity show a wide gap between the G8 and EU member states.

SOURCE: Extract from 'Stockholm syndrome', *The Business FT Weekend* (11 November 2000), pp. 18–22; 'Economic freedom', *The Economist* (12 July 2003), p. 94; Jonathan Guthrie, 'Riding up an enterprise league on a surge in commerce', *Financial Times* (9 January 2004), p. 4.

data services that are available to consumer packaged-goods companies. Still, any information they can find will help them form a better estimate of each competitor's strengths and weaknesses.

Companies normally learn about their competitors' strengths and weaknesses through secondary data, personal experience and hearsay. They can also increase their knowledge by conducting primary marketing research with customers, suppliers and dealers. Recently, a growing number of companies have turned to **benchmarking**, comparing the company's products and processes to those of competitors or leading firms in other industries to find ways of improving quality and performance. Benchmarking has become a powerful tool for increasing a company's competitiveness.

In searching for competitors' weaknesses, the company should try to identify any assumptions they make about their business and the market that are no longer valid. Some companies believe they produce the best quality in the industry when this is no longer true. Many companies are victims of rules-of-thumb such as 'customers prefer full-line companies', 'the sales force is the only important marketing tool' or 'customers value service more than price'. If a competitor is operating on a significant wrong assumption, the company can take advantage of it.

**Benchmarking**—The process of comparing the company's products and processes to those of competitors or leading firms in other industries to find ways to improve quality and performance.

## Estimating competitors' reaction patterns

A competitor's objectives, strategies and strengths and weaknesses explain its likely actions, and its reactions to moves such as a price cut, a promotion increase or a new product introduction. In addition, each competitor has a certain philosophy of doing business, a certain internal culture and guiding beliefs. Marketing managers need a deep understanding of a given competitor's mentality if they want to anticipate how that competitor will act or react.

Each competitor reacts differently. Some do not react quickly or strongly to a competitor's move: they may feel that their customers are loyal; they may be slow in noticing the move; they may lack the funds to react. Some competitors react only to certain types of assault and not to others. They might always respond strongly to price cuts in order to signal that these will never succeed. But they might not respond at all to advertising increases, believing these to be less threatening. Other competitors react swiftly and strongly to any assault. As Unilever has found with its Persil/Omo Power, P&G does not let a new detergent come easily into the market. Many firms avoid direct competition with P&G and look for easier prey, knowing that P&G will fight fiercely if challenged. Finally, some competitors show no predictable reaction pattern. They might or might not react on a given occasion and there is no way to foresee what they will do based on their economics, history or anything else.

In some industries, competitors live in relative harmony; in others, they fight constantly. Knowing how key competitors react gives the company clues on how best to attack competitors or how best to defend the company's current positions.<sup>5</sup>

## Selecting competitors to attack and avoid

Management has already largely determined its main competitors through prior decisions on customer targets, distribution channels and marketing-mix strategy. These decisions define the strategic group to which the company belongs. Management must now decide which competitors to compete against most vigorously. The company can focus its attack on one of several classes of competitors.

### Strong or weak competitors

Most companies prefer to aim their shots at their weak competitors. This requires fewer resources and less time. Conversely, the firm may gain little. Alternatively, the firm should also compete with strong competitors to sharpen its abilities. Furthermore, even strong competitors have some weaknesses and succeeding against them often provides greater returns.

A useful tool for assessing competitor strengths and weaknesses is **customer value analysis**— asking customers what benefits they value and how they rate the company versus competitors on important attributes. Customer value analysis also points out areas in which the company is vulnerable to competitors' actions.

### Close or distant competitors

Most companies will compete with those competitors who resemble them the most. Thus, Citroën/Peugeot competes more against Renault than against Porsche. At the same time, the company may want to avoid trying to 'destroy' a close competitor to avoid accusations of excessive monopolistic power or to keep the known competitors as a bulwark against new competitors.

A company really needs and benefits from competitors. The existence of competitors results in several strategic benefits. Competitors may help increase total demand. They share

### Customer value analysis—

Analysis conducted to determine what benefits target customers value and how they rate the relative value of various competitors' offers.

the costs of market and product development, and help to legitimise new technology. They may serve less attractive segments or lead to more product differentiation. Finally, they may improve bargaining power against labour or regulators.

However, a company may not view all of its competitors as beneficial. An industry often contains ‘well-behaved’ competitors and ‘disruptive’ competitors. Well-behaved competitors play by the rules of the industry. They favour a stable and healthy industry, set prices in a reasonable relation to costs, motivate others to lower costs or improve differentiation, and accept a reasonable level of market share and profits. Disruptive competitors, on the other hand, break the rules. They try to buy share rather than earn it, seek subsidies, take large risks, invest in overcapacity and generally shake up the industry.

Currently several leading European airlines are profitable and growing while their American competitors are suffering. The fallout from 9–11 is one reason for this difference in fortunes. Following the destruction of the Twin Towers the US government gave US airlines a subsidy to help them over the resulting commercial hiatus. In contrast, the EU banned such handouts and so forced Europe’s leading airlines to slim to economic levels. The European airlines are now benefiting from the rigorous competition they faced, while their US competitors are loaded with the excess capacity and costs that the subsidy funded.<sup>6</sup>

The implication is that ‘well-behaved’ companies should try to shape an industry that consists only of well-behaved competitors. Through careful licensing, selective retaliation and coalitions, they can make competitors behave rationally and harmoniously, follow the rules, try to earn share rather than buy it, and differentiate somewhat to compete less directly.

## Designing the competitive intelligence system

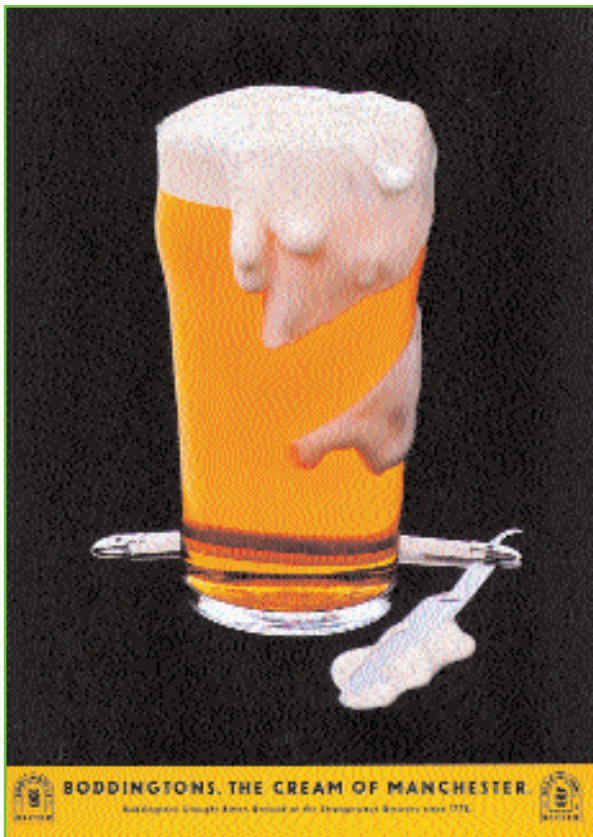
We have described the main types of information that company decision-makers need to know about their competitors. This information needs collecting, interpreting, distributing and using. Although the cost in money and time of gathering competitive intelligence is high, the cost of not gathering it is higher. Yet the company must design its competitive intelligence system in a cost-effective way.

The competitive intelligence system first identifies the vital types of competitive information and the best sources of this information. Then the system continuously collects information from the field (sales force, channels, suppliers, market research firms, trade associations) and from published data (government publications, speeches, articles). Next, the system checks the information for validity and reliability, interprets it and organises it in an appropriate way. Finally, it sends key information to relevant decision-makers and responds to enquiries from managers about competitors.

With this system, company managers will receive timely information about competitors in the form of phone calls, bulletins, newsletters and reports. In addition, managers can contact the system when they need an interpretation of a competitor’s sudden move, or when they require to know a competitor’s weaknesses and strengths or how a competitor will respond to a planned company move.

Smaller companies that cannot afford to set up a formal competitive intelligence office can assign specific executives to watch specific competitors. Thus a manager who used to work for a competitor might follow closely all developments connected with that competitor; he or she





Boddingtons single-mindedly focus on the product's attribute, smoothness – as evidenced by the creamy head – to differentiate it.

SOURCE: Bartle Bogle Hegarty (BBH). Photography: Tif Hunter.

would be the 'in-house' expert on that competitor. Any manager needing to know the thinking of a given competitor could contact the assigned in-house expert.

## Competitive strategies

Having identified and evaluated the main competitors, the company must now design competitive marketing strategies that best position its offer against competitors' offerings.<sup>7</sup> What broad marketing strategies can the company use? Which ones are best for a particular company or for the company's different divisions and products?

No one strategy is best for all companies. Each company must determine what makes the most sense, given its position in the industry and its objectives, opportunities and resources. Even within a company, different businesses or products need different strategies. Johnson & Johnson uses one marketing strategy for its leading brands in stable consumer markets and a different marketing strategy for its new high-tech healthcare businesses and products. We now look at broad competitive marketing strategies that companies can use.

### Competitive positions

Firms competing in a given target market will, at any moment, differ in their objectives and resources. Some firms will be large, others small. Some will have great resources, others will be strapped for funds. Some will be old and established, others new and fresh. Some will strive for rapid market share growth, others for long-term profits. And the firms will occupy different competitive positions in the target market.

Michael Porter suggests four basic competitive positioning strategies that companies can follow – three winning strategies and one losing one.<sup>8</sup> The three winning strategies are:

1. *Overall cost leadership.* Here the company works hard to achieve the lowest costs of production and distribution, so that it can price lower than its competitors and win a large market share. After years of stable industrial structures, changes in the economics of the EU and technology have stimulated a rush for mergers and acquisitions as once nationally dominant firms struggle for scale in the enlarged market. The biggest grab of all has been Vodafone AirTouch's acquisition of Mannesmann. Another major consolidation is aerospace where the aim is to use scale and lean production to drive costs down.<sup>9</sup>  
However, big is not always beautiful. In the steel industry small mini-mills, including Nucor and Chaparral Steel, which use electric furnaces to convert scrap metal, are undercutting the large integrated suppliers, while in retailing big stores are struggling against more nimble and more focused competitors. Scale can sometimes help cut costs but, by itself, it is neither a necessary nor a sufficient way of achieving overall cost leadership.
2. *Differentiation.* Here the company concentrates on creating a highly differentiated product line and marketing programme, so that it comes across as the class leader in the industry. Most customers would prefer to own this brand if its price is not too high. Bose follows this strategy with its ultra-small hi-fi speakers as do Dualit with Alissi with their stylish and fun kitchen utensils.

Pharmaceutical company GSK claims it has the 'best pipeline in the industry'. That keeps their share prices up when 'the pipeline' is their term for new and unique drugs in various stages of development and testing. For 2006 they anticipate launching their 162 'Better Welburtin' (anti-depressant), 698 (rhinitis/asthma) and dual acting COX2 (pain and schizophrenia). In each of these markets GSK hopes their differentiated treatments will give them an edge on the competition.<sup>10</sup>

3. *Focus.* Here the company focuses its effort on serving a few market segments well rather than going after the whole market. Many firms in northern Italy excel at this. Among them are Luxottica, the world's leading maker of spectacle frames, pasta makers Barilla, and many dynamic small textile firms in the Prato. In an industrial market Domnick Hunter delivers double-digit growth by focusing on its world-beating expertise in industrial filtration products that are essential from nanotechnology to incubators for premature babies.<sup>11</sup>

Companies that pursue a clear strategy – one of the above – are likely to perform well. The firm that carries out that strategy best will make the most profits. Firms that do not pursue a clear strategy – *middle-of-the-roaders* – do the worst. Olivetti, Philips and Marks & Spencer all came upon difficult times because they did not stand out as the lowest in cost, highest in perceived value or best in serving some market segment. Middle-of-the-roaders try to be good on all strategic counts, but end up being not very good at anything.

