



# THE MFS GUIDE TO COMPETITIVE STRATEGY

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How to Develop and Execute an  
Effective Competitive Strategy

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# INTRO



**In this guide, we decided to take an in-depth look into competitive strategy - an area that is as complex as it is fundamental to business success. Leaning on our experiences over the past 15 years in the B2B environment, we wanted to put together a guide that would cover some of the key competitive strategy concepts, frameworks, tactics, and, ultimately, try to add some clarity on the role of competitive strategy in business today.**

It is our belief - and we will lay it out over the course of this guide - that competitive strategy and overall company strategy are fundamentally interlinked. Companies can not develop a strategy without first developing a deep understanding of the industry and the competitive environment.

Even companies such as Cirque du Soleil who go on to position themselves as pioneers in a new or redefined industry must first possess a deep understanding of the competitive environment.

Without that initial knowledge, it would not be possible to develop and execute what has become known as a Blue Ocean Strategy which has been popularized by Cirque du Soleil and other successful companies who have redefined their competitive space to position themselves apart from their competitors in what has been termed a "blue ocean".

Upon establishing their blue ocean, companies like Cirque have been able to operate in a market of one where it could be argued that competitive strategy becomes less important, but, this initial positioning - which is itself a competitive strategy - becomes the company's raison d'être with dual goals of low costs and differentiation built into everything the company does.

Switching to the competitive strategies developed by Michael Porter who outlined what he termed the Generic Strategies of Cost Leadership, Differentiation, and Focus - it is his belief, that in order to succeed, companies must commit their whole system of activities to only one generic strategy. Walmart, for instance, would be one of the most cited examples of a company who have instilled the concept of cost leadership throughout their entire operation.

The point, ultimately, is that strategy can not and does not exist without competitive considerations. Within business strategy, there are external or more macro considerations to weigh up, but, the real value of macro understanding is that it allows companies to place competitive considerations within their correct context - external and internal market dynamics can not be looked at in isolation.

Over the course of this guide, we hope to be able to shed some light on competitive strategy in the modern and evolving business landscape - particularly around the strategies, frameworks, and tactics that can help you identify and position your company for success.



# IMPORTANCE OF COMPETITIVE STRATEGY

Competitive strategy is an essential part of any business. In a world of rapidly dwindling attention spans and mass AI-driven output, it is important that companies don't waste valuable interactions with potential customers by delivering a message that is simply more of the same. More than ever, companies need to differentiate themselves from the competition and, in order to do so, must research, develop, and execute an effective competitive strategy.



Perhaps the leading thinker on competitive strategy is the Harvard professor Michael Porter and he defines competitive strategy as follows: ***“Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.”*** In many ways, it is through Michael Porter's work that the area of competitive strategy has been formalized and transformed into a core business activity - primarily by articulating something that was already implicit in business strategy.

What is certain is that competitive strategy is now an integral part of business and involves the following steps:

- **Competitive Research:** The first step involves researching all competitors - both direct and indirect - and analyzing their approach to areas like pricing, product development, positioning, marketing, and sales.
- **Strategy Formulation:** Once you have gained a deep understanding about your competitors, it is time to start figuring out your competitive strategy. Some of the key activities here will include product messaging, pricing, and marketing channel selection.
- **Strategy Execution:** The next step is turning your competitive strategy from a vision into a reality through the various tactics and activities involved.
- **Strategy Evolution:** Finally, competitive strategy is not a one-off task. Instead, competitive strategy is an ongoing program that must evolve to meet competitor and market developments. This step involves putting some tools and processes in place to ensure your competitive strategy stays current.

## BENEFITS OF COMPETITIVE STRATEGY

Taking the time to develop a thorough and robust competitive strategy brings with it many benefits.

- **Positioning** - Understanding how your competitors position their company and products will help you figure out how to position your own product.
- **Pricing** - Competitor pricing will be an important input as you weigh up your own pricing strategy. Understanding the various pricing models in your industry that have and have not worked is key here.
- **Messaging** - As you develop the messaging that will act as the foundations of your marketing communications, your competitive research will give you valuable insights into what messaging has and has not succeeded in the market.
- **Market Dynamics** - Competitive research will help you understand current and future market dynamics - including emerging trends, threats, and opportunities.
- **Customer Experience** - By understanding where your competitors have both succeeded and failed, you will give yourself a better chance at meeting customer expectations. Intel on key deal catalysts for your competitors customers is vital as is insights into why customers became lapsed or chose an alternative. Gathering all this info will give you an understanding into the expectations of your target customer base.
- **Product Direction** - As you develop your product and plot out company direction, competitive research will give you some valuable insights around which direction to take. If, for example, you can see that all your competitors are taking a similar route by building similar features, the choice for your company might be to try and beat your competitors in a race towards a particular feature set or else, possibly, take a different direction altogether. Regardless of the route you go down, competitor behavior will be a key consideration.
- **Channel Selection** - By analyzing the different marketing tactics and channels deployed by your competitors, you will be able to understand which channels you should apply your focus to. If all your competitors are investing heavily in paid ads on a specific social media platform, then you would have to assume that this platform is a proven way of getting in front of your target buyer. Alternatively, you may want to go a different route if you feel that a certain marketing channel has become overly crowded or noisy due to increased competition. Either way, competitor research will once again play an important part as you put together your marketing strategy and campaigns.
- **Market Gaps** - By analyzing competitors, you might well spot gaps in their strategies that you can exploit. An example might be an underperforming competitor website or even a section of the target market that they have not yet infiltrated effectively.



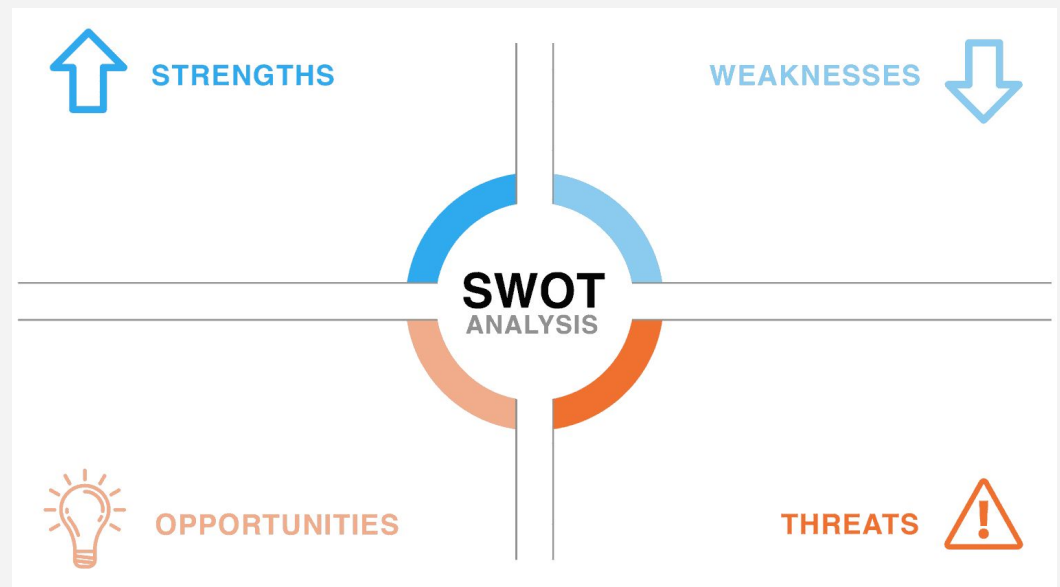
# COMPETITIVE ANALYSIS FRAMEWORKS

The proliferation of online competitive intelligence sources is such that the area of competitive research has become increasingly complex and resource-intensive. One of the best ways to add an element of structure to this task is to adopt a competitive analysis framework. There are a number of different approaches you can adopt - and each is not without merit. In this section, we will outline some of the most effective competitive analysis frameworks and the situations which they are most suited to.



## SWOT ANALYSIS

One of the most widely used analysis frameworks in business, a SWOT analysis charts the strengths, weaknesses, opportunities, and threats of a business. In terms of competitive analysis, a SWOT analysis can help you to pinpoint areas where your company is strong and competitors are struggling or vice versa.



