Chapter 3
Evaluating Opportunities in the Changing Marketing Environment

Now that we understand what the general approach is to pulling together a marketing plan, there are a number of elements that stand out as essential to look at in order to meld it into a workable strategy. One of these things is the nature of the competition…that is, the competitive environment.

Competitive analysis is one vital consideration to preparation of the marketing plan, because it interrelates so closely with such things as the customer, the industry, production issues, the regulatory environment, etc. All of these things are looked at in their own right as a part of the SWOT and the planning process. Again, all of it together goes into the decisions associated with the marketing strategy to be used.

Lots of questions need to be answered here, but I think the most obvious question for the marketing teams is “who do we compete with?” Sounds like an easy question, but it can be more complicated than you think. For example, do Italian restaurants compete with other Italian restaurants or with all restaurants? Good question. Marketers need to define their competitive environment.

One way to do that may be to look at it from the “basis of competition.” The basis of competition may be customer oriented. If so, marketers need to know who the customers are, where they are, and what their characteristics are, which would consider demographics, behavior, benefits sought, and what it takes to satisfy their needs.

Another consideration of the basis of competition is to consider if the competition is marketing oriented. Here we first look at the marketing mix: Product-What is the product/service? What are its benefits? Who does it benefit? Place-Where is it purchased? How do we get it to the point of consumption? Do we take it to them, or do they come to us? Price-How is it priced? What is the profit margin? Or said another way, what are our costs compared to the competition? Promotion-What type of media message is used for the product? What is the image of our product? Of our brand? Of our company? What is the image of the competition? You can see how the marketing mix figures in here, because all of these things are looked at as marketers manipulate the marketing mix.

The basis of competition may also be resource oriented. Here we consider the source of raw materials, how plentiful they are, how expensive they are, against any advantages the competition might have. Or perhaps we have the advantage! Numerous other considerations fall under resources related to employees and financing.

The basis of competition may be geographic oriented. Here we consider where the competition is and where our customers are, against any advantages we may have in shipping and the delivery of the product to the customer.
When we speak of the “basis of competition” it amounts to having a good understanding of the competitive environment. You could call it competitive intelligence. It is a huge part of the SWOT analysis, because it takes you right to what you do well, what you don’t do so well, and obviously what you need to get better at.

Although the basis of competition does tell us a lot about our company against the competition, marketers need to look at it from another perspective. They look at the levels of competition. There are four levels of competition:

1. Product form. This is the narrowest form of competition. Here we see products with basically the same benefits and features, where marketers are targeting the same market segment. You think of such products as Diet Coke and Pepsi, Miller Lite and Bud Lite, and Ford, Dodge and Chevy trucks for example. Product form focuses on the target markets and the competitors as they are now, with effort toward what they might do in the future. The target markets largely dictate that, because here we see a lot of brand loyalty among market segments that repeatedly buy the product. So, marketers learn to maintain product availability, quality, and image or they run the risk of losing their loyal customers.

2. Product category. This is similar to product form, except the competition is based on products with similar features. Whereas in product form, we refer to Diet Coke and Diet Pepsi, in product category, we place these products with all other kinds of soda drinks. Marketers know that consumers go through a decision process related to product category, i.e. Do I want a Diet Coke or do I want a Sprite? They are all soft drinks! So, marketers look for ways to influence that choice perhaps with some benefit like taste, catchy containers or even something as simple as the location of the product in the store. Marketers also know that just about anything can change a consumer’s attitude toward an item in the product category very easily.

3. Generic competition. This is not true with generic competition. This type of competition is more long term, and considers very closely the substitutability of a product or service. Over the years we have seen consumers substitute turkey for beef, tea for coffee, plastic for wood, etc. Generic competition is a need-based perspective of the competition.

4. Budget competition. This is perhaps the broadest view of the competition. It considers the competition for the consumer’s limited purchase ability. Said another way, it is all products and services competing for the same dollar. It is stereos against computers. It is plumbing services against food items. It is a lawn mower against a set of new tires. Marketers know that most consumers have limited amounts to spend, and they develop strategies with this in mind, attempting to create need of one thing over another, benefits, and features through the manipulation of the marketing mix.
When we examine competition in this way, we are looking for insight into a workable marketing strategy that:

- convinces the customer that our brand is the best (product form),
- convinces buyers that our product form is the best (product category),
- convinces buyers that the product category is the best (generic competition), and
- convinces buyers that our product serves a basic need, and it’s worth spending money for over some other product or service (budget competition).

Perhaps you can see how all of this comes together for consideration in the strategic marketing plan.