Examples abound of products and services caught in the middle – adequate but not exciting – losing ground to more clearly positioned competitors at both the high and low ends. For example, swanky stores such as Gap and budget outlets such as Aldi and Matalan are prospering, while long-established high

street stores flounder. Häagen-Dazs, Ben & Jerry's and other 'super-premium' ice-creams are thriving – as are grocers' own bargain labels – while middle brands such as Crosse & Blackwell are struggling. Travellers want either economy lodging at chains such as Travelodge or to sleep in the lap of luxury; want to fly business class from London Docklands airport or frill-free easyJet. Operations in the 'murky middle' face increasing pressure from competitors at both ends of the spectrum.

## Competitive moves

Businesses maintain their position in the marketplace by making *competitive moves* to attack competitors or defend themselves against competitive threats. These moves change with the role that firms play in the target market – that of leading, challenging, following or niching. Suppose that an industry contains the firms shown in Figure 12.2. Some 40 per cent of the market is in the hands of the **market leader**, the firm with the largest market share. Another 30 per cent is in the hands of a **market challenger**, a runner-up that is fighting hard to increase its market share. Another 20 per cent is in the hands of a **market follower**, another runner-up that wants to hold its share without rocking the boat. The remaining 10 per cent is in the hands of **market nichers**, firms that serve small segments not being pursued by other firms.

We now look at specific marketing strategies that are available to market leaders, challengers, followers and nichers. In the sections that follow, you should remember that the classifications of competitive positions often apply not to a whole company, but only to its position in a specific industry. For example, large and diversified companies such as P&G, Unilever, Nestlé, Procordia or Société Générale de Belgique – or their individual businesses, divisions or products – might be leaders in some markets and nichers in others. For example, Procter & Gamble leads in dishwashing and laundry detergents, disposable nappies and shampoo, but it is a challenger to Unilever in hand soaps. Companies' competitive strengths also vary geographically. Buying Alpo from Grand Metropolitan in 1994 made Nestlé the challenger in the US pet-foods market behind Ralston Purina's 18 per cent share. However, in the submarket for US canned cat food, Nestlé has a commanding 39 per cent share. By contrast, in the fragmented European pet-foods market, Nestlé Friskies languishes in fourth place behind Mars' Pedigree (47 per cent), Dalgety and Quaker. However, even with that low base, Nestlé's Go Cat is Europe's top-selling dry cat food.

**Market leader**—The firm in an industry with the largest market share; it usually leads other firms in price changes, new product introductions, distribution coverage and promotion spending.

**Market challenger**—A runner-up firm in an industry that is fighting hard to increase its market share.

**Market follower**—A runner-up firm in an industry that wants to hold its share without rocking the boat.

**Market nicher**—A firm in an industry that serves small segments that the other firms overlook or ignore.



Figure 12.2 Market structure

## Market-leader strategies

Most industries contain an acknowledged market leader. The leader has the largest market share and usually leads the other firms in price changes, new product introductions, distribution coverage and promotion spending. The leader may or may not be admired, but other firms concede its dominance. The leader is a focal point for competitors, a company to challenge, imitate or avoid. Some of the best-known market leaders are Boeing (airliners), Nestlé (food), Microsoft (software), L'Oréal (cosmetics), McDonald's (fast food) and De Beers (diamonds).

Manchester United certainly do not win all football championships but they are overpowering leaders as a world sports brand. The club's global membership and merchandising swamps all other. This generates wealth that allows them to buy players at prices that would make other teams wince. In Britain's high-spending Premier League MUFC is valued at more than all the other teams together!<sup>12</sup>

A leader's life is not easy. It must maintain a constant watch. Other firms keep challenging its strengths or trying to take advantage of its weaknesses. The market leader can easily miss a turn in the market and plunge into second or third place. A product innovation may come along and hurt the leader (as when Nokia's and Ericsson's digital phones took the lead from Motorola's analogue models). The leader might grow arrogant or complacent and misjudge the competition. This has resulted in General Motors and Ford losing sales in Europe; after underestimating revitalised competition from VW and Renault, the US giants concentrated their activities in the US. Other leaders might look old-fashioned against new and peppier rivals (as when Britain's Marks & Spencer lost serious ground to more current or stylish brands like Gap, Levis, Tommy Hilfger, DKNY and Guess).<sup>13</sup>

Remaining an industry leader demands action on five fronts. First, the firm can limit competitive pressures by alliances or mergers. Second, the firm must find ways to expand total demand. Third, the firm can try to expand its market share further, even if market size remains constant. Fourth, a company can retain its strength by reducing its costs. Fifth, the firm must protect its current market share through good defensive and offensive actions (Figure 12.3).

### Expanding the total market

The leading firm normally gains the most when the total market expands. If people take more pictures, then as the market leader, Kodak stands to gain the most. If Kodak can persuade more people to take pictures, or to take pictures on more occasions, or to take more pictures on each occasion, it will benefit greatly. Generally, the market leader should look for new users, new uses and more usage of its products.

#### *New users*

Every product class can attract buyers who are still unaware of the product, or who are resisting it because of its price or its lack of certain features. A seller can usually find new users in many places. For example, L'Oréal might find new fragrance users in its current markets by convincing women who do not use expensive fragrance to try it. Or it might find users in new demographic segments: for instance, men's fragrances are currently a fast-growing market. Or it might expand into new geographic segments, perhaps by selling its fragrances to the new wealthy in eastern Europe.



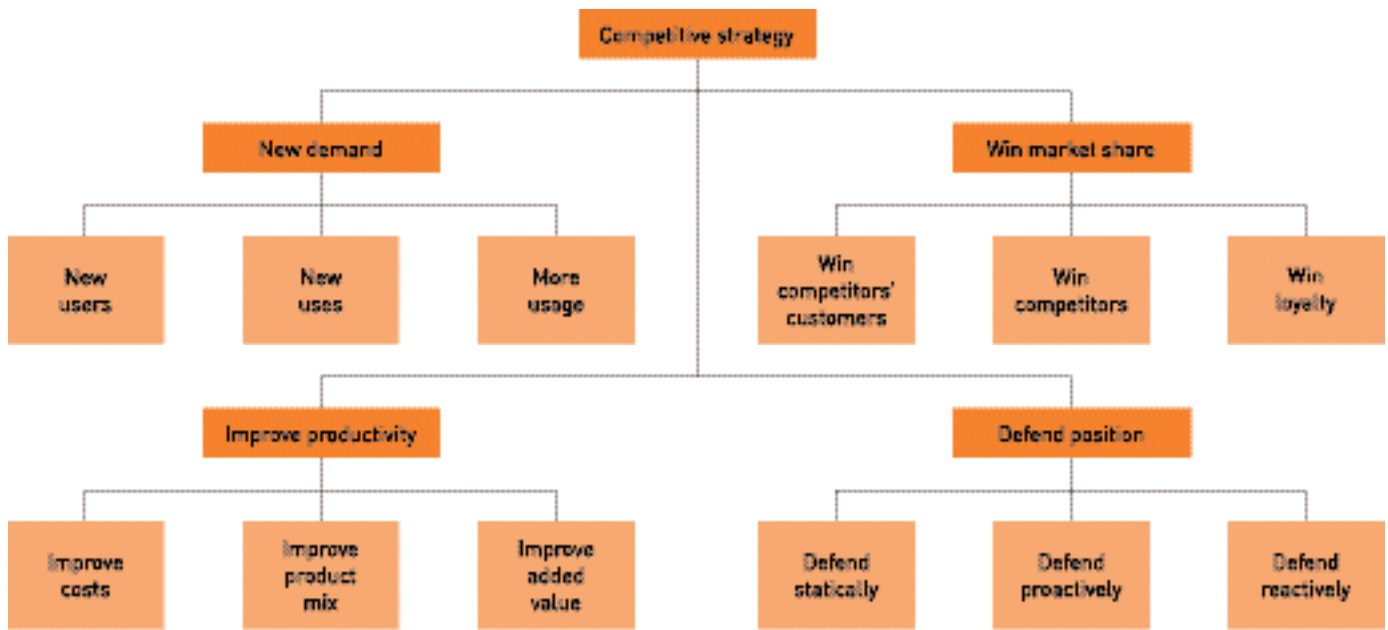


Figure 12.3 Market leader strategies

In prudish UK, market leader *Ann Summers* is expanding the market by making 'accessible sex shops' mainstream and by appealing to women. Says owner Jacqueline Gold, '70 per cent of our sales are lingerie. It's the fun element, people, and particularly women, enjoy coming into the store.' Having purchased niche retailer *Knickerbox*, the company aim to have a sex shop on every high street within three years.<sup>14</sup>

### New uses

The marketer can expand markets by discovering and promoting new uses for the product. DuPont's nylon is an example of new-use expansion. Every time nylon became a mature product, some new use appeared. Nylon was first used as a fibre for parachutes, then for women's stockings, later as a leading material in shirts and blouses, and still later in vehicle tyres, upholstery and carpeting.

### More usage

A third market expansion strategy is to persuade people to use the product more often or to use more per occasion. Campbell encourages people to consume more of its soup by running ads using it as an ingredient in recipes in women's magazines. P&G advises users that its Head & Shoulders shampoo is more effective with two applications instead of one per hair wash.

The Michelin Tyre Company found a creative way to increase usage per occasion. It wanted French car owners to drive more miles per year, resulting in more tyre replacement. Michelin began rating French restaurants on a three-star system and publishing them in its Red Guides. It reported that many of the best restaurants were in the south of France, leading many Parisians to take weekend drives south. Michelin also publishes its Green Guide containing maps and graded sights to encourage additional travel.

## Expanding market share

Market leaders can also grow by increasing their market shares further. In many markets, small market-share increases mean very large sales increases. For example, in the coffee market, a 1 per cent increase in market share is worth about €50 million; in soft drinks about €500 million! No wonder normal competition turns into marketing warfare in such markets. Many studies have found that profitability rises with increasing market share.<sup>15</sup> Businesses with very large relative market shares averaged substantially higher returns on investment. Because of these findings, many companies have sought expanded market shares to improve profitability. General Electric, for example, declared that it wants to be at least no. 1 or 2 in each of its markets or else get out. GE shed its computer, air-conditioning, small appliances and television businesses because it could not achieve a top-dog position in these industries. Nestlé intends to hold its position as the world's leading food company, although France's Danone also has designs on that spot. Both have been acquiring businesses, Nestlé buying Perrier and Rowntree among others, while Danone own Jacobs, Kronenbourg, Amora, Lea & Perrins and HP sauce. There are three main ways by which these firms can further increase their leading position.

### Win customers

Winning competitors' customers is rarely easy. Sales promotions and price reductions can produce increased share quickly, but such gains are made at the expense of profitability and disappear once the promotion ends. Exceptions to this are price fights stimulated by market leaders with more resources than competitors. Internet businesses are currently absorbing huge losses as they use low price and high advertising expenditure to buy share in the growing market.

In the long term, market share gains are achieved by investment in quality, innovation or brand building. For instance, Mercedes' new C-Class model has helped the company increase its sales by 23 per cent. Sales were up 40 per cent in western Europe (excluding Germany), 34 per cent in the United States and 30 per cent in Japan. In Germany the 38 per cent growth gave a 2 per cent rise in market share.