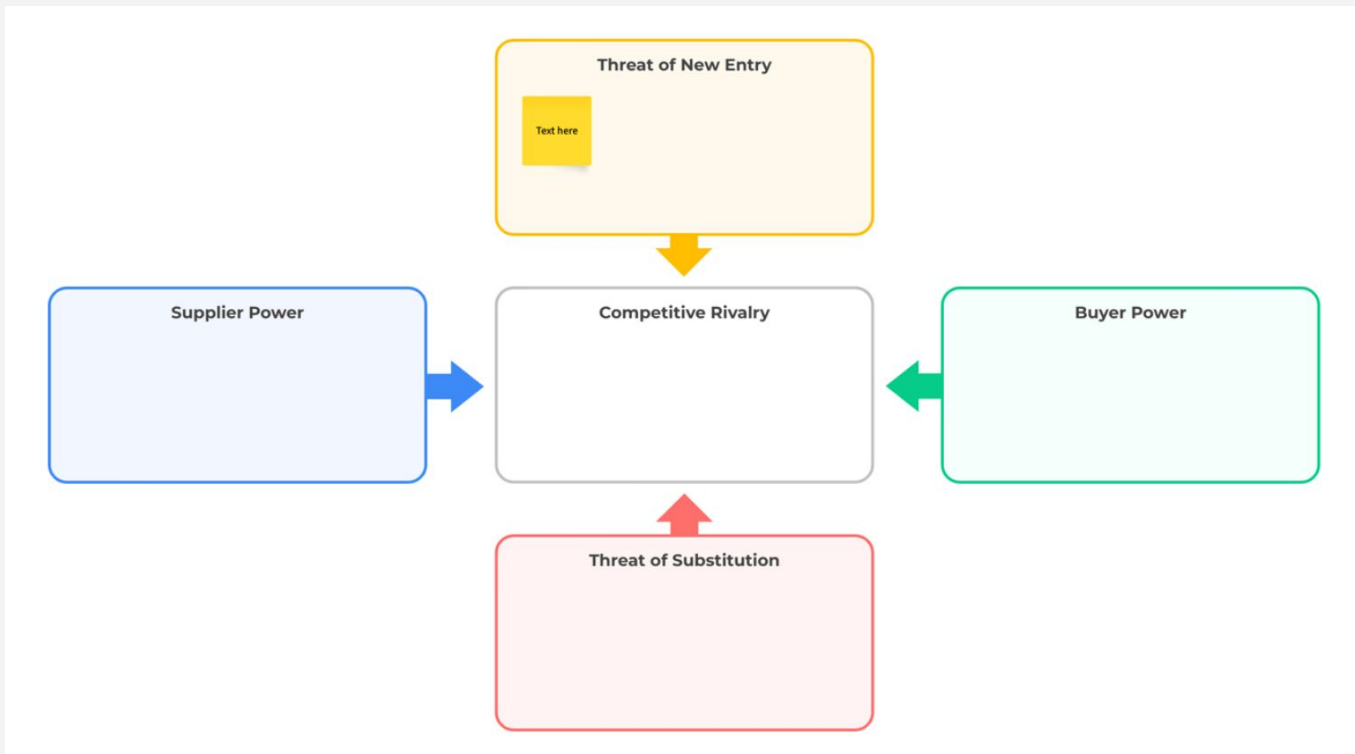
The way to use a SWOT analysis is simply to list a company's strengths, weaknesses, opportunities, and threats in their respective quadrants. By completing this task for both your company and your key competitors, you will give yourself some visuals that will highlight insights you might not have previously identified.

## PORTER'S FIVE FORCES

While SWOT analysis focuses firmly on the micro, Porter's Five Forces model is macro-focused and examines the industry as a whole. Developed by the godfather of competitive strategy Michael Porter in 1979, the Five Forces model provides a way to analyze the competitiveness of an industry by examining five fundamental forces, namely:

- **Competitive rivalry** - This force involves the examination of competitive intensity within the industry. Considerations here include the number of companies within an industry offering similar products or services, the growth of the industry, and the ease with which customers can switch providers. Understanding the level of competitive rivalry within an industry can help companies understand market direction. If, for instance, there is a high level of competitive rivalry - as applied to the conditions set out by Porter, then the likelihood of price and advertising wars commencing will grow.
- **Bargaining power of suppliers** - The force refers to the level of control suppliers have over price within an industry. This force also assesses the number of suppliers within the industry. The lower the number of suppliers within the industry-wide supply chain, the greater the level of bargaining power the suppliers hold. The greater the number of suppliers, the lower the impact suppliers will have on pricing and profit margins. Similarly, with a greater number of suppliers present, the chances of supply chain disruption are minimized.
- **Bargaining power of customers** - This force assesses the level of power held by customers within a particular industry and the impact this bargaining power has on price and quality. The inputs that go into bargaining power consideration include both the number of companies within an industry and the number of buyers. When there are a low number of sellers and a high number of customers, the bargaining power of customers will be low. The opposite is also true.
- **Threat of new entrants** - This force examines the ease with which new competitors can enter the market. The barriers to entry to consider here include brand reputation, setup costs, supplier access, and economies of scale. One example of an industry that would have a high threat of new entrants would be e-commerce which has a significantly lower barrier to entry than traditional brick and mortar stores.
- **Threat of substitute products** - This force looks into the possibility of companies finding alternative products or services that can perform a similar function. One of the examples often cited in relation to this force is the shifts from CDs to digital streaming in the music industry.

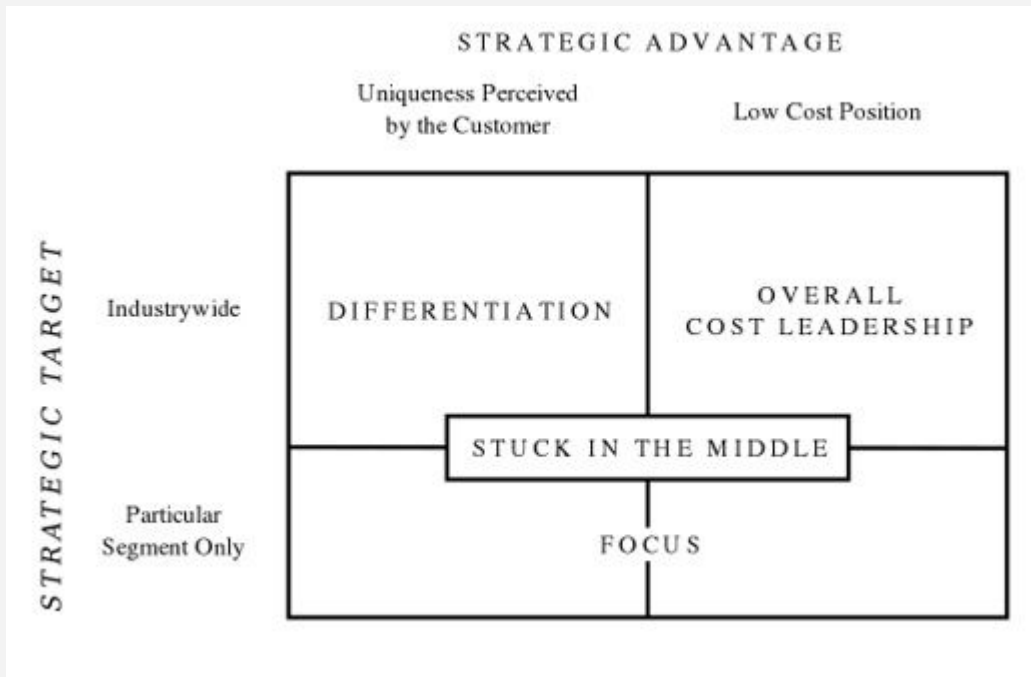




It is a good idea to apply Porter's Five Forces model early in your competitive research process as it will help you place any competitor studies within their correct industry context. In terms of the work involved in using the Five Forces framework, you will need to gather up a lot of information on the way your market is structured - in particular data on suppliers, customers, and the number of competitors. You may already have a lot of this info on hand from existing competitive research, so internal systems would be your starting point, and, from there, you can start researching the missing pieces to get a clear picture of the Five Forces shaping your particular industry.

