



Accelerating Information Technology Innovation

<http://aiti.mit.edu>

Cali, Colombia
Verano 2012
Lectura II



The Better you understand your competition, the more likely you will succeed.

“Understanding the Competitive Landscape and How You Fit In or Blow It Up --- and in Either Case Develop a Winning Strategy”

In Market Analysis & Segmentation we learned...

- Segment market to get to addressable market opportunity that is reasonable for an attacker with your assets

Focus on a single initial market and grow from there



- A well defined \$50m addressable market opportunity is much better than a poorly defined \$1B one – i.e., no “China Syndromes”
- Richly understand the prospects in your target market in all dimensions

Class Exercise

1. Write down the few top competitors for your new venture?
2. Is “doing nothing” on the list?
3. How do you group them?
4. Do you have short, medium and long term lists?
5. Who worries you the most and why?

Q: If you were YOUR competitor, how would you compete with you?

1.

2.

3.

What are the three major strengths of your #1 competitor

1. ...

2. ...

3. ...

(example: excellent product, loyal customers, fine customer service)

Plan Drivers

- What you can you and what do you want to do?
- What creates value for your target customers?
- What are the Alternatives?



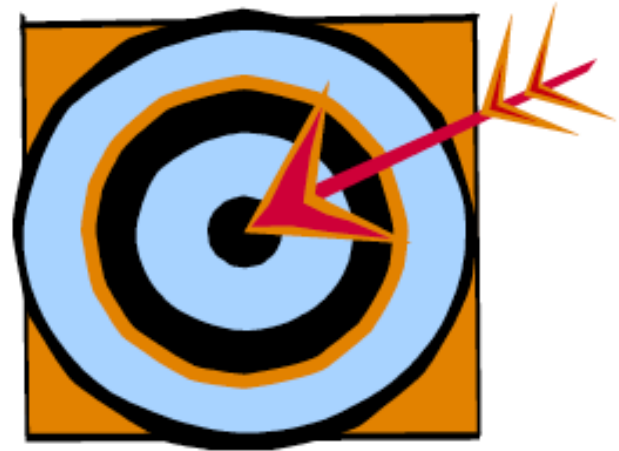
Definition of Competition

- The Alternatives your target customers has – real or perceived
- Different
 - ▶ Product (Quality, Value Emphasis)
 - ▶ Process (Way to Compete)
 - ▶ Business Model (Pricing, Distribution)
 - ▶ Imaging (Perception)
 - ▶ Other (Geographic)

Importance of Competition Section

- Great view into your mind set for reader/listener

- ▶ How you think
- ▶ Who you are
- ▶ Where your are going



- Essential to good plan and ultimate success

Mistake #1

Statement:

- “We have no competition”

Response:

- “Then there is no market”



Mistake #2



Statement:

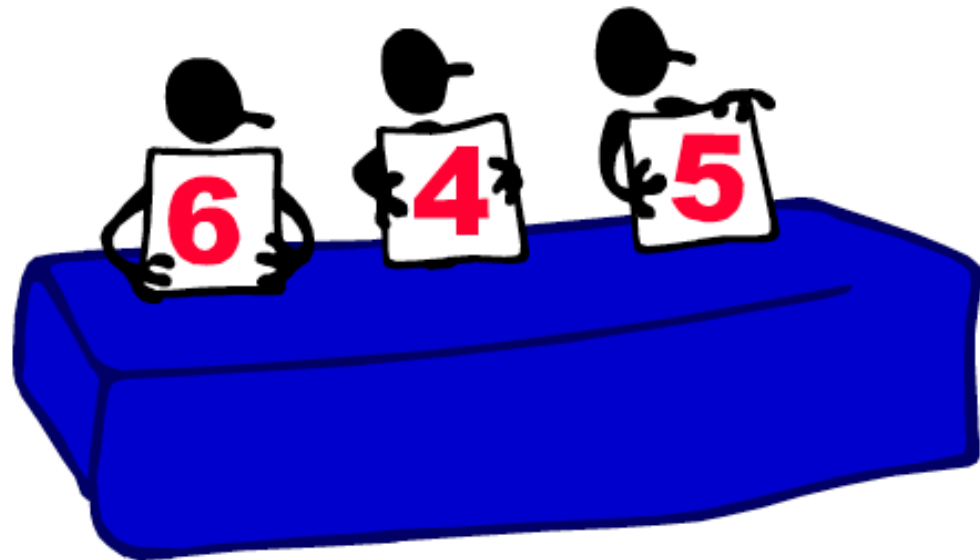
- “Here is our product spec versus the competition. See how we are better.”

Response:

- “Are you from MIT?”

MIT Stereotype Biz Plan

- Technology
- Product
- Technology



Problems with this Approach

- Where is the customer?
- Deeper understanding of alternatives/competition
- Time element



Walk in Your Target Customer's Shoes

- Why not the alternative of doing nothing?
- What are their priority of needs?
- Why change and what is important if they do?



