BTEC UNIT Seventeen: Marketing Intelligence

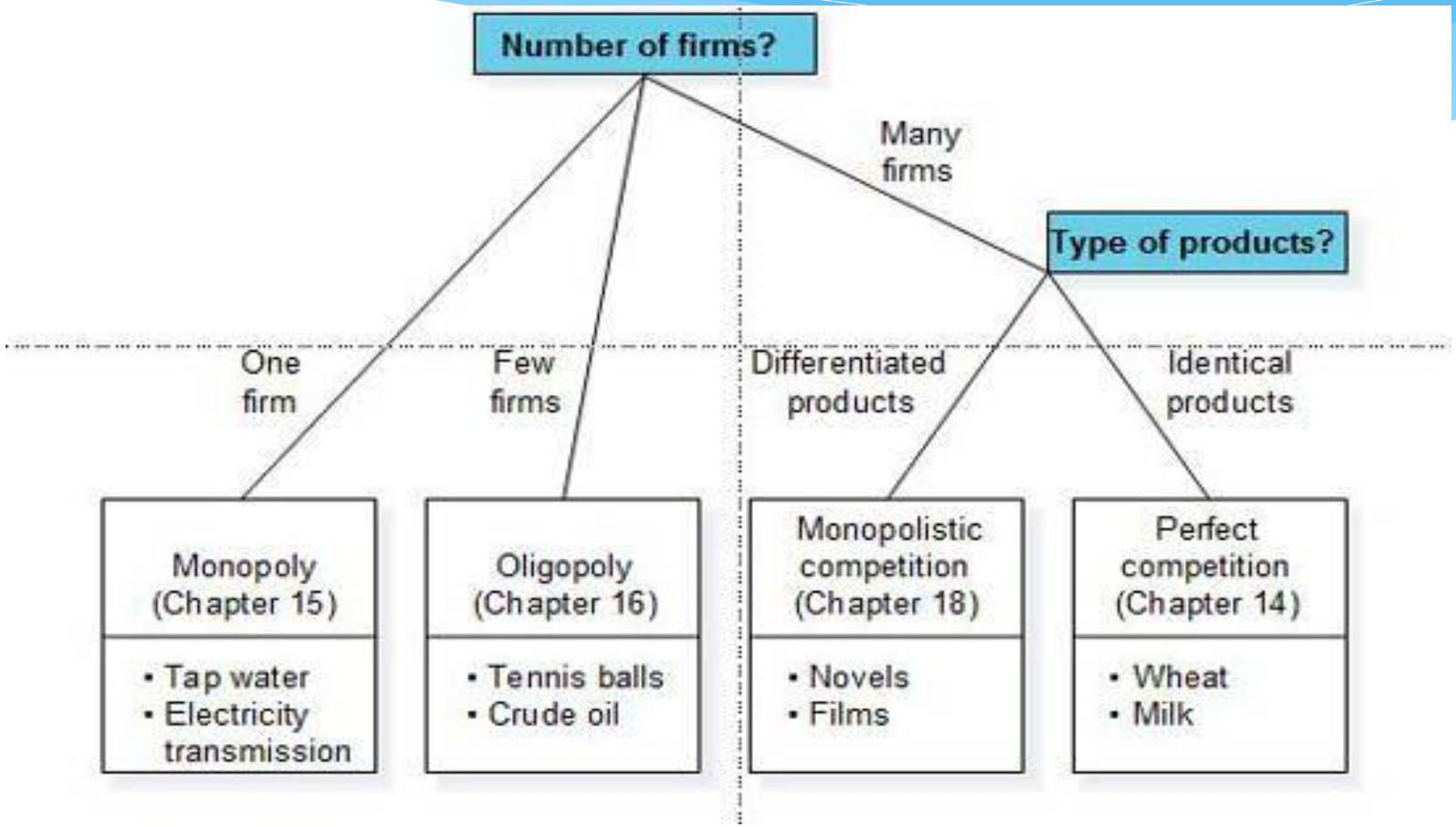
Unit Code: K/601/0955

Competitive market's structure

The identifying characteristics for each type of market structure include the number of firms in the industry, whether the products are identical (homogeneous), ease of entry for new firms in the industry, and the power that the firm has to influence the price of its products. The diagram shows the different types of market structure.

- **Monopoly**
- **Oligopoly**
- **Monopolistic Competition**
- **Perfect Competition**

Competitive market's structure



Competitive market's structure

Perfect competition: Perfect competition happens when numerous small firms compete against each other. Firms in a competitive industry produce the socially optimal output level at the minimum possible cost per unit.