## PORTER'S GENERIC STRATEGIES

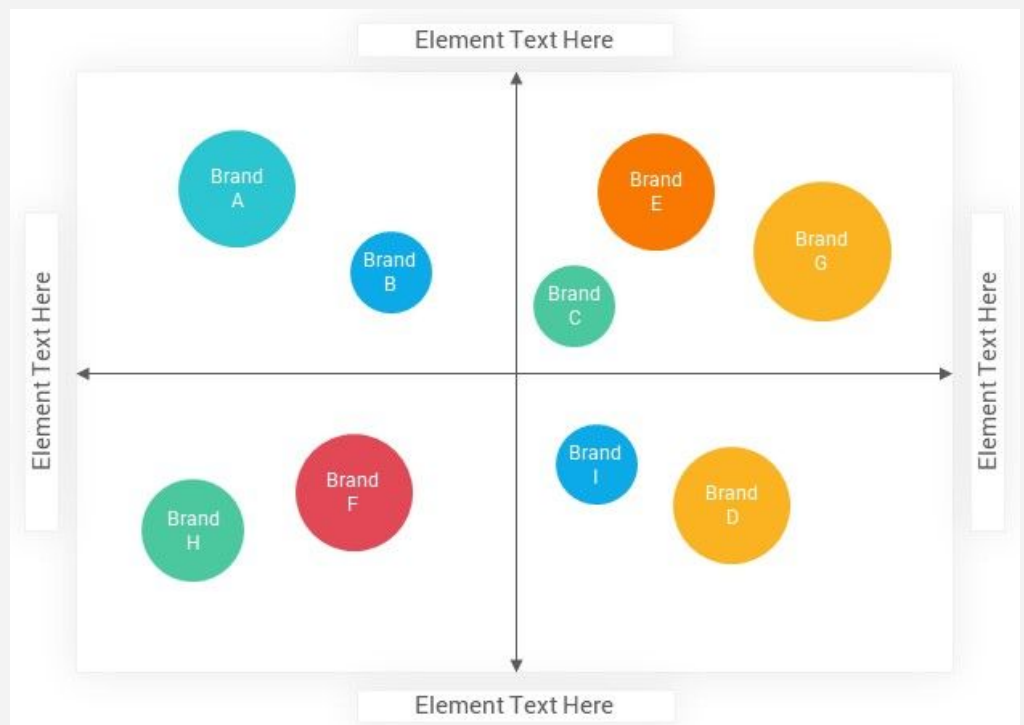
While we're on the subject of Michael Porter, it might be a good idea to take a closer look at Porter's Generic Strategies and how it might be used as a competitive analysis framework. Traditionally Porter's Generic Strategies—cost leadership, differentiation, cost focus, and differentiation focus—are used to help companies develop their own strategic positioning. But, there is also some value in applying Porter's Generic Strategies to the market as a whole and map out which strategy each of your competitors is competing on.



The way to use Porter's Generic Strategies as an analysis framework is to input each of your competitors into the area of the quadrant that best suits their strategy. Complete the listing for each of your competitors and analyze the results. By putting together something like this graphic, it might help you look at your competitive landscape in a different way and help you identify possible insights you had previously overlooked.

## PERCEPTUAL MAPPING

Comparable in some ways to a mind map, the perceptual mapping framework is a diagrammatic technique you can use to work out how the various players within an industry are perceived by the target market. Perceptual mapping is usually done with a 2D graph and an X Y axis that tracks key attributes like price and quality but parameters can vary depending on which attributes are most important to a particular industry.



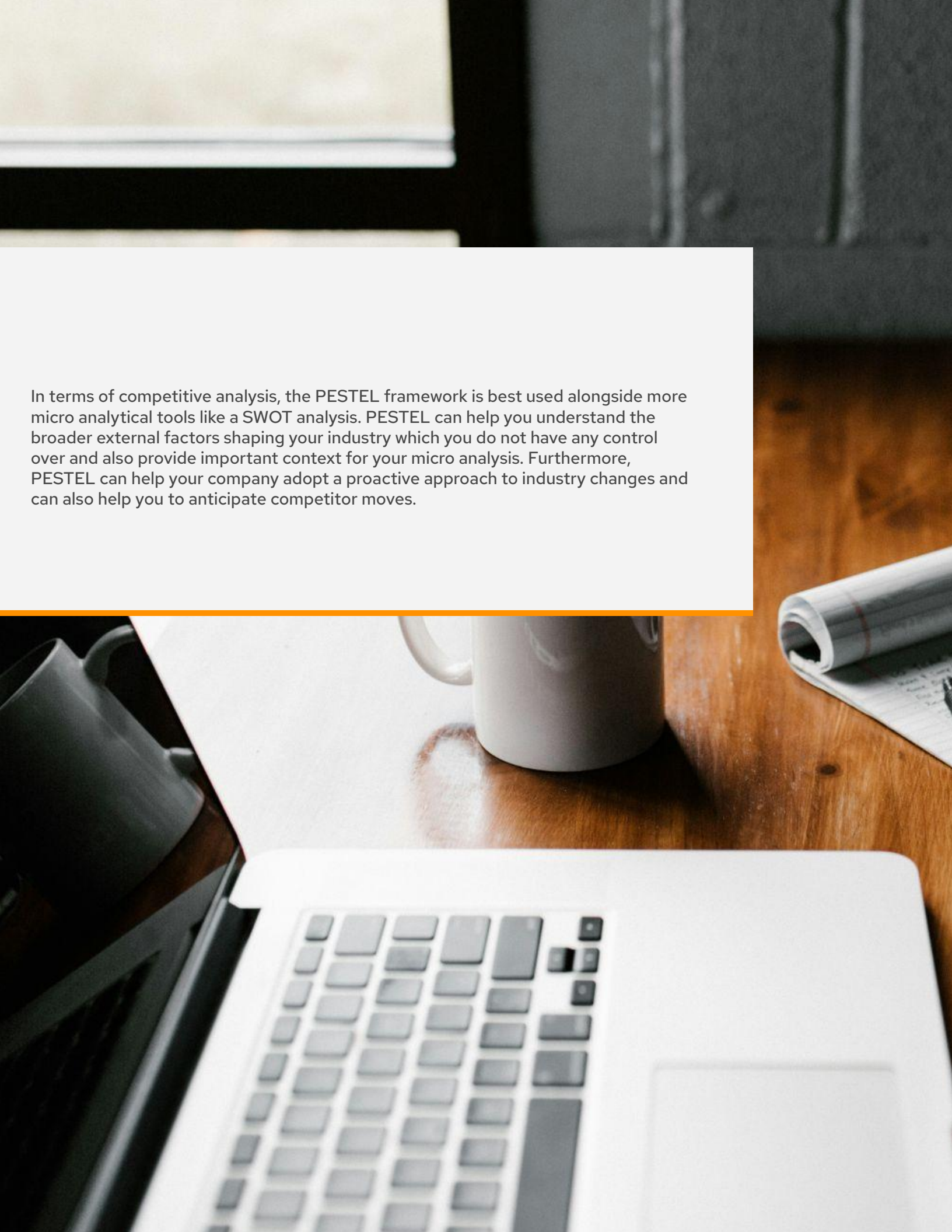
Perceptual mapping can be an extremely valuable technique if you are an early stage market entrant looking to establish positioning or a company planning a rebrand. Strategists can also use the perceptual mapping framework to identify market gaps - as denoted by the areas of the map which contain a lot of white space.

## PESTLE ANALYSIS

The PESTLE framework can be used as a strategic lens to help you interpret key external factors shaping your industry. The 6 factors in the PESTEL framework are:

- **Political Factors** - The political factors that shape an industry can include governmental stability, regulatory policies, and trade constraints. Political changes can disrupt market access, supply chains, and increase operational costs.
- **Economic Factors** - The economic factors involved in a PESTEL analysis include growth trajectories and interest rates which have the potential to impact pricing decisions and future customer spending potential.
- **Social Factors** - Social factors take in changes in demographics such as a possible aging population in a target market which could have the potential to impact future customer spending. Other factors may include evolving social norms, cultural attitudes, and work patterns.
- **Technological Factors** - Rapid shifts in technological development have the potential to disrupt industries. We are seeing this trend play out in real time with the impact of AI on businesses of all types today.
- **Legal Factors** - Industry regulations shape how businesses operate and determine compliance expenses, while consumer protection laws guide how products are designed and marketed. These legal factors can be complicated for companies operating in different jurisdictions with different laws and compliance requirements to adhere to.
- **Environmental Factors** - Depending on what industry your company is focused on, there may be some important environmental factors to consider. Climate change can impact business operations and supply chains, while expectations around sustainable business practices continue to grow.