### Win competitors

The forces at play in a company's microenvironment are discussed in Chapter 3. Michael Porter graphically portrayed companies squeezed in a first dimension between suppliers customers who limit the profits a firm can make (shown in Figure 3.1) and market between entrants in a second dimension who can take market share, and makers of substitutes who can replace the market entirely.<sup>16</sup> Take, for example, Kodak. In the Third World markets they are now entering, their profits are limited by how much relatively poor consumers will pay. At the same time the company is forced to pay suppliers at world market rates for the chemicals, components and raw materials it uses to make films. For many years, Kodak has had to fight off Fuji, a Japanese company that had entered many of Kodak's markets. Now Kodak faces the biggest challenge of all, from memory devices in the digital cameras that are replacing the optical cameras that use Kodak films.

Through alliances and mergers, corporations can increase their profitability by changing the competitive environment. Governments realise this and therefore block deals that give companies too much marketing power. One case is the blocking of the proposed merger of American Airlines and British Airways, since the link would give them too much power at London's Heathrow airport.

The 8 Cs framework (Figure 12.4) shows how corporations can increase their marketing power through mergers and alliances. They can have links with:

- *Competitors.* This automatically increases a company's strength in the market and its buying power. Acquisitions and mergers between one-time competitors are always occurring as firms try to grow to face global competition. The names of many leading

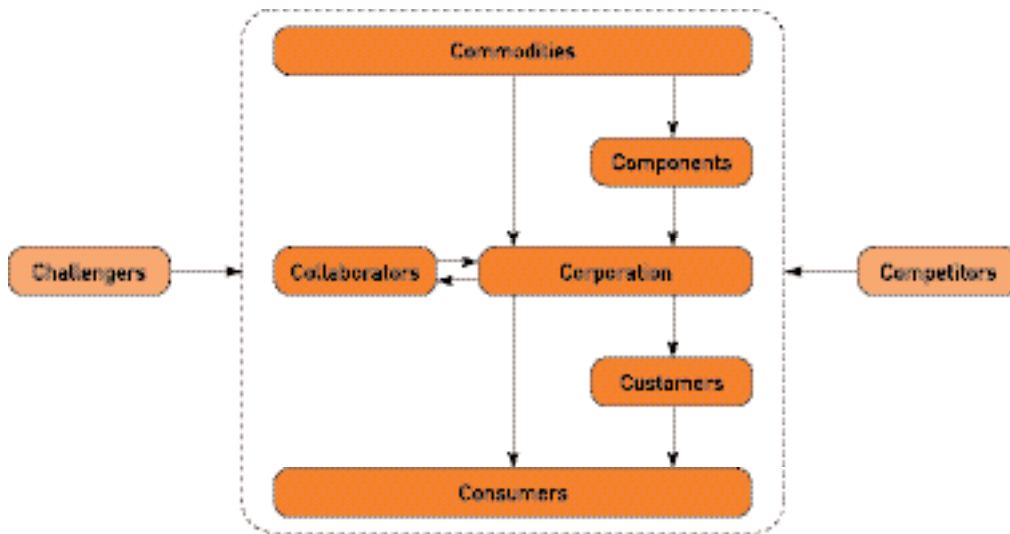


Figure 12.4 The 8 Cs competitive domain

companies reflect past mergers: DaimlerChrysler, Vivendi Universal and GSK (GlaxoSmithKline) and Lloyds TSB.

- **Challengers.** It is common for established companies to grow by acquiring small companies that challenge existing products or bring exciting new ideas. Hence the purchase of new-age products, such as Snapple or Ben & Jerry's ice-cream, by food giants.
- **Collaborators.** These can be outside the industry but add some marketing strength to an alliance. One such link-up is between McDonald's, Coca-Cola and Disney; another is between Motorola and Microsoft to provide web-enabled mobile phones.
- **Commodities.** Oil companies own major brands but most of their stock market valuation is based upon their oil reserves. When Royal Dutch/Shell revised their estimated reserves downward their share price immediately fell.
- **Components.** Many car companies own companies that supply them. Many firms have pulled away from the risk of too much vertical integration that compounds the risk of any downturn in sales. Once GM used to own the rubber plantations as a source of raw materials for the tyres they put on their automobiles. An increasing number of global companies, such as Nike, own the brand and little else. Their strength is in design and marketing where most value is added, and not in low value-added activities, such as manufacturing.
- **Customers.** Just as oil companies own their raw material supplier, the refiners also own the petrol stations that sell their branded fuel to consumers. Some luxury goods makers both own their stores and design, market and manufacture their products to keep control of the goods and their customers' experience.
- **Consumers.** It is rare that customers have corporate alliances with the final consumer, although there are some creative exceptions. Bruichladdich, an independent maker of Islay single malt whisky, entices its customers to invest in barrels, hogsheads or butts of their newly distilled spirit that will mature for at least 10 years (£2,295 for 500 litres in a fresh sherry butt!). By this mechanism, by investing in maturing whisky, the customer and the corporation become one.<sup>17</sup>

Big mergers grab headlines but making an acquisition is easier than making it work. Besides raising the wrath of regulatory bodies, most mergers fail. The Boston Consulting Group estimates that 64 per cent of recent US acquisitions actually destroyed value for the acquirer's shareholders. There are several reasons for the high failure rate. These include

technical issues, like the difficulty of blending the joint company's information technology, but the major problem is the clash of cultures when two organisations merge. Consider the inevitable contrast between Vivendi's base in French utilities and Universal, their Hollywood film studio. This proves a particular problem with cross-border mergers, such as with DaimlerChrysler, although the clash can be between industrial sectors, as with Time Warner and AOL. The broad problem is that the excitement of mergers and acquisitions often distracts managers from running their existing businesses and that there are few top managers with the skills or interest to manage the merger to success.<sup>18</sup>

### Win loyalty

Loyalty schemes have grown hugely in recent years. At their best these are attempts to build customer relationships based on the long-run customer satisfaction discussed in Chapter 11. In the UK grocery market Tesco challenged and overtook Sainsbury's as the market leader by introducing a hugely popular loyalty scheme while Sainsbury's was resisting the trend. Too often these schemes are sales promotions where the customer's loyalty is to the scheme, not the company using it. To have any lasting effects they must establish customer relationships that go beyond collecting points that are redeemable against a gift. Such schemes are easy to follow and once everyone has one, they impose a cost with little benefit.

Gaining increased market share will improve a company's profitability automatically. Much depends on its strategy for gaining increased market share. We see many high-share companies with low profitability and many low-share companies with high profitability. The cost of buying higher market share may far exceed the returns. Higher shares tend to produce higher profits only when unit costs fall with increased market share, or when the company's premium price covers the cost of supplying higher-quality goods.

In addition, many industries contain one or a few highly profitable large firms, several profitable and more focused firms, and a large number of medium-sized firms with poorer profit performance. For example, BMW holds only a small share of the total car market, but it earns high profits because it is a high-share company in its luxury car segment. It achieved this high share in its served market because it does other things right, such as producing high quality, giving good service and holding down its costs.

### Improving productivity

Market productivity means squeezing more profits out of the same volume of sales. The size advantage of market leaders can give them lower costs than the competition. Size itself is not sufficient to achieve low costs because this could be achieved by owning unrelated activities that impose extra costs. The lowest costs often occur when a market leader, such as McDonald's, keeps its business simple. The buying and selling of subsidiary businesses often reflects businesses trying to gain strength by simplifying their activities. This explains the sales of Orangina, a soft-drinks business, to Coca-Cola for €760m by the French drinks company Pernod Ricard. By this transaction Coca-Cola gains in efficiency and scale by having more soft drinks to sell globally. With the proceeds from the sale, Pernod Ricard aims to add more wines and spirits brands to its existing range, which includes Wild Turkey, Dubonnet, Havana Club and Jacob's Creek.

### Improve costs

To remain competitive, market leaders fight continually to reduce costs. After facing difficulties in the early 1990s, Mercedes used all the classical means of cutting costs:

- *Reduce capital cost.* Firms reduce their capital cost by doing less or doing things quickly. Just-in-time (JIT) methods mean firms have less capital tied up in raw materials, work in progress on the shop floor and finished goods. By accelerating its product development



## Chapter 12 Competitive strategy

Mercedes will increase its market responsiveness and accumulated development costs. It will also reduce capital costs by doing less itself. Component manufacturers will provide more preassembled parts and a joint venture with a Romanian company will make car-interior parts.

- *Reduce fixed costs.* Mercedes acknowledges that Japan's manufacturers have on average a 35 per cent cost advantage over their German competitors. Japan's lower capital costs and longer working hours explain only 10 per cent of the difference. Mercedes responded by cutting 18,000 jobs to save €3 billion. Forced redundancies are almost unknown in Germany, so the deduction is made by the 'social measures' of the non-replacement of people, early retirement and retraining.
- *Reduce variable cost.* Mercedes' new car plant at Rastatt has pioneered new methods of 'lean production', logistics, total quality and workforce management. Car design has also changed. It will be quicker, and cars are now designed to a target price, rather than the old method of making the best car and then pricing it. The lessons are passed on to Mercedes' suppliers who work closer to Mercedes' research and development. The aim is to reduce the number of parts fitted at the works. The company has also changed its 'Made in Germany' policy, to produce where labour costs are lower.

### Change product mix

The aim here is to sell more high-margin vehicles. Mercedes has filled out its range with its M-series sports utility vehicles, the super-luxury Maybach and the Smart sports cars – all growth areas commanding premium prices. Moving into these markets will reduce Mercedes' dependence on its 'lower-priced' models.

### Add value

Mercedes makes and sells cars, but its customers want prestige and transport. Mercedes can add value by offering long-term service contracts, leasing deals or other financial packages that make buying easier and less risky for customers. In the past, Mercedes sold basic models that were poorly equipped by modern standards. Customers then paid extra to have a car custom-made for them with the features they wanted. The 'Made in Germany' label that has served the company for so long is no longer enough to command a premium price. The aim is to maintain a price premium by the brand's strength and superior quality across a broad range of products. This contrasts with the Japanese, whose well-equipped luxury Lexus (Toyota), Acura (Honda) and Infiniti (Nissan) brands have tightly targeted small ranges.

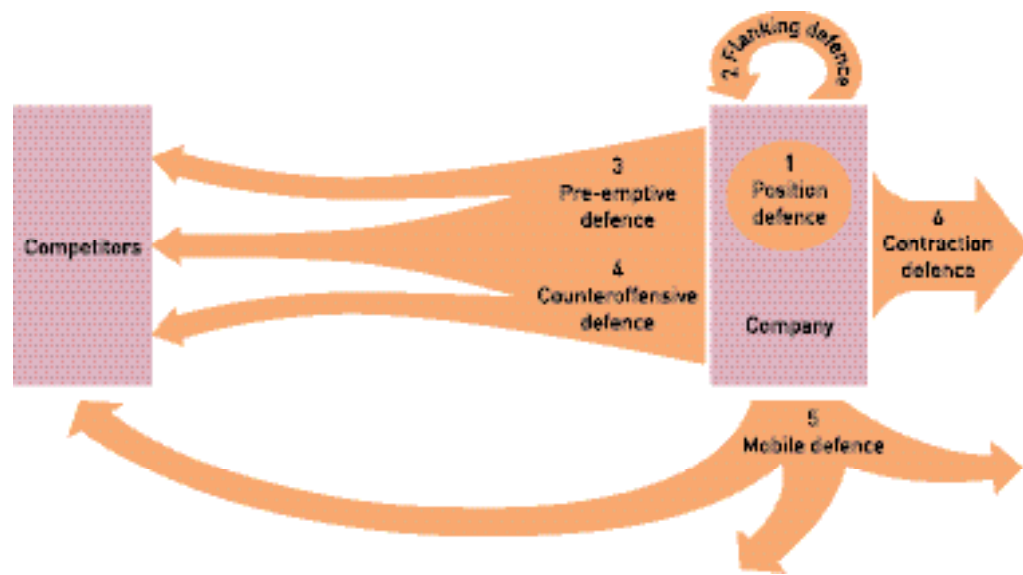
## Defending its position

While trying to expand total market size, the leading firm must also constantly protect its current business against competitor attacks. AXA must constantly guard against ING in the life assurance market; Exxon against BP; Gillette against Bic; Kodak against Fuji; Boeing against Airbus; Nestlé against Unilever.

