

COMPETITIVE ANALYSIS REFERENCE MATERIAL

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Competitive Analysis



Reference No.: Tat/RL/Soft Skills/501/R0

What is Competitive Analysis?

Competitive Analysis is the process of identifying your competitors and evaluating their strategies to determine their strengths and weaknesses relative to those of your own product or service .



Purpose of Competitive Analysis

The purpose of the competitive analysis is to:

- Determine the strengths and weaknesses of the competitors within your market
- Identify strategies that will provide you with a distinct advantage
- Develop barriers that can be developed in order to prevent competition from entering your market,
- Identify any weaknesses that can be exploited within the product development cycle.

5 Things Companies need to know five about their competition

- Who are our competitors?
- What are their strategies?
- What are their objectives?
- What are their strengths and weaknesses?
- What are their reaction patterns?

Five
QUESTIONS

Who are our competitors?



The 4 levels of competition based on the degree of product substitutability.

1. Brand competition-

Companies that are offering similar products and services at similar prices.

2. Industry competition

Companies offering the same class of products.

3. Form competition-

Companies offering a product to serve the same need.

4. Generic competition-

All companies that are competing for the customers' money.

What are their strategies?



- Resourceful competitors revise their strategy through time. Companies have to monitor the strategies of companies that fall in their strategic group more closely.
- A group of firms following the same strategy in a given target market is called a strategic group. A company needs to identify the strategic grouping in which it competes.
- It has to monitor efforts of even potential new entrants into this strategic group. Also it has to monitor efforts of companies in adjoining strategic groups.

What are their objectives?



The company has to make efforts understand what drives each competitor's behavior.

Normal microeconomic assumption is that every firm attempts to maximize their profits. However, in actual practice, companies differ in the weights they put on short-term versus long-term.

Hence, each firm pursues a mix of objectives, current profitability, market share growth, cash flow, technological leadership, service leadership etc. with different weights attached to them.

What are their strengths and weaknesses?



- Resources and capabilities determine the competitive advantage. Marketing department has to determine the strengths and weaknesses of competitors.
- When market share is to be increased, the marketing department has to know the weaknesses of competitors, which can be attacked in the market place for grabbing market share.
- For determining this, it may conduct a primary research among consumers, retailers and wholesalers regarding their satisfaction with various desirable attributes of a product and the offering of various competitors.

What are their reaction patterns?



- **The laid back competitor**
This firm does not react quickly or strongly.
- **The selective competitor**
The firm reacts to certain types of attacks very strongly.
- **The tiger competitor**
The firm does not remain quiet. Any attack on its market or product is given a strong response.
- **The stochastic competitor**
The firm does not exhibit a predictable reaction pattern

Benefits of a Good Competitive Analysis

1. Better understanding of Market gaps

2. New insight into Product development

3. Quicker understanding of market trends

4. New insight into Product development

QUESTIONS OR CONCERNS?

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