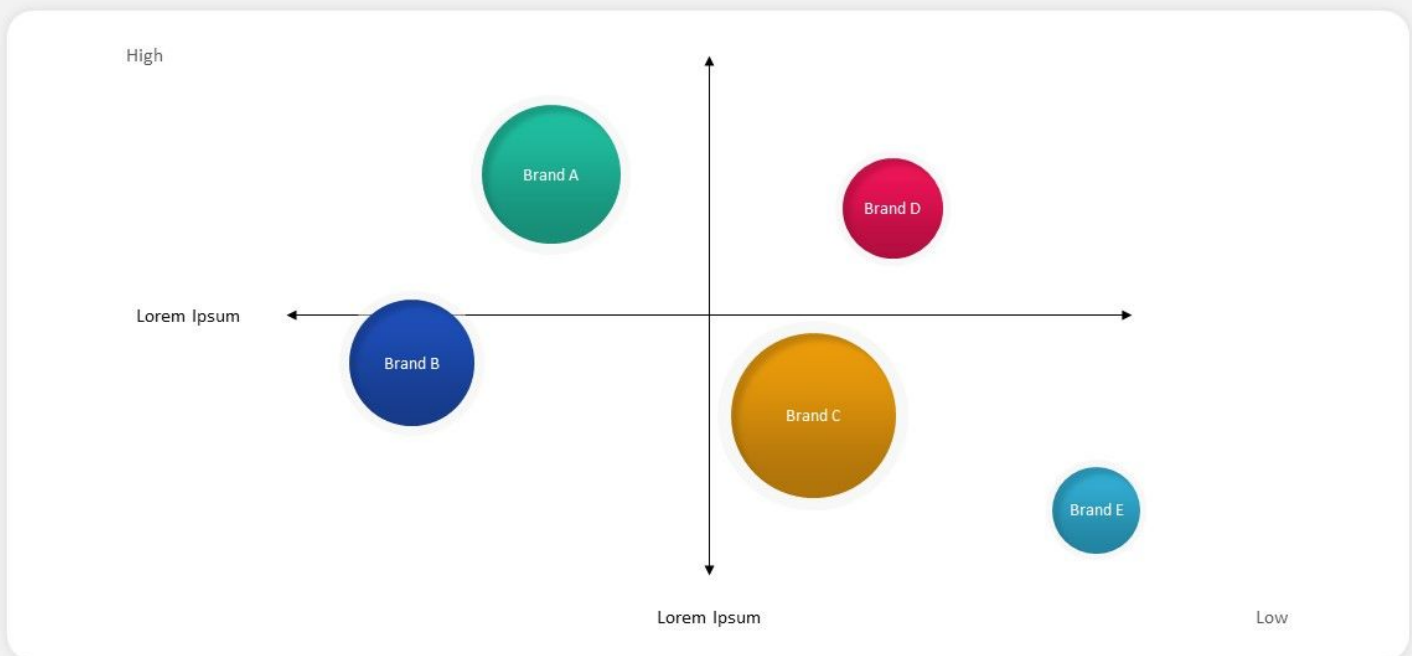
P Political	E Economic	S Sociological	T Technological	L Legal	E Environmental

A photograph of a desk setup. In the foreground, a silver laptop is open, showing its keyboard and trackpad. To the left of the laptop is a white mug. To the right is a rolled-up document or newspaper. The desk is made of wood. In the background, there is a window with blinds and a dark wall.

In terms of competitive analysis, the PESTEL framework is best used alongside more micro analytical tools like a SWOT analysis. PESTEL can help you understand the broader external factors shaping your industry which you do not have any control over and also provide important context for your micro analysis. Furthermore, PESTEL can help your company adopt a proactive approach to industry changes and can also help you to anticipate competitor moves.

## STRATEGIC GROUP ANALYSIS

Strategic group analysis is a framework that helps to illuminate the competitive positions occupied by participant companies within an industry. The concept of the strategic group within an industry was first coined by Michael S. Hunt, a Harvard Professor in 1972 and, many years later, there is still a lot of value in this analytical framework. Strategic group analysis works by splitting the market into a number of strategic groups - those groups of companies who share the most similar characteristics in terms of capabilities, offerings, positioning, and market share. A further point to note is that an industry can contain one or more strategic groups while a strategic group can itself contain one or more member companies.



The way to build a strategic group analysis of your industry is as follows:

1. List all your competitors and their key details (e.g. USP, capabilities, positioning, pricing, SWOT, marketing mix, size, etc.).
2. Identify the key strategic characteristics that differentiate companies within your industry (e.g. price, branding, product quality etc.).
3. Select 2 key strategic characteristics and draw your 2 variable map.
4. Plot companies onto the map - combined into their respective strategic groups.
5. Adjust the size of each circle to highlight the size of the market shares owned by each strategic group.

A carefully plotted strategic group analysis can help you finetune your company's competitive positioning and white spaces on the map may also signify untapped opportunity areas within the market.

## GROWTH SHARE MATRIX

The growth share matrix is a framework developed by Boston Consulting Group and popularized by the company's founder, Bruce Henderson in his 1970 essay, *The Product Portfolio*. Essentially, the growth share matrix is a way for companies to manage their portfolio of products and figure out how to allocate their resources.



The growth share matrix is a four quadrant graph - with each quadrant representing a specific combination of relative market share and growth. The four quadrants represented are:

- **Cash Cows:** Low growth, high share. The BCG guidance is that cash cow companies should be milked for cash to reinvest in other products.
- **Stars:** High growth, high share. These stars should see significant investment.
- **Question Marks:** High growth, low share. Investment here depends on the chances of these question mark companies or products turning into stars. If star potential is low, these products should be discarded.
- **Pets:** Low share, low growth. These products should be liquidated, divested, or repositioned.

The growth share matrix is a good fit for companies who are managing multiple products or companies. It distills competitive research down to key details on market share and growth and, used in conjunction with more micro-analytical frameworks like SWOT can help you plot your companies strategic direction.

# TYPES OF COMPETITIVE STRATEGY



**Having analyzed the various frameworks for competitive analysis, the next step might well be deciding what type of competitive strategy to adopt. While you may very well develop a competitive strategy that is unique to your company's needs, there are a number of tried and trusted competitive strategies out there that are worth considering.**

Michael Porter - as we have mentioned - is, in many ways, the godfather of competitive strategy and it is his belief that there are three fundamental or generic strategies that companies can adopt to achieve competitive advantage - namely cost leadership, differentiation, and focus. In this section, we will take a closer look into each of Porter's generic strategies and explain the situations each strategy is most suited to. We will also take a step outside the competitive strategy boundaries as laid out by Porter and look into some other competitive strategies that have produced considerable results in recent times.

## COST LEADERSHIP

### What is it?

Cost leadership is the first of Michael Porter's generic strategies and, simply put, is based on bringing products or services to market at the lowest possible cost. The basis of Porter's Generic Strategies is that long run profitability is achieved by maintaining a competitive advantage. It is his belief that companies must select one of the three generic strategies and pursue it relentlessly and, most importantly, exclusively. The chosen generic strategy must be the company's raison d'etre and feed into everything the company does. According to Porter, companies that focused on more than one of Porter's generic strategies are adopting a "middle of the road" strategy that is destructive to its brand and ultimately contradictory. Cost leadership then is as much a competitive company identity as it is a strategy. Efficiency and low costs must be present across all areas of the company including production and distribution to ensure the lowest possible cost product or service is brought to the widest possible reach of the market.

### Where did it come from?

The cost leadership strategy alongside the two other generic strategies - differentiation and focus - was introduced by Michael Porter in the 1980s in his seminal book *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. The concept of efficiency was not new in business, but Porter's assertion that companies should only pursue a single generic strategy was a new departure in competitive thinking.

### Example

Among the most famous examples of cost leadership strategy are discount department store chains Walmart and Costco. Walmart has maintained a competitive advantage while bringing the lowest cost and widest range of products to the market. This idea of cost leadership can be seen throughout Walmart's entire operation - expenses are monitored, production is highly efficient, and employees productivity is maximized while, controversially, wages are maintained at the lowest possible level.