What can the market leader do to protect its position? First, it must prevent or fix weaknesses that provide opportunities for competitors. It needs to keep its costs down and its prices in line with the value that the customers see in the brand. The leader should 'plug holes' so that competitors do not jump in. The best defence is a good offence and the best response is *continuous innovation*. The leader refuses to be content with the way things are and leads the industry in new products, customer services, distribution effectiveness and cost cutting. It keeps increasing its competitive effectiveness and value to customers. It takes the offensive, sets the pace and exploits competitors' weaknesses.

Increased competition in recent years has sparked management's interest in models of military warfare. Leader companies can protect their market positions with competitive

Figure 12.5 Defence strategies



strategies patterned after successful military defence strategies. Figure 12.5 shows six defence strategies that a market leader can use.<sup>19</sup>

### *Position defence*

The most basic defence is a position defence in which a company holds on to its position by building fortifications around its markets. Simply defending one's current position or products rarely works. Henry Ford tried it with his Model T and brought an enviably healthy Ford Motor Company to the brink of financial ruin. Even lasting brands such as Coca-Cola and Nescafé cannot supply all future growth and profitability for their companies. These brands must be improved and adapted to changing conditions and new brands developed. Coca-Cola today, in spite of being the world leader in soft drinks, is aggressively extending its beverage lines and has diversified into desalinisation equipment and plastics.

### *Flanking defence*

When trying to hold its overall position, the market leader should watch its weaker flanks closely. Smart competitors will normally attack the company's weaknesses. Thus the Japanese successfully entered the US small car market because local carmakers left a gaping hole in that submarket. Using a flanking defence, the company carefully checks its flanks and protects the more vulnerable ones. In this way Nestlé's Nescafé and Gold Blend have the support of flanking brands Blend 37, Alta Rica and Cap Colombie. By Unilever acquiring Ben & Jerry's ice-creams and Cadbury Schweppes buying Snapple, the two multinationals are more able to defend their mainstream markets against 'new age' offerings.<sup>20</sup>

### *Pre-emptive defence*

The leader can be proactive and launch a pre-emptive defence, striking competitors before they can move against the company. A pre-emptive defence assumes that an ounce of prevention is worth a pound of cure. Thus, when threatened by the entry of grocery discounters Aldi and Lidl into the UK market, Tesco and Asda fought back with all-time low price budget ranges. These lines took away the discounter's advantage while Tesco and Asda retained their overall value and 'one-stop-shopping' convenience to time-pressed consumers. Aldi did gain a toehold in the market but Tesco and Asda continued to gain market share.<sup>21</sup>



Size isn't everything but Eurex's market leadership gives it the liquidity and extensive product range that gives it a competitive advantage.

SOURCE: Eurex. Photographer: Karin Hieronymi.

Trading with the market leader has its advantages.

Greater liquidity. In the first place, Eurex is the market leader in European fixed income derivatives with futures and options on the Euro Bund, Euro Bobl and Euro Schatz. Our extensive product range provides you with the right hedging and trading tools to optimize your investments. Still wonder the world's most heavily traded fixed income futures are listed and traded at Eurex. Think big. Think Eurex. [www.eurexchange.com](http://www.eurexchange.com)

what can we do for you?



### Counteroffensive defence

When attacked, despite its flanking or pre-emptive efforts, a market leader may have to be reactive and launch a counteroffensive defence. When Mars' attack on the ice-cream market, using its brand extensions of Mars Bars, Snickers, Bounty and so on, created a new product class of ice-confectionery. Unilever's Walls ice-cream division, which is market leader in parts of Europe, had difficulty countering this because it had no confectionery brands to use in that

way. It overcame the problem by developing brand extensions of Cadbury's products, a competitor of Mars, which has no ice-cream interests.

Sometimes companies hold off for a while before countering. This may seem a dangerous game of 'wait and see', but there are often good reasons for not jumping in immediately. By waiting, the company can understand more fully the competitor's attack and perhaps find a gap through which to launch a successful counteroffensive.

### Mobile defence

In a mobile defence a company is proactive in aggressively defending a current market position. The leader stretches to new markets that can serve as future bases for defence and attack. Through *market broadening*, the company shifts its focus from the current product to the broader underlying consumer need. For example, Armstrong Cork redefined its focus from 'floor covering' to 'decorative room covering' (including walls and ceilings) and expanded into related businesses balanced for growth and defence. *Market diversification* into unrelated industries is the other alternative for generating 'strategic depth'. When tobacco companies such as British American Tobacco (BAT) and Philip Morris faced growing curbs on cigarette smoking, they moved quickly into new consumer products industries.

### Contraction defence

Large companies sometimes find they can no longer defend all of their positions, since their resources are spread too thinly and competitors are nibbling away on several fronts. So they react with a contracting defence (or strategic withdrawal). The company gives up weaker positions and concentrates its resources on stronger ones.

The British motorcycle industry showed an extreme case of a contracting defence. Norton, Triumph, BSA, etc. once dominated the world motorcycle market. First challenged by the small bikes made by Honda, Yamaha and others, they contracted into making medium-sized (250 cc) to super-bikes. When the Japanese made 250 cc machines, the British market retreated from entry-level machines to concentrate on larger ones. Eventually only Triumph and Norton super-bikes remained as small, out-of-date specialist manufacturers facing the Japanese giants, and they did not last long. A successful contracting defence must be a retreat into a position of strength. ”

The American car manufacturers are close to facing the same fate as did the British motorcycle industry. Faced with competition from Japanese and European car manufacturers, GM, Ford and Chrysler retreated to their heartland, selling increasingly large trucks and sports utility vehicles in middle America and the South. Meanwhile Japanese and European carmakers came to dominate passenger car sales, particularly along the East and West coasts. After first resorting to profit squeezing discounts to hold market share, the US manufacturers are now launching a huge range of cars to try to capture the market lost in their contracting defence. The lesson is the need to recognise when a contracting defence leaves a company with too small a base to ensure its survival or allows an attacker to build too dominant a position.<sup>22</sup>

## Market-challenger strategies

Firms that are second, third or lower in an industry are sometimes very large. Many European market leaders are in this position relative to their major US or Japanese competitors. Table 12.2 shows some of them. These runner-up firms can adopt one of two competitive strategies: they can attack the leader and other competitors in an aggressive bid



## Chapter 12 Competitive strategy

**Table 12.2** European leaders' world ranking

Sector	World leader	Revenue (€bn)	European leader	Revenue (€bn)	World ranking
Aerospace	Boeing (US)	54	EADS	26	2
Airlines	AMR (US)	17	Lufthansa	16	3
Beverages	Coca-Cola (US)	20	Diageo	13	4
General merchandisers	Wal-Mart (US)	247	Pinault-Printemps	26	6
Motors	GM (US)	187	DaimlerChrysler	141	3
Petroleum	Exxon Mobil (US)	182	Royal Dutch/Shell	179	2
Pharmaceuticals	Merck (US)	52	GSK	32	4
Telecommunications	Nippon (J)	90	Deutsche Telekom	51	3

SOURCE: Adapted from FORTUNE Global 500, copyright © 2004 Time Inc.; All right reserved. www.Fortune.com.

for more market share (market challengers), or they can play along with competitors and not rock the boat (market followers). We now look at competitive strategies for market challengers.

### Defining the strategic objective and the competitor

A market challenger must first define its strategic objective. Most market challengers seek to increase their profitability by increasing their market shares. The strategic objective chosen depends on who the competitor is. In most cases, the company can choose which competitors it will challenge.

The challenger can attack the market leader – a high-risk but potentially high-gain strategy that makes good sense if the leader is not serving the market well. To succeed with such an attack, a company must have some sustainable competitive advantage over the leader – a cost advantage leading to lower prices or the ability to provide better value at a premium price.

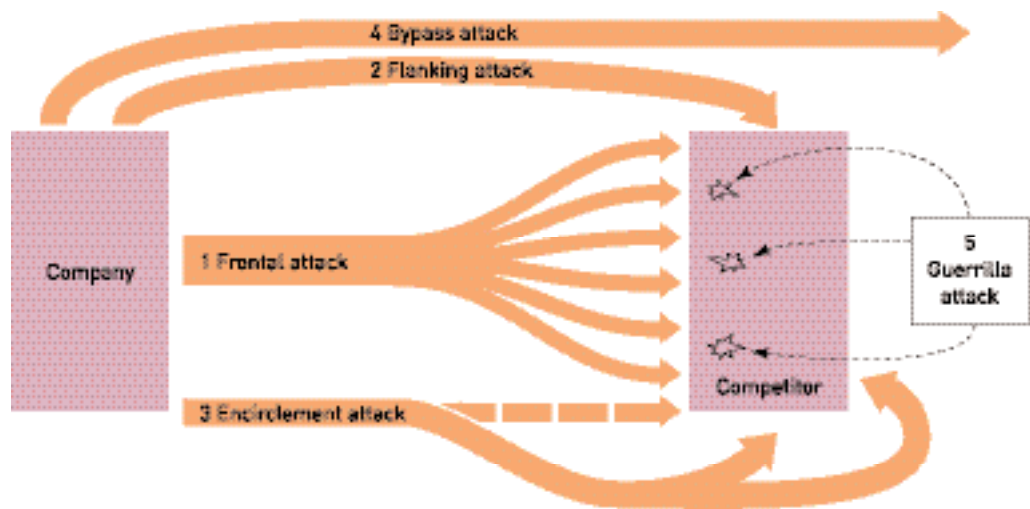
For a long time Diageo's Burger King has challenged McDonald's in the US home market on taste, but its recent challenges, including an accelerated programme of building new outlets, better value (with 75 per cent more meat than a Big Mac) and direct taste challenges, have got McDonald's reeling. After 'The taste that beat McDonald's fries' came 'Get ready for a taste that beats Big Mac' and Free FryDay promotions. Meanwhile Mac's new Arch Deluxe burger bombed and a sales promotion deal with too many strings alienated customers.<sup>23</sup>

The challenger can avoid the leader and instead attack firms its own size, or smaller local and regional firms. Many of these firms are underfinanced and will not be serving their customers well. Several of the large beer companies grew to their present size not by attacking large competitors, but by gobbling up small local or regional competitors.

Thus the challenger's strategic objective depends on which competitor it chooses to attack. If the company goes after the market leader, its objective may be to wrest a certain market share. Bic knows that it cannot topple Gillette in the razor market – it simply wants a larger share. Or the challenger's goal might be to take over market leadership. Dell entered the personal computer market late, as a challenger, but quickly became the market leader. If the



Figure 12.6 Attack strategies



company goes after a small local company, its objective may be to put that company out of business. The important point remains: the company must choose its opponents carefully and have a clearly defined and attainable objective.

### Choosing an attack strategy

How can the market challenger best attack the chosen competitor and achieve its strategic objectives? Figure 12.6 shows five possible attack strategies.

#### Frontal attack

In a full frontal attack, the challenger matches the competitor's product, advertising, price and distribution efforts. It attacks the competitor's strengths rather than its weaknesses. The outcome depends on who has the greater strength and endurance. Even great size and strength may not be enough to challenge a firmly entrenched and resourceful competitor successfully.

