

# Competitive marketing strategy assignment

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Determinants of relative competitive position vary in an industry. Industry attractiveness and competitive position are dynamic; they change. Even long periods of stability can be abruptly ended by competitive moves. Both industry attractiveness and competitive position can be shaped by firm strategy. Competitive strategy not only responds to environment but also attempts to shape it in the firm's favor. The Structural Analysis of Industries. 1st fundamental determinant of firm's profitability is industry attractiveness. Rules of competition are embedded in 5 competitive forces: Entry of new competitors, Threat of substitutes, Bargaining power of buyers, Bargaining power of suppliers, Rivalry among existing competitors.

Collective strength of these 5 determines firm's ability to earn ROI in excess of cost of capital. 5 forces determine profitability because they influence prices, costs, and required investment - which are elements of ROI. Buyer power and substitution threat influence prices that firms can charge. Bargaining power of suppliers determines costs of raw materials. Intensity of rivalry influences prices and costs of competing. In product development, advertising, and sales force. Threat of entry places a limit on prices in an industry. 5 Forces Framework aims to raise odds of discovering desirable strategic innovation. In the tobacco industry, generic cigarettes are a threat. They increase price sensitivity of buyers, trigger price competition -> erode high advertising barrier for new entrants. Often firms make strategic choice without considering long-term consequences for industry structure, such as 'industry destroyers' are usually: Second-tier firms searching for ways to overcome competitive disadvantage. Firms that encountered serious problems and are searching for desperate solutions or 'dumb' competitors that don't know

their costs Industry Structure and Buyer Needs Satisfying buyer needs is important

Buyers must be willing to pay a price for a product that exceeds its cost of production Crucial question is whether firms can capture value for buyers Industry Structure and the Supply/Demand Balance If demand > supply = great profitability Generic Competitive Strategies Positioning determines whether firm's profitability is above or below industry average Above-average performance over long-term is called sustainable competitive advantage Two basic types of competitive advantage a firm can possess: Low cost or Differentiation Cost advantage and differentiation stem from industry structure - result from firm's ability to cope with IF better than rivals 3 generic strategies for achieving above-average performance in industry: Cost leadership Differentiation Focus Cost focus Differentiation focus Competitive advantage is at the heart of any strategy advantaged shall be "Being all things to all people is a recipe for strategic mediocrity and below-average performance" Cost Leadership Clearest of 3 generic strategies Fir. Simply sets out to be the low-cost producer in its industry Sources of cost advantage are varied, and may include: Economies of scale Proprietary technology Preferential access to raw materials

Other factors Low-cost producers typically sell standard, no-frills products Low-cost firm can't ignore bases of differentiation - if its product is not perceived comparable or acceptable to buyers, they will be forced to discount prices well below competitors to gain sales, which may nullify benefits of favorable cost position Cost leader must achieve parity or proximity in bases of differentiation relative to its competitors Parity allows <https://assignbuster.com/competitive-marketing-strategy-assignment/>

cost leader to translate cost advantage directly into higher profits Proximity means price discount necessary to achieve an acceptable market share doesn't offset the cost advantage Firm seems to be unique in its industry along some dimensions that are widely valued by buyers Rewarded for its uniqueness with premium price Means of differentiation differ: Product Delivery system Marketing approach Firm will be above average if it can exceed extra costs incurred in being unique Can be more than one successful firm.