### Advantages

- **Competitive Moat:** An established and effective cost leadership strategy throughout the organization can be difficult for competitors to replicate and can act as somewhat of a protective moat. Setting up the systems, processes, and personnel involved in low cost production, distribution, and price requires a fundamental company-wide effort and, even still, a competitor brand will face a significant marketing challenge to position itself as a cost leader within the industry.
- **Economies of Scale:** An effective company-wide cost leadership strategy brings with it significant economies of scale including lower costs per unit.

### Disadvantages

- **Price Wars:** If competitors also adopt a cost leadership strategy, companies can find themselves in a highly damaging price war.
- **Low Quality Perception:** For many customers, low costs will be associated with low quality. This perception can damage a brand. Low customer loyalty: Customers drawn to your brand for lower cost purposes will not stay loyal if a lower priced competitor emerges.
- **Supply Chain Importance:** Cost leadership is a high volume play making companies who adopt this approach vulnerable to supply chain disruption.

## DIFFERENTIATION

### What is it?

The second of Porter's Generic Strategies, differentiation is based on bringing a unique offering to the market and, in doing so, building a brand that is distinct from all other industry participants. The way companies adopt a differentiation strategy is by focusing all their efforts on a single or small number of target attributes that customers within the target industry are looking for, rather than trying to focus on every possible attribute. Innovation is a key focus for companies who adopt a differentiation strategy as incorporating the latest technological developments into their product is often used as a way to differentiate their offering.

### Where did it come from?

Also part of Porter's Generic Strategies, differentiation strategy was introduced in the 1980s. The idea of differentiation was not necessarily groundbreaking, but the theory that differentiation alone and not in conjunction with any other competitive strategy was what made Porter's generic strategies groundbreaking.

### Example

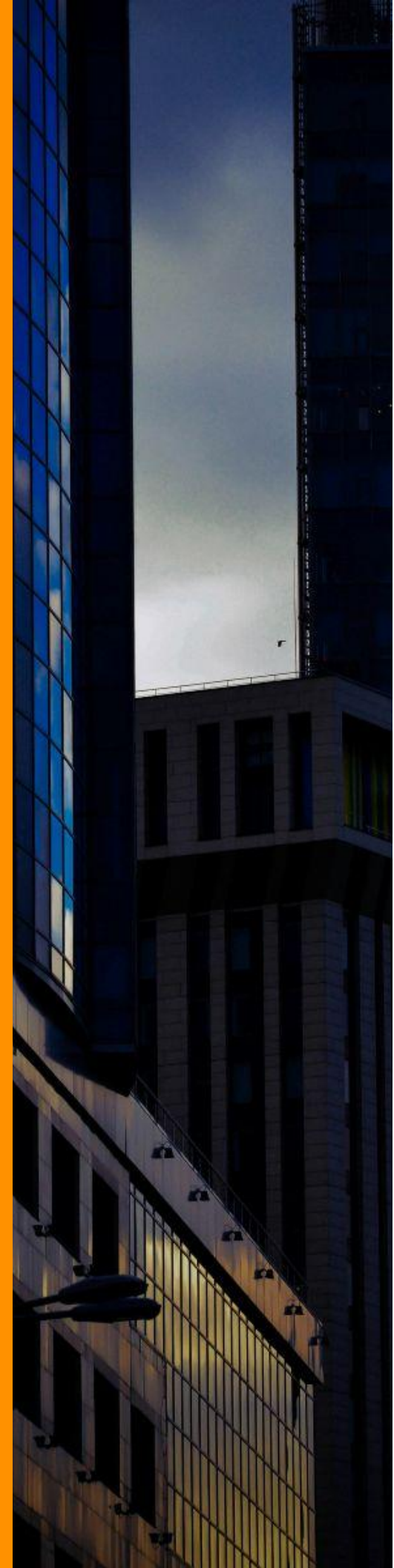
One of the most stunning examples of differentiation strategy took place at Apple upon the return of inspirational CEO and founder Steve Jobs in 1997. Apple did not necessarily have technology that was more advanced than any of their competitors, but the company's focus on elegant design, user experience, and sleek branding set them apart from the competition.

### Advantages

- **Customer Loyalty:** Differentiation strategy can build high levels of customer loyalty and foster a bond with customers as witnessed by the growth of Apple zealots in the early 2000s.
- **Premium Pricing:** Differentiation strategy can enable a company to price their product at a higher price point than the rest of the industry and, rather than face a pushback, will actually build a customer willing to pay the premium price.

### Disadvantages

- **Risk:** There is an element of risk when adopting a differentiation strategy. Customers may not be as willing to purchase the differentiated product offering on which the strategy is built.
- **High Costs:** Companies that focus on innovation and research in order to differentiate themselves from competitors will incur high costs along the way.





## FOCUS

### What is it?

Focus strategy is the third of Porter's Generic Strategies and is a strategic approach based on bringing a product or service to market - targeting only a specific segment of customers or niche. Companies who adopt focus strategies can grow their market share by dominating a niche that is overlooked or unattractive to larger competitors.

### Where did it come from?

Focus strategy originated in the 1980s as part of Porter's Generic Strategies.

### Example

One of the most commonly cited examples of an expertly-executed focus strategy is the luxury watch brand Rolex who have successfully focused on bringing to market high-priced, high quality timepieces with an emphasis on design and precision engineering.

### Advantages

- **High Price:** One of the main advantages of focus strategy - as perfectly demonstrated by Rolex - is the potential to offer high end pricing to reinforce a brand's exclusivity or luxury positioning.
- **Customer Loyalty:** By its hyper-targeted nature, focus strategy can help companies to build a high level of customer loyalty.
- **Defensive Positioning:** Specialization can help companies to develop a strong defensive position against competitors who would find it extremely difficult to replicate the systems, personnel, processes involved in providing a similarly specialized product or service.

### Disadvantages

- **Market Size Limitation:** By focusing on particular niches, focus strategies limit the size of the total addressable market or TAM.
- **Customer Dependency:** Companies who adopt a focus strategy may become highly dependent on their customer base.

## JUDO STRATEGY

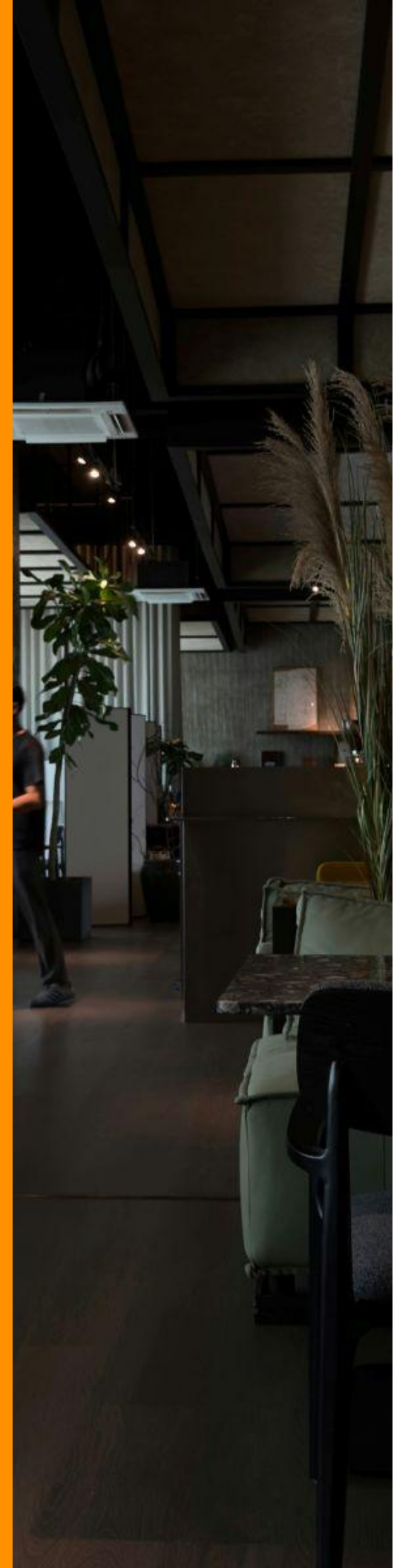
### What is it?