Unilever has twice the worldwide sales of P&G and five times the sales of Colgate-Palmolive, but its American subsidiary trails P&G by a wide margin in the United States. Unilever launched a full frontal assault against P&G in the detergent market while Unilever's Wisk was already the leading liquid detergent. In quick succession, it added a barrage of new products – Sunlight dishwashing detergent, Snuggle fabric softener, Surf laundry powder – and backed them with aggressive promotion and distribution efforts. P&G spent heavily to defend its brands and held on to most of its business. It counter-attacked with Liquid Tide, which came from nowhere in just 17 months to run neck-and-neck with Wisk. Unilever did gain market share, but most of it came from smaller competitors.<sup>24</sup> ”

If the market challenger has fewer resources than the competitor, a frontal attack makes little sense.

## Chapter 12 Competitive strategy



For many years the challenger in the airlines market, Airbus can now claim to have 'the world's best selling family of passenger jet, the most efficient and widely distributed aircraft in its category'.

SOURCE: Airbus. Agency: Euro RSCG WNEK Gosper.

### Flanking attack

Rather than attacking head-on, the challenger can launch a flanking attack. The competitor often concentrates its resources to protect its strongest positions, but it usually has some weaker flanks. By attacking these weak spots, the challenger can concentrate its strength against the competitor's weakness. Flank attacks make good sense when the company has fewer resources than the competitor.

When Airbus Industries started making airliners it was up against Boeing, a company that dominated the industry. Lockheed and McDonnell Douglas had once challenged Boeing as plane makers, but Lockheed had withdrawn from the industry and McDonnell Douglas was reduced to making derivatives of its old aircraft. Airbus's first move was to develop the A300 with range and payload performance different from Boeing's established 727, 737 and 747 range. Airbus is now topping the Boeing range with its super-jumbo and has a healthier order book than Boeing.<sup>25</sup>

Another flanking strategy is to find gaps that are not filled by the industry's products, fill them and develop them into strong segments. European and Japanese carmakers did not compete with American carmakers by producing large, flashy, gas-guzzling contraptions. Instead they recognised an unserved consumer segment that wanted small, fuel-efficient cars

and moved to fill this hole. To their satisfaction and Detroit's surprise, the segment grew to be a large part of the market. From that platform the Japanese, in particular, are now attacking America's heartland of large trucks and sports utility vehicles.

### *Encirclement attack*

An encirclement attack involves attacking from all directions, so that the competitor must protect its front, sides and rear at the same time. The encirclement strategy makes sense when the challenger has superior resources and believes that it can break the competitor's hold on the market quickly. An example is Seiko's attack on the watch market. For several years, Seiko has been gaining distribution in every big watch outlet and overwhelming competitors with its variety of constantly changing models. In most markets Seiko offers about 400 models, but its marketing strength is backed by the 2,300 models it makes and sells worldwide.

### *Bypass attack*

A bypass attack is an indirect strategy. The challenger bypasses the competitor and targets easier markets. The bypass can involve diversifying into unrelated products, moving into new geographic markets or leapfrogging into new technologies to replace existing products. Technological leapfrogging is a bypass strategy used often in high-technology industries. Instead of copying the competitor's product and mounting a costly frontal attack, the challenger patiently develops the next technology. When satisfied with its superiority, it launches an attack where it has an advantage.

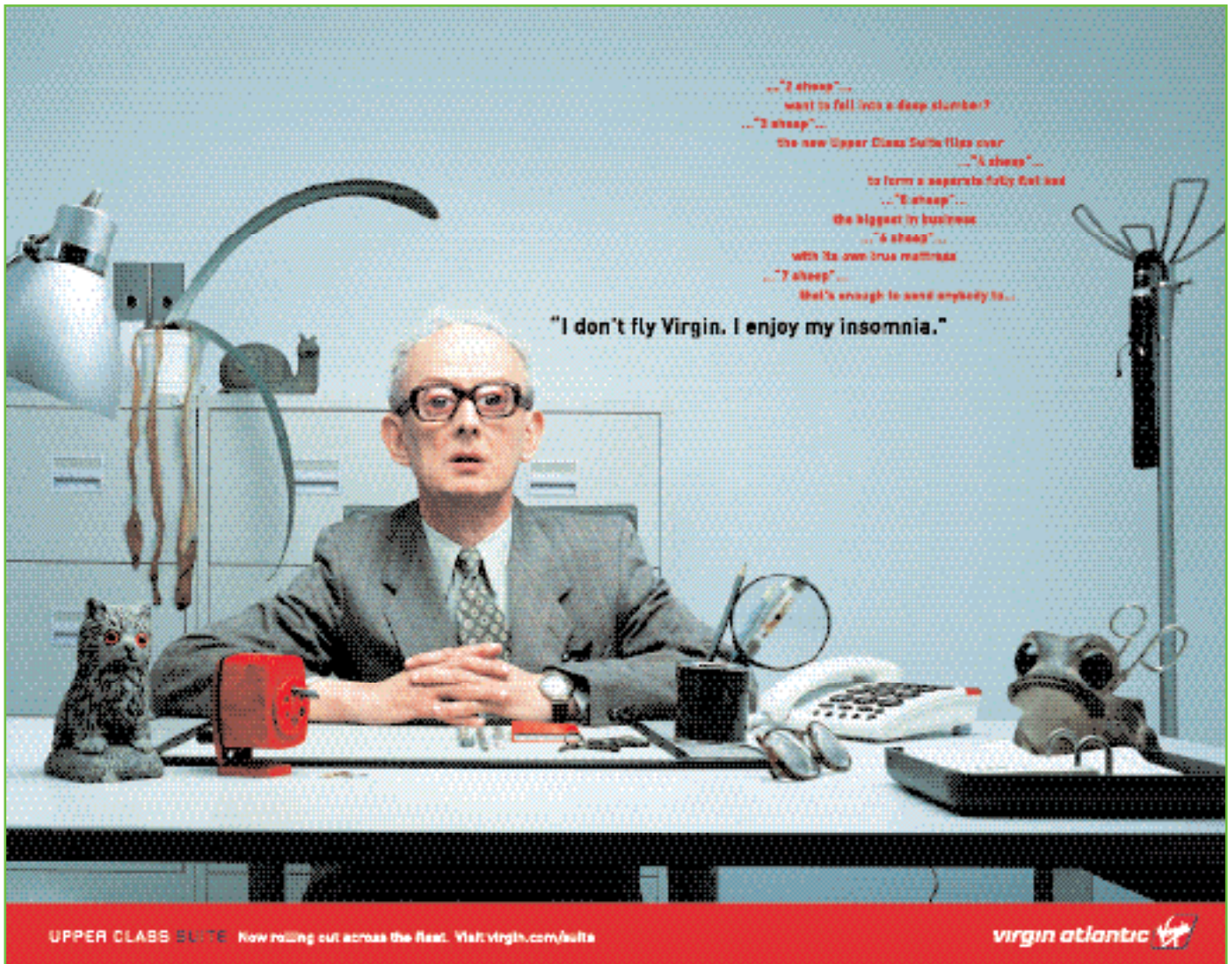
After carefully defending its dominant hold on the film market by inventing new and better film formats, Kodak is reeling under the huge decline in film sales as consumers switch to digital. This sudden switch should have been no surprise to Kodak; only a couple of decades ago the company lost huge sales when consumers dumped their cine cameras in favour of video cameras. Kodak's current response to this bypass attack is to retreat into markets, such as India and China, where film sales are rising.

### *Guerrilla attack*

A guerrilla attack is another option available to market challengers, especially smaller or poorly financed ones:

British Airways is facing Virgin Atlantic run by a much wiler entrepreneur, Richard Branson. He makes guerrilla attacks on his much larger competitors. In these attacks the agile challenger typically makes small, periodic attacks to harass and demoralise the competitor, hoping eventually to establish permanent footholds. It might use selective price cuts, novel products, executive raids, intense promotional outbursts or assorted legal actions. Virgin has been successful so far and taken 22 per cent of the London to New York market. It is also expanding quickly using franchising, an approach new to the airline industry.

Normally, guerrilla actions are by smaller firms against larger ones. The smaller firms need to be aware, however, that continuous guerrilla campaigns can be expensive and must eventually be followed by a stronger attack if the challenger wishes to 'beat' the competitor. A recent



Virgin is one of the world's leading airlines but still plays the part of the challenger. Like this ad, much of its advertising is attackingly comparative.

SOURCE: Virgin Atlantic.

book, *Radical Marketing*, praises companies such as Harley-Davidson and Virgin Atlantic Airways for succeeding by breaking many of the 'rules' of marketing strategy.<sup>26</sup>

## Market-follower strategies

Not all runner-up companies will challenge the market leader. The effort to draw away the leader's customers is never taken lightly by the leader. If the challenger's lure is lower prices, improved service or additional product features, the leader can quickly match these to diffuse the attack. The leader probably has more staying power in an all-out battle. A hard fight might leave both firms worse off and this means the challenger must think twice before attacking. Many firms therefore prefer to follow rather than attack the leader.

A follower can gain many advantages. The market leader often bears the huge expenses involved with developing new products and markets, expanding distribution channels, and informing and educating the market. The reward for all this work and risk is normally market



leadership. The market follower, on the other hand, can learn from the leader's experience and copy or improve on the leader's products and marketing programmes, usually at a much lower investment. Although the follower will probably not overtake the leader, it can often be as profitable.<sup>27</sup>

In some industries – such as steel, fertilisers and chemicals – opportunities for differentiation are low, service quality is often comparable and price sensitivity runs high. Price wars can erupt at any time. Companies in these industries avoid short-run grabs for market share because the strategy only provokes retaliation. Most firms decide against stealing each other's customers. Instead they present similar offers to buyers, usually by copying the leader. Market shares show a high stability.

This is not to say that market followers are without strategies. A market follower must know how to hold current customers and win a fair share of new ones. Each follower tries to bring distinctive advantages to its target market – location, services, financing. The follower is a primary target of attack by challengers. Therefore, the market follower must keep its manufacturing costs low and its product quality and services high. It must also enter new markets as they appear. Following is not the same as being passive or a carbon copy of the leader. The follower has to define a growth path, but one that does not create competitive retaliation.

The market-follower firms fall into one of three broad types. The *cloner* closely copies the leader's products, distribution, advertising and other marketing moves. It originates nothing – it simply attempts to live off the market leader's investments. IBM's demise started after outsourcing (286 chips from Intel and the MS-DOS operating system from Microsoft) and open architecture allowed low-cost market entrants to copy its PCs.

The *imitator* copies some things from the leader, but maintains some differentiation with packaging, advertising, pricing and other factors. The leader does not mind the imitator as long as the imitator does not attack aggressively. The imitator may even help the leader avoid the charges of monopoly.

Today's imitators are often retailers making look-alike own brands. The British Producers and Brand Owners Group (BPOG) was formed in response to own brands aping the market leaders too closely. Sainsbury's highly publicised launch of Classic Cola precipitated BPOG's formation and resulted in the retailer backing off. Other confrontations include Sainsbury's Full Roast (based on Nescafé) and Tesco's Unbelievable low-fat spread (close to Van den Bergh's I Can't Believe It's Not Butter).

Finally, the *adapter* builds on the leader's products and marketing programmes, often improving them. The adapter may choose to sell to different markets to avoid direct confrontation with the leader. Many IBM PC lookalikes did this – Amstrad became one of the earliest successful marketers in the PC market when it started selling its ready-for-use machines through conventional electrical goods retailers rather than computer specialists. Now Dell combine direct selling with excellent customer support. Often the adapter grows into a future challenger.

## Market-nicher strategies

Almost every industry includes firms that specialise in serving market niches. Instead of pursuing the whole market or even large segments of the market, these firms target segments within segments or niches. This is particularly true of smaller firms because of their limited resources. The main point is that firms with low shares of the total market can be highly profitable through clever niching (see Marketing Insights 12.2).