Monopoly: A monopoly is a firm that has no competitors in its industry. It reduces output to drive up prices and increase profits. By doing so, it produces less than the socially optimal output level and produces at higher costs than competitive firms.

Oligopoly: An oligopoly is an industry with only a few firms. If they collude, they reduce output and drive up profits the way a monopoly does. However, because of strong incentives to cheat on collusive agreements, oligopoly firms often end up competing against each other.

Monopolistic competition: In monopolistic competition, an industry contains many competing firms, each of which has a similar but at least slightly different product. Restaurants, for example, all serve food but of different types and in different locations. Production costs are above what could be achieved if all the firms sold identical products, but consumers benefit from the variety.

Competitor analysis

Competitive marketing strategies are strongest either when they position a firm's strengths against competitors' weaknesses or choose positions that pose no threat to competitors. As such, they require that the strategist be as knowledgeable about competitors' strengths and weaknesses as about customers' needs or the firm's own capabilities.

To plan your analysis, ask questions such as:

Who are your competitors and which should you focus on?
Those that pose the greatest threat? (current and/or potential)
New entrants that need to be profiled?
Are there competitors outside your sector that need to be reviewed?
Are there competitors in other countries that are relevant to your analysis?
Do you need to include those that only indirectly compete with you?
An unduly broad or excessively narrow definition of your competition will compromise the effectiveness of your analysis.
What are each of their strengths and weaknesses? What are their opportunities and threats?

MARKET INNOVATOR/FOLLOWER

* The innovator bears the expenses of developing the new product, getting it into distribution, and informing and educating the market. The reward for all this work and is normally of market leader. However, another firm can come along and copy or improve on the new product. Although it probably will not overtake the leader, the follower can achieve profits because it did not bear any of the innovation expense.

MARKET INNOVATOR/FOLLOWER

* A market follower must know how to hold current customers and win a fair share of new customers. Each follower tries to bring distinctive advantage to its target market-location, services, financing. Because the follower is often a major target of attack by challengers, it must keep its manufacturing costs low and its product quality and services high. It must also enter new markets as they open up.
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MARKET INNOVATOR/FOLLOWER

* The main objective of developing competitive marketing strategies consists of building and maintaining a sustainable competitive advantage for an organization over others within the same industry. The main purpose is to make the business stand out among the competition. By creating a sustainable competitive advantage, a business can ensure it outlasts the competition long term, no matter what the economic conditions.
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Competitive and environmental analysis

* A competitive and environmental analysis of your markets should include all the key influencing factors that affect the way in which you can compete. A competitive review is important for two reason.
* Firstly, even if you know what the customers want and have the resources to meet the customers' demands, it may be that the competitive environment means that it is not worth pursuing particular parts of the market for a whole range of strategic reasons, such as the threat a price war, channel conflict, or legal or ethical considerations.
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COMPETITIVE AND ENVIRONMENTAL ANALYSIS

* Secondly, you need to know if your competitors are doing things better than you are, or more dangerously, whether they are looking to change the basis of competition in the market, for instance by moving to a direct sales model, or by introducing some revolutionary new product or technology.
* The main types of competitive analysis from a strategic point of view are:
* "The Five Forces"
* Benchmarking and competitive evaluation

Market Intelligence

* **Market Intelligence** is the primary mechanism for gathering information about competitors (although some may come from talking to customers in your own market surveys).**Notanant** is our on-line market knowledge system for collecting, sharing and managing customer and competitor knowledge provided by **Gegen CIS**

The five forces come from Porter's famous framework and are:

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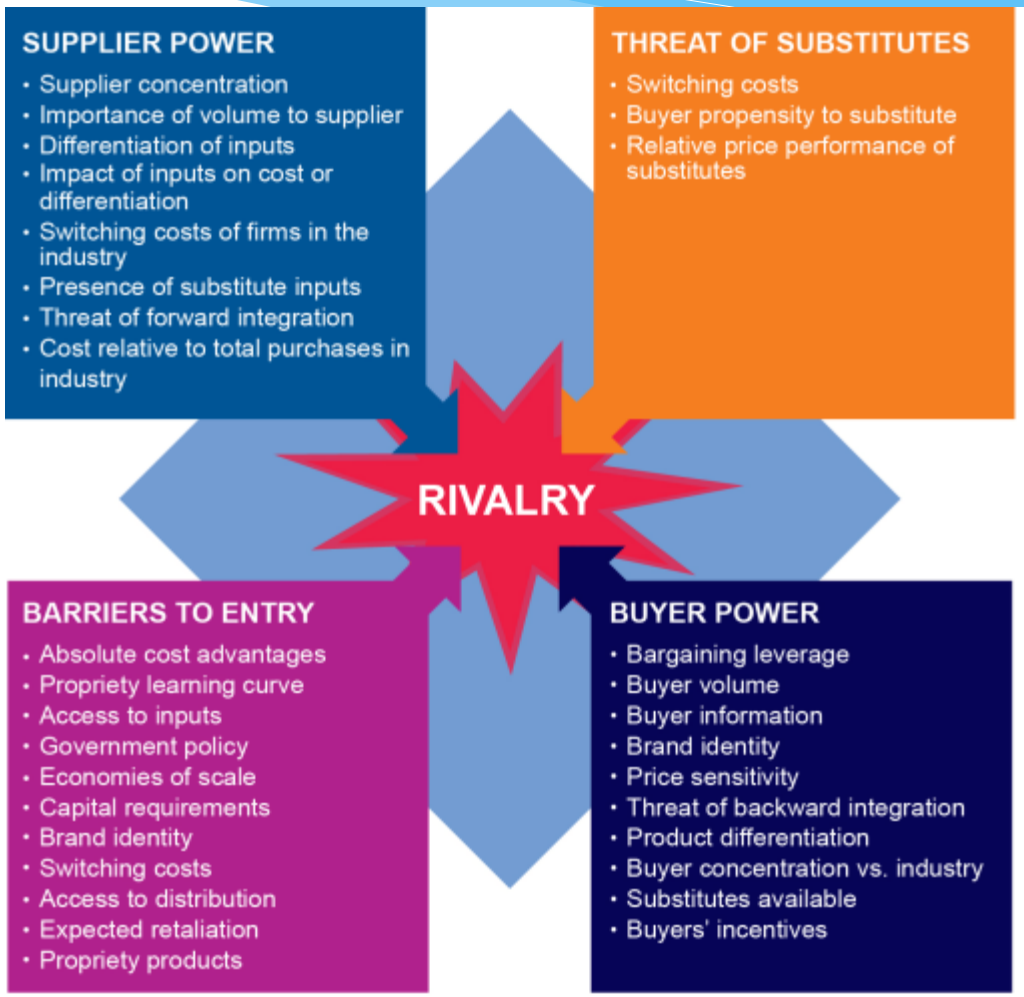

The five forces come from Porter's famous framework

* The idea is that change in your market is likely to come as the basis of one of these five areas. For instance, buyers may distort the market by forcing prices down, or by deciding to take build products in-house.
* In considering how these "forces" act on your markets, you get a picture of issues such as channel conflict, threats from vertical integration, the impact of regulatory change or the advent of new technology. You can also take a view as to how you are or can affect the competitive situation for your own benefit, rather than statically accepting the status quo.
* Consequently it becomes possible to play around with different future competitive scenarios and to use these to test different propositions to try and guess how the market will change. Your strategy can then include contingencies and responses to changes that might affect you, or changes that you might make to the market.

Benchmarking

* Benchmarking is used to ascertain how well you are doing against the competition. Are there areas that you can learn from the competition? Are there ideas in markets outside your own that would be worth bringing into your market to give you a competitive advantage?
* Your competitors can also be a source for information about the general market. Their advertising and marketing is telling you something about the messages and approaches that they think are applicable to your market. If they have done their research, you can learn from their approaches.
* One common issue that comes from looking at the competition is what do you do about it? The options are:
* Ignore
* Fight
* Adopt

Benchmarking

* In practice, if there is merit in something new and you ignore it, it is likely to bite you later. If you fight against it, you add to your costs potentially just to save market share, rather than to win market share.
* Consequently often adoption of the competition's good ideas is the best way forward (although perhaps after a little fighting to test whether the ideas are sound). Microsoft's Embrace and Extend and Intel's "Only the Paranoid Survive" are good examples of companies that use the competition to keep their products at the cutting edge.
* Often there can internal cultural issues that mean this can be difficult to accept. But learning from the competition, doesn't mean following the competition. This approach, known as an "**invest in your threats**" strategy, can be an extremely effective way of keeping up with and ahead of the market.

References

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John A. Czepiel Professor of Marketing and Stern Teaching Excellence Fellow Leonard N. Stern School of Business

MARKETING MANAGEMENT -**MD. TARIKUL ISLAM.** Lecturer, IIUC-DC.

Competitive Marketing Positioning Strategy By Amanda L. Webster

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