Going beyond Porter's Generic Strategies, there are some other interesting competitive approaches that companies have used quite effectively in recent times. Judo strategy is one such approach - a competitive strategy named after the Japanese martial art of the same name that is based on the use of movement, balance, and leverage to outperform larger competitors.

- **Movement** - The concept of movement in Judo Strategy is based on executing quick offensive and defensive tactics, before quickly following through on competitive opportunities in areas where competitors are weakest.
- **Balance** - Balance in Judo Strategy refers to gripping competitors through partnerships and agreements, avoiding attritional tit for tat encounters, absorbing small losses where possible, and countering competitor moves by using their own strength against them.
- **Leverage** - Leverage in Judo strategy is about going on the attack against bigger competitors by using their assets, competitors, and partners against them.

### Where did it come from?

David B. Yoffie, a professor at Harvard Business School, along with Mary Kwak, developed and popularized the "Judo Strategy" in their 2001 book, *Judo Strategy: Turning Your Competitors' Strength to Your Advantage*. They drew inspiration from the concepts of "judo economics" coined by economists Judith Gelman and Steven Salop to describe how smaller firms can defeat stronger, larger incumbents.





### Example

Judo strategy is most suited to smaller companies who are facing up against much larger or more established competitors. A successful example would be Sony's use of judo strategy with the company's foray into the home video game market which was dominated by Nintendo and Sega. Focusing on this idea of using a competitor's strength against them, Sony took the bold strategic step of opening up video game development by making Sony PlayStation development widely accessible and cutting license fees. This move came at a time where Nintendo and Sega had kept a tight leash on games development through steep royalties and only allowed a small number of independent developers to produce video games for their consoles. This approach had left Nintendo and Sega in a hugely powerful position of being able to both control game quality and also generate high revenue from video game sales. By using what, on the surface, appeared to be strength against their competitors, Sony succeeded in dramatically disrupting the home video game market and were able to bring an offering to market that had over 10 times more games for consumers to choose from than either of their main competitors.

### Advantages

- **Maximize Resources** - Effective judo strategy can help companies get the very most out of their available resources and compete with and even outmaneuver larger, more established competitors.
- **Redefines the Competitive Space** - Sometimes traditional competitive strategy approaches only serve to reinforce competitor dominance. Judo strategy can provide smaller market incumbents with a way of redefining the terms of engagement.

### Disadvantages

- **Suitability** - Judo strategy is more suited to smaller companies but can however be implemented by larger companies who are entering new markets.
- **Execution Challenge** - Executing judo strategy comes with considerable challenges around speed, timing, and company alignment.
- **Long Term Scope** - Judo strategy can be extremely valuable for companies looking to disrupt the status quo, however the role of Judo Strategy in terms of long term profitability is questionable.

## SUMO STRATEGY

### What is it?

Staying on the martial arts theme, Sumo Strategy is a competitive strategy based on using a company's greater size, scale, and resources to dominate the market. Sumo strategy can involve tactics like establishing barriers to market entry, price warfare, establishing supply chain control, distributor agreements, and even mergers and acquisitions.

### Where did it come from?

The concept of sumo strategy in business first emerged in a 2001 HBS article by James L. Heskett who, citing his colleague Yoffie's book on Judo Strategy, asked the question what happens when the sumo master - in this instance, Microsoft - learns judo? Since then the idea of sumo strategy has been further refined and built on by Bernie Brenner and Denise Cicchella who have published books on the topic.

### Example

One example that could be retroactively termed as Judo Strategy would be Microsoft's bundling strategy during the mid 1990s. One of Microsoft's competitors in the nascent web browser industry was Netscape - who, at one point - held a 90% market share. Microsoft leveraged the company's greater scale, size, and position within the broader software market - dominated by the Windows operating system - to offer consumers their web browser, Internet Explorer free with Windows. This aggressive strategy resulted in Microsoft themselves winning 90% of the web browser market and was the beginning of the end for Netscape. One point of note however, while Netscape was not a plaintiff, some of the tactics deployed by Microsoft in the "browser wars" did catch the attention of the U.S. government and resulted in a landmark antitrust case in 1998.

### Advantages:

- **Maintain market position** - Sumo strategy can help companies to maintain and reinforce a market leadership position that may have taken many years to build up.
- **Neutralize competitors** - Sumo strategy can eliminate threats to market position from up and coming competitors.

### Disadvantages:

- **Rigidity** - Unlike Judo strategy which involves rapidly executed strategic plays, Sumo Strategy is based on more large-scale or traditional activities - mergers, for example. These more fundamental activities can lead to a degree of rigidity which can make it difficult for a company to change course.
- **High costs** - Sumo strategy may come with significant investment making it difficult to maintain as a long term strategy.



## BLUE OCEAN STRATEGY

### What is it?

Blue Ocean Strategy is an approach based on the idea that market boundaries are not fixed and can be restructured through the simultaneous pursuit of both low cost and differentiation - a dual pursuit previously considered by Porter and others to be contradictory. Blue Ocean Strategy uses the analogy of oceans to describe industries that companies inhabit today. Red Oceans: Red oceans are all the industries currently in existence. They are structured and competitive with each incumbent vying for position and market share. Competition, in this analogy, develops until the point of commoditization when markets become bloody or cut throat causing the analogistic ocean to turn red. Blue Oceans: Blue oceans are industries not yet in existence. They are vast, untainted, and deep like a blue ocean. Here demand is created rather than fought for. The blue ocean represents an industry that is an opportunity for rapid growth and where competition is irrelevant. Companies can create a blue ocean by redefining the boundaries of their industry or by starting a new industry.

### Where did it come from?

The concept of Blue Ocean Strategy was first articulated by Professors Chan Kim and Renée Mauborgne of INSEAD business school in their 2005 book of the same name. The authors however are at pains to point out their belief that Blue Ocean Strategy has always existed, albeit in an unconscious fashion - citing Henry Ford's 1908 creation of the Model T as a perfect example.

### Example

One of the most cited examples of an expertly executed Blue Ocean Strategy is Cirque du Soleil who created an uncontested market space by redefining the circus experience. Instead of competing with leading circuses like Ringling Bros. and Barnum & Bailey along conventional industry lines, Cirque achieved rapid growth by developing a production that would open up the circus experience to a whole new customer base who had traditionally attended opera, ballet, and theatre. Instead of aiming to provide a better circus than their competitors, Cirque rendered would-be competition meaningless by offering attendees an experience that blurred the lines between circus and theatre - creating a new departure that reconstructed the very industry lines within which competitive battles had traditionally been fought.

### Advantages

- **Remove Traditional Constraints** - Blue Ocean Strategy gives companies a chance to move beyond traditional or structuralist constraints. Companies adopting a conventional competitive strategy as they seek to enter a new industry can face intense competition as well as certain barriers to entry whereas companies who have identified a blue ocean can tap into an untainted marketplace with a potential for rapid growth.
- **Revenue Potential** - Companies who have successfully executed a Blue Ocean Strategy like Netflix, Cirque du Soleil, and Uber have experienced rapid revenue growth.

### Disadvantages

- **Risk** - Blue Ocean Strategy is a high risk play. Companies who adopt this strategy do not have years of industry activity to draw on. Instead, there is no guarantee of success.
- **Market Education** - Marketing and market education are an important aspect of Blue Ocean Strategy. How this new market or blue ocean is put to the customer is vital meaning marketing execution must be on-point.

# EXECUTING COMPETITIVE STRATEGY

As outlined previously, we follow a 4 step approach to competitive strategy - namely research, formulation, execution, and evolution. Within each stage there are a number of key activities to complete which we will go into some detail about in this section.