## Concentrated marketing: nice niches

## 12.2

Jo Brand is a size-challenged comedienne whose act often includes two themes: her size and her love for cakes. The following two niche companies are for her.

### Betty's Café Tea Rooms

There are only four Betty's Café Tea Rooms and one Taylor's Tea Room, but they serve 2 million cups of tea a year. They do not advertise, yet year round people queue for a chance to taste their exquisitely expensive tea, coffee and cakes. Inside, a pianist plays light classical music. The rooms are simple, but rich with the atmosphere of times past. Formally dressed waiters, or waitresses wearing black skirt, starched white blouse and apron, serve. Betty's is proud of its heritage and quietly boasts of the York Betty's being built by the same team of craftsmen as the luxury liner, *Queen Mary*.

The first Betty's was opened in Harrogate in 1919 by a Swiss confectioner. He visited the Yorkshire Dales, liked it, stayed and started Betty's. His timing was as good as his patisserie. Harrogate was booming and Betty's was just about the only place an unchaperoned woman could go. Betty's succeeds because of its unique quality and atmosphere. The pastries range from exotic Amadeus torte to local Yorkshire curd tarts and fat rascals. The bakers and confectioners train at Richemont College, Lucerne.

Betty's is a clever multiple nicher. It has diversified into other businesses close to its original business. Each of its Café Tea Rooms retails expensive gift-oriented confectionery, which suits their location in tourist towns. It also has a mail-order business selling cakes, chocolates and speciality teas and coffees by post. Finally, it markets Yorkshire Tea, a brand sold and positioned nationally as a traditional Yorkshire 'cuppa'.

### Dawn French fashions

An outdated study of the contours of 5,000 women links Betty's golden age to Dawn French's fashions. The study's results gave the British Standard Sizes that have pained women for decades. The sizes worked well in the 1950s when food rationing had just ended and people walked a lot, but not now. A recent study of women's contours by J. D. Williams shows that things have changed. For years the company has been selling mail-order clothes to women with a fuller figure who were unable to get suitable clothes from high-street stores. Nigel Green,

## ...12.2

marketing director of J. D. Williams' Classic Combinations catalogue business, explains:

Today's woman enjoys a far more self-indulgent lifestyle and is not only taller, but has a noticeably bigger and lower bust, an appreciably larger waist and rib cage, a more rounded tummy, a larger and flatter bottom and far fuller upper arms. And while her hip size may still be 90 cm, the standard British figure [the original size 12] is now more likely to be 95-70-90 than 90-60-90 . . . The old-fashioned dress sizes meant that women . . . had to live with . . . blouses that gape, waistbands that cut and skirts that ride up. ”

Nigel Green believes these new sizes will give his niche company a unique selling proposition.

Other moves are afoot in the high street. 'Women are no longer prepared to put their lives on hold until they can starve themselves down to size', says Christina Bounce, of Country Casuals Holdings. She continues: 'They are generally feeling happier about their own size, even when it doesn't conform to fashion stereotypes.' D. H. Evans, the Outsize Shop, have long served the outsize market, but the emerging market shows that women no longer feel the need to don masks before entering the premises.

Dawn French's shops, 1647, sell high fashions for the amply proportioned. Few in the trade believe the claim implicit in the shop name that 47 per cent of women are over size 16, but the huge success of the niche retailers shows where the future lies. 'There is correlation between age and increased size and obesity', says Verdict's Clive Vaughan. So, as the middle-aged market grows in number, affluence and girth, the outsize market is a nice niche. But, as Joan Miller of Betty's says, 'If everyone round here decides to get health conscious, we're in real trouble.'

It looks like Joan Miller has little to fret about. According to the European Commission, we are facing an 'obesity epidemic' with several European countries weighing in above the USA, the one-time fat champions. It is easy to see why. Across Europe sedentary leisure and non-physical work are on the increase while wealth is giving us more opportunity to eat the lovely sweet treats that make up so much of our diet – if that is the right word!

SOURCES: [www.bettybypost.com](http://www.bettybypost.com); Virginia Matthews, 'Oversized and over here', *Marketing Week* (23 September 1994), p. 25; 'Commissioner warns of "obesity epidemic"', *Irish Times* (5 April 2003); Christopher Hirst *et al.*, 'Cake is it', *The Independent* (15 November 2003).

## Chapter 12 Competitive strategy

Highly successful mid-size companies found that, in almost all cases, these companies niched within a larger market rather than going after the whole market.

In *Hidden Champions*, Herman Simon documents the surprising number of German companies that are barely known but have strong profits and global market shares exceeding 50 per cent in their respective niches. Tetra has 80 per cent of the world tropical fish market; Hohner has 85 per cent of the harmonica market; Bechner makes 50 per cent of the world's umbrellas; and Steiner Optical make 80 per cent of the world's military field glasses. ”

Why is niching profitable? The main reason is that the market nicher ends up knowing the target customer group so well that it meets their needs better than other firms which casually sell to this niche. As a result, the nicher can charge a substantial mark-up over costs because of the added value. Whereas the mass marketer achieves *high volume*, the nicher achieves *high margins*.

Nichers try to find one or more market niches that are safe and profitable. An ideal market niche is big enough to be profitable and has growth potential. It is one that the firm can serve effectively. Perhaps most importantly, the niche is of little interest to large competitors. The firm can build the skills and customer goodwill to defend itself against an attacking big competitor as the niche grows and becomes more attractive.

Logitech has become a €500 million global success story by focusing on human interface devices – computer mice, game controllers, keyboards, and others. It makes every variation of computer mouse imaginable. Logitech turns out mice for left- and right-handed people, cordless mice that use radio waves, mice shaped like real mice for children, and 3-D mice that let the user appear to move behind screen objects. This year, the company's 200 millionth mouse will roll off the production line. Breeding computer mice has been so successful that Logitech dominates the world market, with Microsoft as its runner-up.<sup>28</sup> ”

Many nichers do not grow so global but thrive in clusters where the proximity on similar neighbours and local services are positive externalities. Externalities are activities or facilities that are external to an organisation but affect its performance. Such a cluster is in the English market town of High Wycombe, where the local furniture college and pool of skilled woodworkers support specialist furniture makers. Among the cluster are Teal, who make tables and chairs for hospitals, Hands, makers of integrated office 'pods' of furniture aimed at the high-tech businesses, and Danish Labofa Antocks Lairn, who make restaurant furniture. The most influential cluster of all is California's Silicon Valley, although northern Italy provides the climate in which such companies abound. Among them are silk from Como, wool from Biella, gold from Vincenza, Ferrari, Ducati and Alfa Romeo.<sup>29</sup>

The key idea in nichemanship is specialisation. The firm has to specialise along market, customer, product or marketing-mix lines. Here are several specialist roles open to a market nicher:

- *End-use specialist.* The firm specialises in serving one type of end-use customer. For example, Reuters provides financial information and news to professionals and Moss Bros' strength is in clothes hire.

**Externalities**—Activities or facilities that are external to an organisation but affect its performance.

Fisherman's Friend's unique packaging, advertising and function help it hold its market niche.  
SOURCE: Lofthouse of Fleetwood Ltd.



- *Vertical-level specialist.* The firm specialises at some level of the production–distribution cycle. For example, the Dutch-based Anglo-Italian company EVC is Europe's leading manufacturer of polyvinylchloride (PVC), while Country Homes' niche is as an intermediary between owners of country cottages and people who want to hire them for holidays.
- *Customer-size specialist.* The firm concentrates on selling to either small, medium or large customers. Many nichers specialise in serving small customers neglected by the large companies. Fuji gained its initial success in the photocopying market by specialising in small firms neglected by Xerox. Many regional advertising agencies also specialise in serving medium-sized clients.
- *Specific-customer specialist.* The firm limits its selling to one or a few large customers. For example, Teal makes tables and chairs for hospitals.
- *Geographical specialist.* The firm sells only in a certain locality, region or area of the world. Most retail banks stay within their national boundaries. Two odd exceptions to this rule are the European HSBC and Standard & Charter, whose main interest is south-east Asia.
- *Product or feature specialist.* The firm specialises in producing a certain product, product line or product feature. Examples are Rolls-Royce, the only supplier of tilt-thrust jet engines, or Pear Tree, a maker of tree houses.
- *Quality–price specialist.* The firm operates at the low or high end of the market. For example, Hewlett-Packard specialises in the high-quality, high-price end of the hand-calculator market, while Naxos sells inexpensive classical CDs.
- *Service specialist.* The firm offers one or more services not available from other firms: for example, NASA's ability to recover and repair satellites.

Niching carries a very significant risk, in that the market niche may dry up or be attacked. After years alone as a super-luxury carmaker, BMW-owned Rolls-Royce cars is now being attacked by Mercedes, GM and VW extending their range into that exclusive market segment. On a different scale, innovation and intense competition between multinationals and social trends eventually killed off Pollards Cornish Ice Cream. Its niche was selling high-fat dairy



ice-cream – an estimated 100 calories per cone – to a declining number of customers in south-west England.

The danger of the disappearing niche is why many companies use **multiple niching**. By developing two or more niches, the company increases its chances of survival. Most of the wealth of successful healthcare companies comes from their each having products in a few niches that they dominate. For instance, Sweden’s Gambio concentrates on renal care, cardiovascular surgery, intensive care and anaesthesia, blood compound technology and preventive health services.<sup>30</sup>

## Balancing customer–competitor orientations

We have stressed the importance of a company watching its competitors closely. Whether a company is a market leader, challenger, follower or nicher, it must find the competitive marketing strategy that positions it most effectively against its competitors. It must continually adapt its strategies to the fast-changing competitive environment.

This question now arises: can the company spend too much time and energy tracking competitors, damaging its customer orientation? The answer is yes! A company can become so competitor-centred that it loses its even more important customer focus. A **competitor-centred company** is one whose moves are based mainly on competitors’ actions and reactions. The company spends most of its time tracking competitors’ moves and market shares, and trying to find strategies to counter them.

This mode of strategy planning has some pluses and minuses. On the positive side, the company develops a fighter orientation. It trains its marketers to be on constant alert, watching for weaknesses in their position and watching for competitors’ weaknesses. On the negative side, the company becomes too reactive. Rather than carrying out its own consistent customer-oriented strategy, it bases its moves on competitors’ moves. As a result, it does not move in a planned direction towards a goal. It does not know where it will end up, since so much depends on what the competitors do.

A **customer-centred company**, in contrast, focuses more on customer developments in designing its strategies. Clearly, the customer-centred company is in a better position to identify new opportunities and set a strategy that makes long-run sense. By watching customer needs evolve, it can decide what customer groups and what emerging needs are the most important to serve, given its resources and objectives.

In practice, today’s companies must be **market-centred companies**, watching both their customers and their competitors. They must not let competitor-watching blind them to customer focusing. Figure 12.7 shows that companies have moved through four orientations

**Multiple niching**—Adopting a strategy of having several independent offerings that appeal to several different subsegments of customer.

**Competitor-centred company**—A company whose moves are mainly based on competitors’ actions and reactions; it spends most of its time tracking competitors’ moves and market shares and trying to find strategies to counter them.

**Customer-centred company**—A company that focuses on customer developments in designing its marketing strategies and on delivering superior value to its target customers.

**Market-centred company**—A company that pays balanced attention to both customers and competitors in designing its marketing strategies.