Attacker Mentality + Perception to Target Customers

- Focus
- Clear differentiation
- Sustainable competitive advantage



Do Not Underestimate

- Customers do not change easily
- Competitors have many advantages
- They are hardworking, smart & successful
- They will fight hard to protect their hard fought prize
- They have existing tested products with track record of success
- They have labs with new products
- They have relationships with customers
- They have financial resources & revenue streams
- They have a full existing infrastructure
- They have lots of friends (i.e., moles)
- Once they realize you are attacking ...

What Advantages do You Have?

- Clean Slate
- “Freedom is just another word for nothing left to lose,” – Janis Joplin
- Get close to the customer and really understand what is possible without the burden of the past - what is new?



The Biggest Competition

Strategy:

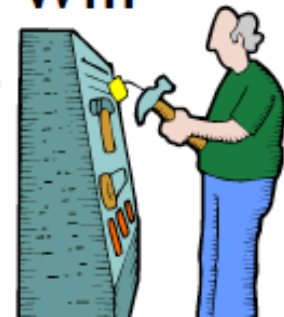
Your job is to upset the status quo... and to redirect it to a place where your competitor is unable or unwilling to go (for awhile)

Your competition: 100% market share

You: 0%

If The Customer Will Change, Why Will They Choose You?

- Understanding that this your first competitive challenge puts things into a more appropriate context
- Which segment first? Is this the segment you want? Will it lead to adjoining segments?
- Under what set of circumstances will they try your solutions? Continue



Competition Section

- ▶ Describe the incumbent competitors—just the major ones
 - ▶ Number
 - ▶ Size and market share
 - ▶ Product and company position
 - ▶ Technology and likely product roadmap... what will their next product look like
- ▶ Describe emerging or potential competitors.. New entrants?
 - ▶ Stage and backing
 - ▶ Company and product position
 - ▶ Technology and likely roadmap
- ▶ Position your venture relative to these competitors
 - ▶ How you will chose to compete (price, technology or customer intimacy)
 - ▶ Short term and longer
 - ▶ Projection on who will win in the scenarios and potential alliances



Look at Competitor Through Customers' Eyes

- Where are they located?
- What is their sales force look like?
- Who are their key customers?
- How happy are their customers?
- Where are they perceived strong? Weak?
- What is their product? Strengths and weaknesses?
- What is their marketing message?
- What are their financial resources?
- How have they responded in the past to competition?
- What is their ownership structure?
- What is their management?
- How do they like to compete?
- What significant changes have there been?
- What is their core competency? Real and perceived?

Then Group the Competitors Together

- Determine Appropriate Groups
 - ▶ Geographic?
 - ▶ Size?
 - ▶ Focus?
- Required
 - ▶ Time Frame
 - ▶ How they Compete
 - ▶ Vulnerable vs. Weak

Strategy

- Point of Attack
- Your focus
- Anticipated responses (chess game)
- Alliances & using one against another
- Ultimate Shake Out – Including Potential Exit Strategies

Evaluating Competition Section

▶ Bad:

- ▶ No competition
- ▶ Emotional hatred for a competitor
- ▶ Naïve perception of competition
- ▶ All focus on technology
- ▶ Lack up understanding of strengths and weaknesses
- ▶ Lack of scenario planning

▶ Good:

- ▶ Deep understanding of competitors' business strategies on how they compete
- ▶ Deep understanding of competitors' vulnerabilities
- ▶ Laser focus on high influence, fast growing beach head customers where can capitalize on competitors' weaknesses
- ▶ Strategies to utilize weak competitors
- ▶ Multi-stage view of how market will evolve
- ▶ Flexibility to move quickly as new scenarios unfold in the future
- ▶ Competitive juices toward competitor but always rational

What are the major criteria that your target segment will use

- Price? Quality? Reputation? Service?
Work with past purchases? What is the absolute weight of each criterion?



Now for Something Completely Different: “Blue Ocean Strategy”

- Expose you to a very different approach to thinking about competition
- More tools in your tool box
- “How to Create Uncontested Market Space and Make the Competition Irrelevant”
- Example: build a new category..(MP3 player)
- Apple
- I phone
- I Tunes