## COMPETITIVE RESEARCH

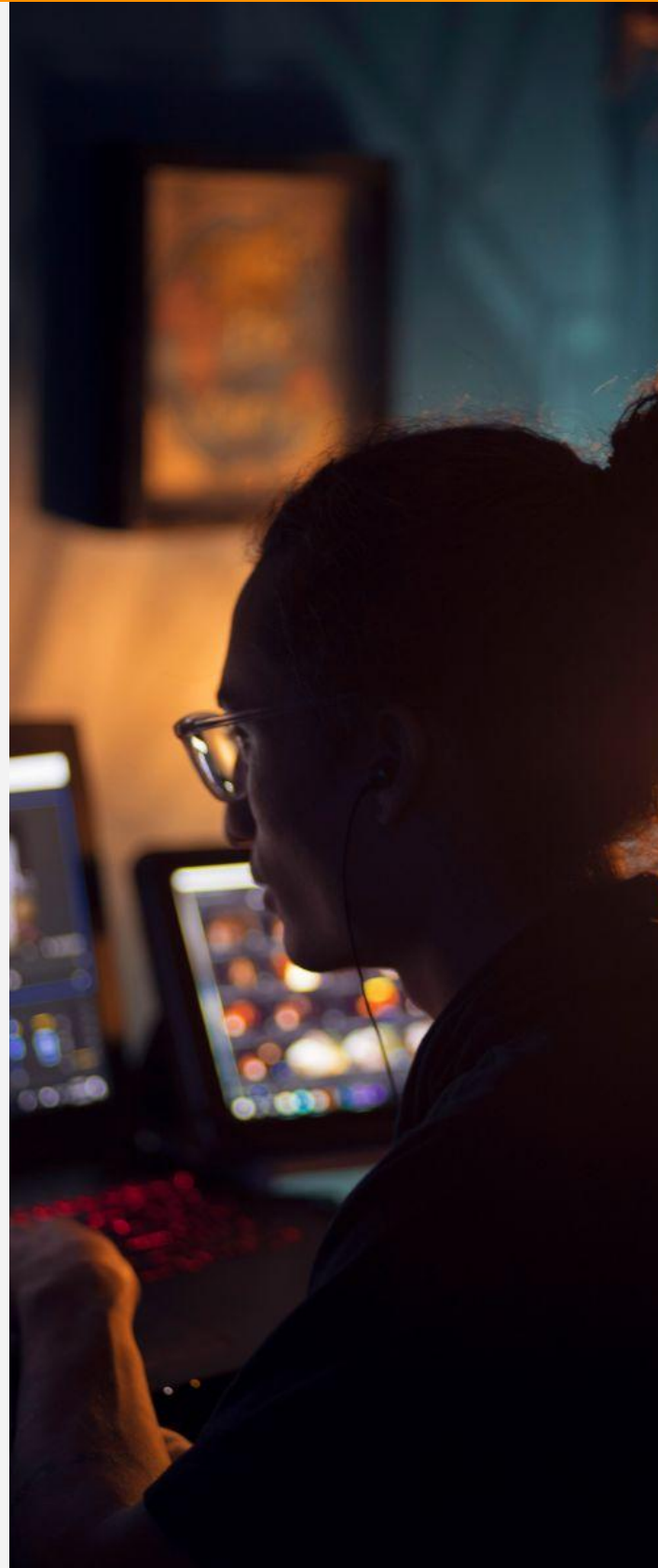
The competitive research phase is the most time-consuming part of developing your competitive strategy - but, by putting in the hard yards during the research phase, you will reap rewards down the line as you execute and go to market with a deeply informed strategy that helps you to outmaneuver competitors.

### 1. Identify Competitors

The first step is to simply draw up a list of all your company's competitors including the various competitor types:

- **Direct Competitors:** Companies that offer identical or very similar products to your company to the same target market. (e.g. Coca Cola vs Pepsi).
- **Indirect Competitors:** Companies that offer different products or services that meet the same customer need (e.g. cinema vs bowling alley).
- **Replacement Competitors:** These competitors are businesses that offer a product or service that is different in both category and type - but is a product or service which your target market could choose to purchase instead of your offering (e.g. McDonald's vs Trader Joe's Frozen Lasagna).
- **Potential Competitors:** Those companies that are not currently in your market but may enter in the future.

By the end of this initial identification period, you should be clear on who your main competitors are and how they are classified. The output from this task should be a list or document that outlines your main competitors.



## 2. Understand Market Share

The next step is taking the time to understand the performance of each of your competitors and what portion of the market they own. Understanding market share will require a bit of digging - although there are some paid tools available that will provide in-depth info on company revenue and growth. You can analyze these figures and how they measure up against the total market size estimates you can find in various places online. If you are sizing up some competitors who are public, then you should look into their quarterly earnings reports to get some insights into their market penetration.

## 3. Conduct Some Market Analysis

It is important not to overlook external factors that will be relevant to your target market. Understanding changing market dynamics, threats, and opportunities will help you build the correct business context within which your competitive strategy will be deployed.

## 4. Understand Competitor Positioning

As a picture starts to emerge on the current competitive landscape, it is important to take the time to analyze how each of your competitors positions themselves within it. Your industry may have companies who are at a more mature stage of development or those early stage upstarts who are looking to disrupt the status quo.

At this point, you should delve into the public-facing materials from each of your competitors to get an idea on the type of messaging they are leading with and how they position themselves within the industry. The output from this task is a distillation of your research into a short two to three sentences on how each of your competitors positions themselves.

## 5. Check out Competitor Capabilities

Step 5 involves delving into the product capabilities of each of your competitors. The capabilities or sophistication of a competitor product will ultimately be a key input into how each competitor is positioned. If, for instance, one of your competitor's products possesses greater security capabilities than others in the market, you may well see them positioning themselves as the foremost security-conscious company in the market. The output from this task is a feature comparison matrix that includes both your own company and each of your main competitors.





## **6. Analyze Competitor Pricing**

Pricing is a key part of competitive strategy. Michael Porter in his seminal book released in 1980, "Competitive Strategy: Techniques for Analyzing Industries and Competitors", outlined what he termed the three generic competitive strategies companies namely cost leadership, differentiation, and focus. Cost leadership essentially amounts to competing on price and that is certainly one way a company can position itself as we have seen with the success of low fare airline Ryanair. By analyzing your competitors pricing, you will get some additional insight into how they see themselves and what competitive stance they themselves are adopting. The higher priced competitors might well be happy to trade on differentiation or brand recognition while any lower-priced options might well be setting out their stall to compete on price.

## **7. Look into Competitor Marketing Strategies**

As you build up your competitor knowledge, it is worth taking a look at how each of your main competitors is approaching marketing. One of the first steps is to take a look at LinkedIn to see what kind of a marketing department each competitor has in place. That initial step will give you an idea on the type of marketing investment each competitor has made. From there, you should do some digging to see which marketing channels they are focusing on. By plugging each competitor site into some of the SEO platforms on offer today, you will be able to gauge how each of their websites are performing. The next step is to delve into competitor social media accounts to try and identify any common themes in their updates that may give you some insights into their marketing focus. Some of the other areas to check out include competitor attendance at industry events, paid ad types, and PR or news mentions. This step will help you understand how competitors are allocating their marketing budgets.

## **8. Analyze Competitor Sales Models**

The next task is to try to understand the sales model each of your competitors is using. Again, LinkedIn can be a good starting point here and will allow you to see the size and structure of competitor sales functions. Competitor websites may also shed some light on particular sales models. Some competitors may offer free trials on their websites while others may not. Understanding the various competitor sales models in use - and how each is performing in terms of revenue - will help you put together your own company's sales model.

## **9. Gauge Competitor Customer Satisfaction**

Competitive research can help you to identify some opportunity areas - particularly around customer satisfaction. The next step in your competitive research project is to take a deep dive into the satisfaction levels of your competitor's customer base by trawling through the various customer or product review sites. Competitor case studies can also give you some insight into the reasons why certain deals closed. In addition to publicly available information, you might also be able to glean some really valuable competitor info from your sales teams and, in particular, any CRM notes on deals that ended up in shootouts between your company and a competitor or competitors.

## COMPETITIVE STRATEGY FORMULATION

The next stage in your competitive strategy program involves taking what you have learned in the research phase and building your competitive strategy. Unless you are operating in a market of one, your competitive stance will be a key input into the broader strategic direction of your business. There are some key activities - which we will outline in this section - that can help you build the foundations of your competitive strategy.