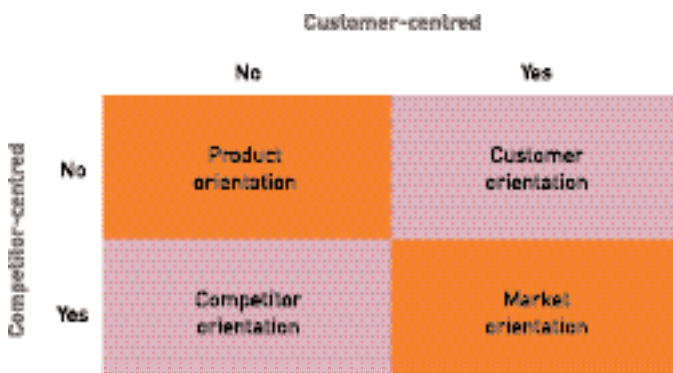


Figure 12.7 Evolving company orientations



over the years. In the first stage, they were product-oriented, paying little attention to either customers or competitors. In the second stage, they became customer-oriented and started to pay attention to customers. In the third stage, when they started to pay attention to competitors, they became competitor-oriented. Today, companies need to be market-oriented, paying balanced attention to both customer and competitors. A market orientation pays big dividends – one recent study found a substantial positive relationship between a company's marketing orientation and its profitability, a relationship that held regardless of type of business or market environment.<sup>31</sup>

## Summary

To prepare an effective marketing strategy, a company must consider its competitors as well as its actual and potential customers. It must continuously analyse its competitors and develop competitive marketing strategies that effectively position it against competitors and give it the strongest possible *competitive advantage*.

*Competitor analysis* first involves identifying the company's main competitors, using both an industry and a market-based analysis. The company then gathers information on competitors' objectives, strategies, strengths and weaknesses, and reaction patterns. With this information to hand, it can select competitors to attack or avoid. Competitive intelligence must be collected, interpreted and distributed continuously. Company marketing managers should be able to obtain full and reliable information about any competitor affecting their decisions. The major alternative competitive positions are *cost leadership*, *differentiation* and *focus*. Many firms fail because they do not follow any of these and so become *stuck in the middle*.

Which *competitive marketing strategy* makes the most sense depends on the company's industry position and its objectives, opportunities and resources. The company's competitive marketing strategy depends on whether it is a market leader, challenger, follower or nicher.

A *market leader* faces three challenges: expanding the total market, protecting market share and expanding market share. The market leader wants to find ways to expand the total market because it will benefit most from any increased sales. To expand market size, the leader looks for new users of the product, *new uses* and *more usage*. To protect its existing market share, the market leader has several *defences*: *position defence*, *flanking defence*, *pre-emptive defence*, *counteroffensive defence*, *mobile defence* and *contraction defence*. The most sophisticated leaders cover themselves by doing everything right, leaving no openings for competitive attack. Leaders can also try to increase their market shares. This makes sense if profitability increases at higher market-share levels.

A *market challenger* is a firm that aggressively tries to expand its market share by attacking the leader, other runner-up firms or smaller firms in the industry. The challenger can choose from a variety of *attack strategies*, including *frontal attack*, *flanking attack*, *encirclement attack*, *bypass attack* and *guerrilla attack*.

A *market follower* is a runner-up firm that chooses not to rock the boat, usually out of fear that it stands to lose more than it might gain. The follower is not without a strategy, however, and seeks to use its particular skills to gain market growth. Some followers enjoy a higher rate of return than the leaders in their industry.

A *market nicher* is a smaller firm that serves some part of the market that is not likely to attract the larger firms. Market nichers often become specialists in some end use, vertical level, customer size, specific customer, geographic area, product or product feature, or service.

A competitive orientation is important in today's markets, but companies should not overdo their focus on competitors. Companies are more likely to be hurt by emerging consumer needs and new competitors than by existing competitors. Companies that balance consumer and competitor considerations are practising a true market orientation.

### Discussing the issues

1. Are the Internet banks being 'well behaved' in undercutting the rates charged by established banks? The established banks do not think so, but is the cost cutting good for the customers?
2. Consider Richard Branson's attempts at taking on market leaders in airlines (e.g. British Airways on transatlantic routes), soft drinks (e.g. Coca-Cola) and, more recently, financial services (as seen in the launch of Virgin Direct, which will challenge current providers of traditional and direct insurance products). What market-leader strategies would you recommend for the no. 1 competitor in each of these sectors? Why?
3. A local school faces being closed down as demographics and legislation that allows local competition reduce the number of children attending the school. So far the school has survived on a fixed sum given to the school by the government for each child attending. How could the school increase its chances of survival?
4. The goal of the marketing concept is to satisfy customer wants and needs. What is the goal of a competitor-centred strategy? Discuss whether the marketing concept and competitor-centred strategy are in conflict.
5. Does the global reach and discounting on the Internet mean that the time for nichers or followers is past or does the range of the Internet provide more niching opportunities than ever before? Think of cases for and against the alternative arguments.

### Applying the concepts


1. In the rapidly expanding world of the Internet and personal information and communications devices, AOL's plan is to get inside every information appliance. According to AOL's CEO, 'We want to be as pervasive as the telephone or TV, but even more valuable in people's lives.' To this end, AOL is partnering with a broad range of companies. For example, in addition to its already established relationships with Netscape and Sun Systems, AOL will invest approaching \$1 billion in Gateway over two years to help develop and co-market Internet appliances. It will partner with 3Com to put its online services on Palm handheld devices. AOL's instant message service will now be part of all new Motorola smart wireless devices, and AOL has joined with DirecTV and Philips Electronics to preload set-top boxes with AOL features and access. However, all will not be easy. AOL is going up against Microsoft with its deep pockets, and its recent moves have attracted Yahoo! All three competitors plan to spread their services to all manner of information devices early in the twenty-first century. For more information, visit [www.aol.com](http://www.aol.com).
  - What do you see as the major strengths and weaknesses of AOL? How do those strengths and weaknesses match those of Microsoft and Yahoo!?
  - What competitive position does AOL hold in its industry? Does this position change as it partners across industry lines?

- Which of the competitive strategies outlined in the chapter is AOL using? How will competitors respond?
  - Propose one additional partnership that you think would make sense for AOL. Explain.
2. Yum, yum, yum! chocexpress.com, chocolaterie-stettler.ch, prestat.co.uk and zchocolat.com are battling it out for the fine chocolates market on the Internet.
- Visit the websites and evaluate what each of the providers is doing to get an upper hand in the market.
  - Enumerate the features offered by the websites.
  - Evaluate the extent to which they are successfully pursuing a niche strategy.
  - State which of the websites you think is providing the best service, giving reasons for your choice.
  - Do you think the websites have just extended the competition for luxury chocolates by taking sales from the competition or are they likely to expand the market?

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# Concluding concepts 12

## The mobile maelstrom



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Libertel had been successful in the Dutch mobile phone operator market but the market was hotting up as new technology offered meant that several major strategic choices had to be made. Mobile penetration rates increased from 2 per cent in 1995 to an expected 25–30 per cent in 1999. As the market is changing as it grows, market leader KPN claims that six out of ten new customers now buy a prepaid mobile phone product instead of a mobile subscription contract.

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More and more people are on the move, and this time is neither work time nor free time, but mobile time.

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In July 1994, KPN, a former state-owned monopolist, launched 'The Mobile Network' to become the first GSM 900 network in the Netherlands. Libertel, a subsidiary of ING and Vodafone, followed them in September 1995 with their GSM 900 network. For a while the two competitors fought it out alone until the 1998 auction of GSM 1800 frequencies. This allowed Telfort (a joint venture between British Telecom and the Dutch Railways), Dutchtone (an alliance

between Rabobank, ABN AMRO and France Télécom), and Ben (an alliance between Belgacom and TeleDanmark) to join the market one after another. Both KPN and Libertel gained GSM 1800 frequencies, but regulatory restrictions inhibit the use of these frequencies until the end of 1999. According to *Het Financieele Dagblad*, €800m was invested in the GSM 1800 licences by four mobile operators, excluding KPN. Of these, Telfort paid €230m in the auction of GSM frequencies. Latecomer Ben, which spent €680m buying licences and operating the network (excluding marketing costs), expects to reach its break-even point by 2003.

The standing and position of each of the competitors is quite different:

- *KPN* is market leader in wireless communications with 2.2 million customers but expects to lose about 5 per cent market share in 1999. 'We are a Dutch company, we are the biggest and we'd like to keep on being the market leader. We offer the largest variety of subscription contracts. Moreover, we have had experience in the wireless communications market for years.'
- *Libertel* has a market share of 36 per cent and 1.2 million customers. Since their entrance into the wireless market, call tariffs have dropped by 60 per cent. 'We are the trend setting and the most innovative mobile operator.'
- *Telfort* has sold 50,000 GSM subscriptions. Telfort wants to attack the market position of Libertel. 'We'd like to keep it simple, so we offer a clear tariff structure. We are also present at many selling points.'
- *Dutchtone* sells 2,000–3,000 product packages a week, and expects to capture 150,000 customers by the end of 1999. This amounts to a market share of 15–20 per cent. 'We are a new Dutch telecom company – enthusiastic and professional. Our guiding principles are clarity, simplicity, and affordability. No juggling with all kinds of complicated subscriptions and tariff structures, no confusing offers.'
- *Ben* expects to attract 180,000–230,000 customers by the end of 1999. Within a few years Ben aims for 20 per cent market share in Dutch wireless communications. 'We'd like to meet you in the first place instead of selling you a mobile phone. We'd like to keep it simple and personal. We discuss mobile telephony in common language.'

Although many providers aim to keep things simple, users are faced with a wide range of price options (Exhibit 12.2). After analysing the pricing of the competitors the consultants PriceWaterhouseCoopers concluded that, to remain price competitive, KPN would have to cut its prices by half. However, they also estimated that, if charging the reduced prices, KPN would face a dramatic €450m loss.

All mobile operators offer both prepaid telephone cards and monthly subscription contracts. Since prepaid (PP) telephone cards do not involve any monthly subscription fee, prepaid cards offer flexibility to customers who desire to be wirelessly connected but who do not wish to suffer from high subscription charges. Moreover, a prepaid card disciplines calling behaviour. Although mobile operators receive calling revenues in advance, prepaid cards have a drawback as they induce unpredictable network traffic.

Mobile operators reveal little about their promotional expenditure. According to Ernst Moeksis, a KPN spokesman, venture teams and marketing consultants are deployed in case competitive rivalries release new



## Chapter 12 Competitive strategy

Exhibit 12.2 Monthly tariff structures (fees and prepaid tariffs in euros)

Service	Light user (5 min, 20% peak)	Moderate user (65 min, 60% peak)	Heavy user (100 min, 80% peak)
Ben PP	2	34	
Ben Regelmatig		11	20
Ben Vaak		14	14
Dutchtone Consumer	0 (yes, nearly free!)	15	31
Dutchtone PP	2		
Dutchtone Professional		30	36
KPN Allround		42	52
KPN Economy		37	56
KPN Hi	1	32	
KPN PP	3	43	
KPN Premium		37	50
Libertel BelMaar		18	35
Libertel Izi	2	42	
Libertel Personal		43	
Libertel Personal 30		40	60
Libertel Personal 60		36	54
Libertel Pro			57
Libertel Pro 120			51
Telfort 25		19	22
Telfort 50		22	22
Telfort PP	2	33	

SOURCE: PriceWaterhouseCoopers Management Consultants, 'Prijvergelijkingen mobiel bellen' in Zembla-documentaire 'Mobiële Miljarden', 4 February 1999, <http://www.omroep.nl/vara/tv/zembla/gsm.html>.

information. Nevertheless, there are some indications of promotional efforts. According to BBC, promotional expenses in telecommunications were €340m in 1998. In 1999 mobile communication promotions alone are expected to top €100m. Distribution, via company-owned and other outlets, varies greatly from company to company.

### The market

'I wish I could split myself in two persons, so I could be in two places at the same time' is a phrase which expresses such a compressed life rhythm.