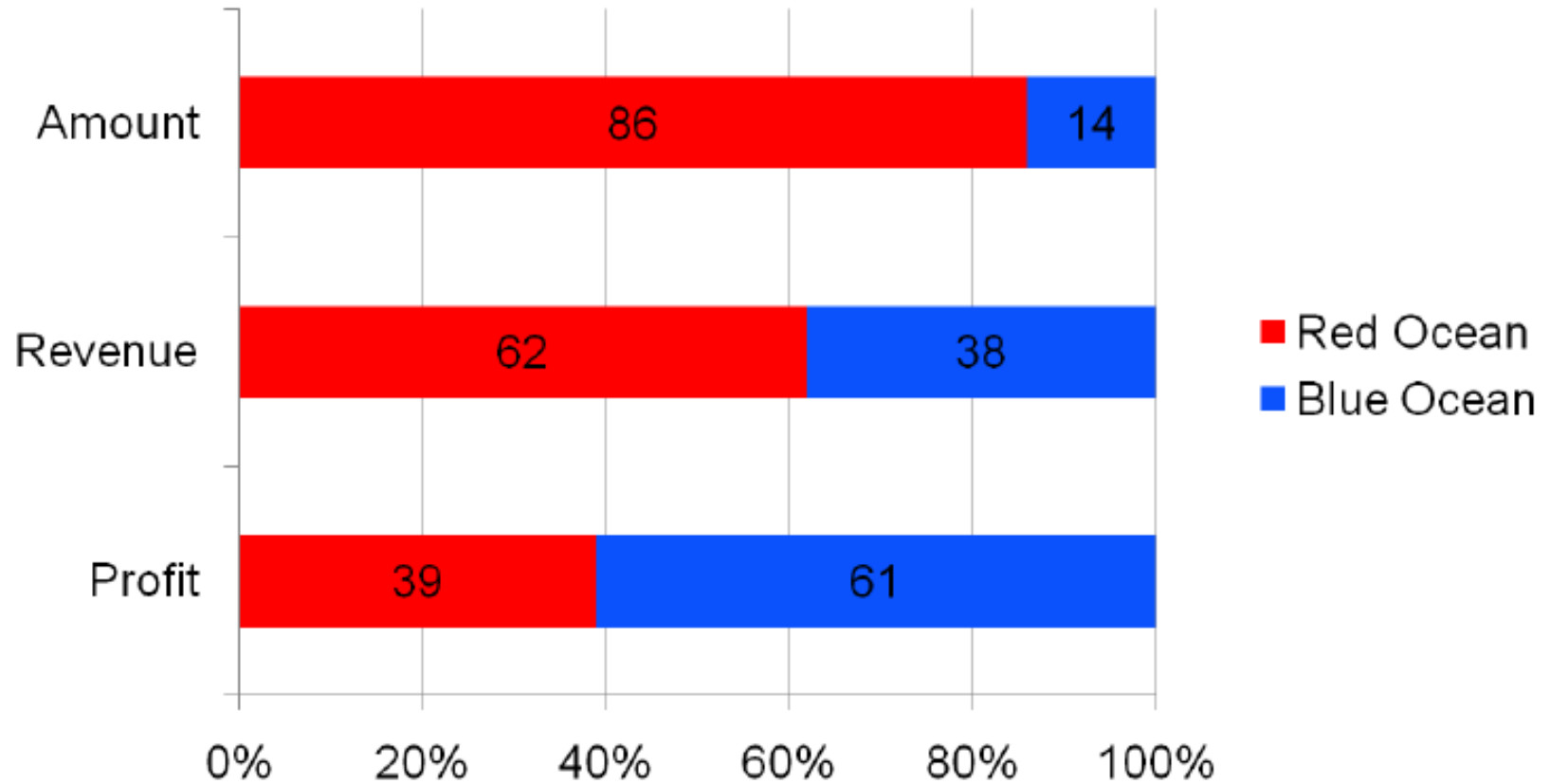
Example: Instant Photography

- *Before: Wait 5 days*
- *After: Instant (Polaroid)*

- *Better Example*
- *Digital Cameras*



Impact of Creating Blue Ocean Products



Based on business launches at 108 companies

Value Innovation

- Focus on the customer/market and not the competition... example: Zapos
- Innovation focused on creating value for underserved target customer
- Looking for leaps in Value Innovation
- Does not accept the conventional tradeoff between value and cost example: Nespresso

The Four Actions Framework

Reduce

Which factors should be *reduced well below* the industry's standard?

Create

Which factors should be *created* that the industry has never offered?

New Value Curve

Eliminate

Which of the factors that the industry takes for granted should be *eliminated*?

Raise

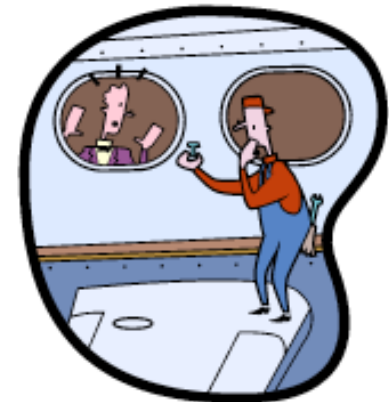
Which factors should be *raised well above* the industry's standard?

Three Key Points of Blue Ocean Strategy

- Focus
 - ▶ Emphasis a few factors
- Divergence
 - ▶ Value curves that stand apart
- Compelling Tagline
 - ▶ Communicating quickly your difference and value proposition
 - ▶ “The speed of a plane at the price of a car – whenever you need it”

Competition: Common Mistakes

1. Not seeing things from Customer's vantage point
2. Focus on Target Customers and less on competitors
3. Biggest competitor – status quo
4. Technology/product versus holistic approach
5. Static versus dynamic approach
6. Underestimating the competition
7. Demonizing the competition – i.e., too emotional
8. Not seeing ways to utilize competitors
9. Not seeing new competitors coming
10. Emphasis on tactics rather than strategy



What Did We Learn Today

- Competition – What it is & Why it is Important
- How do develop an outstanding Competition Section
- New tool for your tool box – “Blue Ocean Strategy”