### 1. Hone Your Value Proposition and Messaging

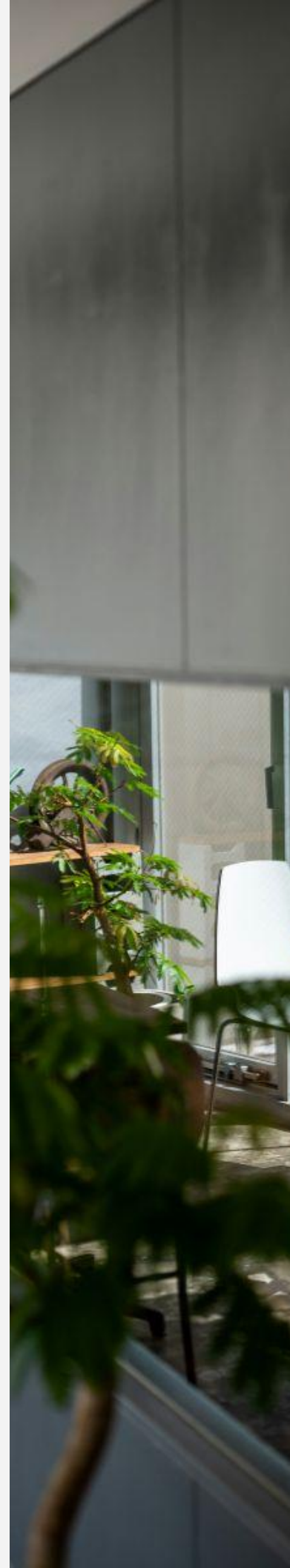
Having conducted some in-depth research on your main competitors, the question then becomes about putting this highly valuable info into practice. Step 1 is going back to your value proposition after you have done your competitive research to see what way it needs to be updated. Analyze how your company's value proposition stacks up against each of your competitors and make any updates necessary that will help you establish the position which you wish to occupy in the market. Consider what exactly you are competing on and how it impacts your value proposition and messaging.

### 2. Develop Some Internal Competitor Materials

Not everything you learn about your competitors needs to go into your customer-facing materials - in fact, many of the key competitive insights that you unearth will be strictly internal and will be of particular value in sales situations where your company finds itself in a shoot out with a competitor. To help you form your competitive strategy, you should develop some internal materials like a competitor comparison document. This document or set of documents should compare your company or product with each competitor and show how you stack up in terms of product features and capabilities. You should also develop some internal messaging on how your company compares - and beats - each competitor.

### 3. Select Marketing Channels

From your competitive research you will have insight into which marketing channels your competitors are using, and you will also have a good idea how each is performing based on comparing marketing focus with company growth and performance. As a result, your competitive research may once again become a sizable input into your broader strategy. You may have already achieved some success with different marketing channels - be it PPC, SEO, or event marketing - but, if you notice that a competitor is having a lot of joy with a particular channel, it might be worth adopting a similar approach - which, thanks to your competitive research, you know has been market-tested. Alternatively, if you notice that a lot of your competitors are focusing on the same marketing channels, there could be a case for putting together some campaigns on the less crowded, less noisy channels which may help you get your message heard.



#### **4. Create or Update Marketing Materials**

Taking what you have learned from your competitors you may need to update or create some new marketing and sales materials. If your value proposition or positioning has been updated, then this update will have a domino effect on all your public-facing materials and you will need to take the time to update accordingly. Your company's positioning and value proposition are the foundations on which all sales and marketing materials are built.

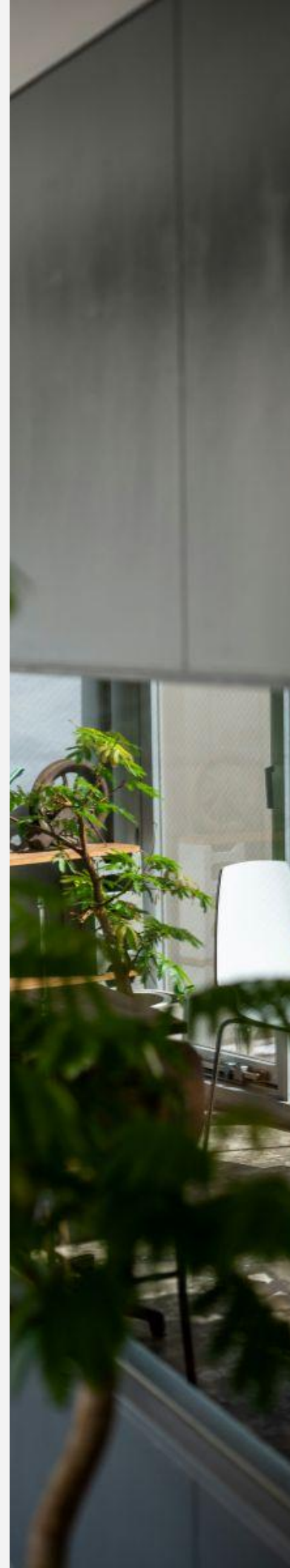
#### **5. Assess Your Sales Model and Pricing**

Having delved into competitor sales models, the question to consider at this stage is are you happy with your current sales model or is there something you have learned from your competitors that would make you want to update your model? Consider the way your most successful competitors are leveraging sales tactics like free trials and also consider the make up of their sales teams - do competitors use field sales reps, account executives, and business development reps? Is there something here you need to consider matching in order to compete more successfully or are you happy with your current sales setup?

#### **6. Identify Any Other Competitive Opportunities**

The final action in the competitive strategy formulation phase is to take the time to figure out what other opportunities your competitive research has highlighted. Some of the questions to consider here include:

- Are any of your main competitors struggling with issues like customer churn and is there a way to capitalize?
- Did your competitive research highlight any strategic blind spots that you could take advantage of? An example would be a competitor or competitors being slow to react about a growing subset or demographic of customers.
- Does a competitor struggle to keep hold of key talent and would said talent be suitable hires for your company?
- Have some of your competitors become slow to react to market changes as they have grown - giving your company an opportunity to market itself as a more nimble alternative.



## COMPETITIVE STRATEGY EXECUTION

With your competitive research complete and your strategy in place, the next step is execution. There may be some campaigns that are specifically targeted at winning new business at the expense of a competitor, or, most likely, you will be making some tweaks or additions to your broader GTM strategy based on updated competitive positioning. Either way, there are some key activities to undertake during the execution phase.

### 1. Communicate Strategy Updates

Any changes to your broader strategy as a result of your competitive research must be communicated internally. If there are competitor specific marketing or sales initiatives, then they need to be communicated effectively. Employees need a vision they can believe in. Communicating an updated strategic direction or competitive positioning at a company-wide or all hands meeting will help to keep everyone in the loop and give teams a sense of purpose.

### 2. Update or Roll Out Systems and Processes

By this point you will have successfully updated your competitive positioning and messaging - including development of key competitive materials like comparison documents. What is vital during the execution phase is that key competitive intel is easily accessible for internal teams. This step involves updating sales portals or internal systems with important competitive intel documents and ensuring they are easily accessible.

### 3. Roll out Sales and Marketing Campaigns

The next step is to launch your sales and marketing campaigns. These campaigns could be a tweaking of existing campaigns with updated messaging highlighting a clearer competitive position or could be new campaigns altogether which target a certain channel that has been overlooked by competitors.





## COMPETITIVE STRATEGY EVOLUTION

The final stage in our competitive strategy process is evolution. It is important to understand that competitive strategy is not a one and done situation - it is an integral and live part of your strategy that must remain current. There are a number of activities in the evolution phase that you can undertake to ensure your competitive strategy does not become outdated.

### 1. Set up Alerts on Competitors

Free tools like Google Alerts and others can be used to set up alerts any time one of your competitors is in the news which will help you stay abreast of any strategic moves they make.

### 2. Set up Regular Retro Meetings

Schedule some retro meetings to gauge the progress of your competitive strategy and ask your team what is working well, what is not working, and what could work better. Continuous improvement is the name of the game.

### 3. Stay Nimble

Orchestrating a successful competitive strategy may involve rapid action to exploit competitive opportunities as they arise. Adopting an agile stance where activities and campaigns can be turned around quickly - many times across multiple teams or departments - will help you evolve and succeed with your competitive strategy.



## CLOSE

Thank you for downloading the MFS Guide to Competitive Strategy - we hope you have found some value in our analysis and lessons we have learned over the past 15 years in the B2B environment. If you are launching a competitive initiative or looking to take an existing program to the next level, then we wish you all the best with your next steps.

If you are looking for some additional strategy expertise or resources, please feel free to reach out and set up an initial conversation - we would be more than happy to hear from you and see if there is a way we can add value.



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