Popcorn and Marigold (1996): 235

Nokia also acknowledges the compressed life rhythm:

... the division between leisure time and work time is blurring. Lifestyle changes are forcing people to rethink how they spend time on the job, time off the

job and the time in between. The perception of the distance travelled to work and personal locations, the accessibility of transportation and the way to spend the time best are changing rapidly. This creates a situation where more and more people are on the move, and the time spent on the move is neither work time nor free time, but mobile time.

This does not imply an unconditional demand for wireless communications from all people. The young are the heaviest users. A Nokia survey revealed that the Dutch average is 38.5 years, four years below the European average. According to *HP/De Tijd*, further insight into the demographic profile of Dutch mobile customers is hard to obtain. Since nearly one-third of the Dutch mobile customers use prepaid cards, no registered information on mobile calling behaviour is available. A Nokia market study revealed some demographic profiling, although its main concern is adoption of Value Added Services (VAS) (such as

Exhibit 12.3 Value Added Service results

Under 18 years old	19–25	25–36
Heavy SMS users	Heavy SMS users	Moderate SMS users
Are aware of and have used	Are aware of and have used	Are aware of and have used
Gender doesn't play very big role	Male	Male
Monetary issues unlikely to restrain, parents pay the bill	Monetary issues likely to restrain interest in VAS	Monetary issues don't restrain
Live with parents	Students	Highly educated, working on managerial level or as an expert
Quite familiar with Internet technology	Internet and information technology literate	Internet and information technology literate
All very mobile people, participating actively in sports and outdoor activities		

Source: Nokia Telecommunications Oy, 'Wireless Data Evolution White Paper' in *Nokia Wireless Data Library* (April 1998), No. 12 (1998), <http://www.forum.nokia>.

online consulting of a city navigator on your mobile telephone) amongst early adapters in Finland (Exhibit 12.3).

Whether monetary issues are unlikely to restrain the market or not, Wim Nieuwenhuijse, a consultant of Robert Pino & Company, argues that countries with relatively low cost of ownership experience high penetration rates of mobile customers. Once customers have to pay their own bill (instead of having their employers pay), calling behaviour changes. Thus, mobile calling behaviour can be characterised as price conscious.

Price consciousness also seems to apply to the business segment of the telecommunications market. According to Nokia, the business market can be segmented on the basis of the different business roles:

Although there may be many professionals in a company with different roles, those whose jobs often require working away from the office are the most likely to be the first adopters of wireless data services. . . .

Three main groups emerge:

- *Global Nomads* – 40%: front line professionals who travel on business a lot.
- *Migrators* – 30%: expert support functions – internal movers, trainers, using the same services as Global Nomads, but adopting them somewhat later . . .

- *Settlers* – 30%: less mobile functions – administration, finance. The last group to adopt these services. Office mobility issues are very relevant . . .

As the amount of wireless data products grows and their use becomes widespread, the Global Nomads will be the first mobile professional adopters, with Migrators and Settlers following behind. . . .

## Technology

The technological environment of wireless communications is very turbulent. Technology determines what is possible in mobile telephony and five big waves are on the way.

### *Fixed mobile convergence (FMC)*

FMC provides 'one phone for all situations' and comprises a melting together of both fixed and mobile telephony. FMC is an opportunity to attract potential customers of fixed network operators by offering the equivalent of a fixed service on a mobile phone, for example Home Zone Tariffing (HZT), where mobile calls made via the base station close to the customers' home are cheaper than normal mobile calls.

Fixed line operators can fight back by encouraging their customers to use the fixed phone by connecting DECT

(Digital Enhanced Cordless Telecommunications) cordless base stations to existing fixed lines. DECT is an advanced technology that supports wireless telephony at home and in the office and has more capabilities for wireless communication than the existing generation of wireless telephones.

### *Universal mobile telecommunications system (UMTS)*

UMTS, a third-generation mobile telecommunications system, is an initiative to build further on the European success in GSM telephony. UMTS service provision, including Internet and other flexible and personalised services, goes further than the possibilities offered by the current second-generation systems, such as GSM, and enables combined use of terrestrial and satellite components.

From the user's perspective, UMTS is a mobile carrier of new, innovative services, whereby the emphasis will be placed on the supply of information. Mobile multimedia will be made possible within UMTS thanks to transmission speeds of 144–384 kbps up to 2 Mbps in areas with a high level of coverage and a limited mobility. In addition:

1. UMTS services are expected also to be accessible through fixed networks. Using a personal identification, every user will have access to his or her own personal network environment from any fixed or mobile telephone. Personal mobility is guaranteed, even if the user is not carrying his or her mobile telephone or is out of range of a mobile network, concepts which are referred to as the Virtual Home Environment (VHE) and Universal Personal Telecommunications (UPT). This is primarily what distinguishes UMTS from GSM.
2. UMTS offers a far broader range of communication, information and entertainment services than has been the case up to now with mobile networks. The development and availability of online content will determine the success of UMTS. Major opportunities are available in the development of services specifically geared towards mobile users by, for example, combining location and route data with online data files.
3. UMTS offers access to communication, information and entertainment services with a video component, enabling audiovisual, broadcasting and telecommunications sectors to supplement one another.

4. There appear to be at least two market developments under way. First, there is a greater user demand for packages of combined services, whereby the same package of services is available on both the mobile network and the fixed network. The user wants accessibility under one number, irrespective of the network through which communication takes place. In addition, there is a demand for more advanced forms of (mobile) communications than speech, such as electronic mail and Internet applications.

### *Symbian*

This is a consortium of Nokia, Ericsson, Motorola and Psion who are jointly working on the next generation of wireless, handheld computers. For a long time Psion dominated the market in organisers, but sees its position being threatened by Microsoft's Windows CE operating system. Symbian is working on Epoc, an alternative operating system for handheld computers. It has several advantages over Windows CE. Epoc has a less intensive energy use than Windows CE. Epoc can also be customised to fit the needs of the different Epoc licensees. In contrast, Windows CE has a rigorously defined user environment.

### *Bluetooth*

This is an open standard for wireless communications being developed by Ericsson, IBM, Intel, Nokia and Toshiba. It facilitates wireless communication between laptops, printers, scanners, fax machines and mobile telephones by using radio devices that work within a periphery of 10 metres. In creating this standard Ericsson is responsible for developing the radio technology, Toshiba and IBM are jointly specifying the conditions under which Bluetooth technology can be built in mobile equipment, Intel is donating its advanced expertise on software and chips and Nokia is developing software necessary for the radio and handsets.

### *Satellite communications (SatComs)*

SatComs are currently treated as a viable complement to existing terrestrial cellular networks. Employees of multinational companies use SatComs in regions where coverage by a fixed or mobile network is absent or poor. Heavy users of satellite services could be found in areas such as newsgathering, oil exploration or shipping. High costs, expensive and bulky equipment and annoying delays in voice transmission inhibited mass introduction of satellite services. Nevertheless, organisations such as Iridium, Globalstar and Inmarsat have planned to invest

about €40 billion in satellite communications by 2003 as they foresee a growing demand for satellite services in traditional telephony, mobile telephony and broadband Internet traffic.

Should satellite operators be considered a serious competitive threat to terrestrial mobile operators? Views are mixed:

For cellular companies, the real worry is not that they will be unable to compete with satellite operators, but that they will fail to embrace satellites' capabilities quickly enough. Despite their low call volumes, satellite networks are set to become important additions to terrestrial networks for two reasons. First, by using dual-mode handsets that work on both cellular and satellite networks, wireless companies that enter partnerships with GMPCS operators (GMPCS is a satellite communication standard) will be able to extend their coverage to the whole of the Earth's surface. Those that do not will risk being left behind, especially in the important business segment. As many cellular operators have found, coverage is a key buying factor for customers. Second, satellite calls will be highly profitable. Cellular operators will take a cut on every call customers make when they roam on to a satellite network, just as they do when customers use a GSM network. These calls will be charged at premium rates but incur low marginal costs. In fact, the margins on roamed calls in the GSM world are so attractive that some operators now derive almost one-fifth of their revenue from roaming. Cellular operators should recognise this and promote the adoption of satellite roaming services in their territories.

Evans and Rose (1998): 11

## Questions

1. How would you classify the five competitors in the market concerning their competitive positions?
2. What accounts for the large differences in price in the market?
3. Should KNP cut its prices to stay competitive? If so, how can they remain profitable? If not, suggest an alternative defence.
4. Suggest potential competitive strategies for the challenger and followers in the market.
5. What approach should Libertel take concerning the new technologies in the market and why should it differ from that of Dutchtone?

SOURCES: J. C. Arnbak, 'Toespraak 8<sup>e</sup> jaarcongres Mobiele Communicatie', *Opta Actueel* (16 December 1998); S. Nold, B. G. August, M. Knickrehm and P. J. Roche, 'Winning in wireless', *The McKinsey Quarterly*, 2 (Spring 1998), pp. 18–31; P. Awde, 'Value-services for fixed networks', *Financial Times* (18 November 1998), FT Telecom p. 10; I. Beijnum, 'Jlitsch GSM-verhaal', *Pagina van Jljitsch van Betinum* (11 February 1999); H. Botman, 'Koopgids voor een GSM-telefoon', *Trouw* (8 February 1999); M. Couzy, 'Voor 80 miljard nieuwe telecomdiensten via satelliet', *Computable on line archief & literatuur* (14 August 1998), p. 25; M. Couzy, 'V&W wil meer aanbod bij opvolger GSM', *Computable on line archief & literatuur* (31 July 1998); A. J. Diepen and K. Gilbert, 'Benchmarkstudie telecommunicatie infrastructuur en diensten', *Rapport aan Hoofddirectie Telecommunicatie en Post* (February 1998), pp. 9–11; A. L. Evans and J. S. Rose, 'The future of satellite communications', *The McKinsey Quarterly* (Spring 1998), pp. 6–17; K. van Gilst, 'Bellen, Bellen, maar geen gehoor', *Adformatie* (24 January 1999), p. 3; M. Houben, 'KPN Telecom moet zich zorgen maken over positie op thuismarkt', *Het Financieele Dagblad* (20 February 1998), p. 13; A. Kantelberg, 'De tienertelefoon', *HP/De Tijd* (4 December 1998), pp. 33–9; J. Libbenga, 'Slimme Telefoon dicteert IT-wereld', *Automatiseringsgids* (4 December 1998), p. 7; W. Nieuwenhuijse, 'Markturbulentie in mobiel waaiert uit', *Tijdschrift voor Marketing* (February 1998), pp. 46–8; Nokia Telecommunications Oy, 'Wireless Data Evolution White Paper', *Nokia Wireless Data Library* (April 1998); Nokia Telecommunications Oy, 'The demand for value-added services', *Nokia Wireless Data Library* (December 1998); F. Popcorn and L. Marigold, *Clicking* (London: Thorsons, 1996), p. 235; PriceWaterhouseCoopers Management Consultants, 'Prijzvergelijkingen mobiel bellen', *Zembla-documentaire 'Mobiele miljarden'*, 1999; Project Group UMTS, 'Consultation document UMTS', *Ministry of Transport, Public Works and Water Management; Telecommunications and Post Department* (16 July 1998); Redactie Economie, 'Nieuwkomer Ben wordt prijsvechter', *Trouw* (3 February 1999); S. Reeve, 'Direct dialling to success', *The European* (9 November 1998), p. 8; H. Schrameyer, 'Rumour around Dutchtone', *Adformatie* (4 January 1998), p. 20; W. Webb, 'Alternative strategies for fixed mobile convergence', *Motorola Cellular Infrastructure Group* (11 February 1999); [www.ben.nl](http://www.ben.nl), [www.dutchtone.nl](http://www.dutchtone.nl), [www.kpn.com](http://www.kpn.com), [www.libertel.nl](http://www.libertel.nl), [www.telfort.nl](http://www.telfort.nl).

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