



UNIVERSITA' DEGLI STUDI
DI ROMA TOR VERGATA



UNIVERSITY ROME TOR VERGATA
SCHOOL OF ECONOMICS PRESENTS

BUSINESS MODEL INNOVATION

A COURSE BY:
- EMILIO SASSONE CORSI
- STEPHEN TRUEMAN

Lesson #5

Analyse the Competition

Today

NAUTILUS: The Innovation Management Methodology

- STEP 3 - ANALYSE Competition

break

Case study session

- Competitive Landscape & positioning

STEP 3

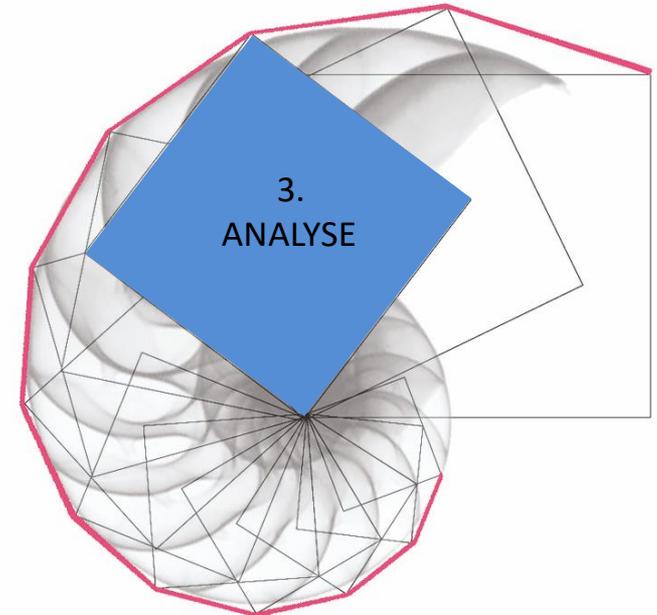
ANALYSE COMPETITION

ACTIVITIES

- **Porter's Five Forces Competitive Landscape Analysis**
- Identify and profile existing Competitors and Products
- Identify Competitor weaknesses and strengths and potential partnerships
- Assess each Product's value proposition, communication and cost.

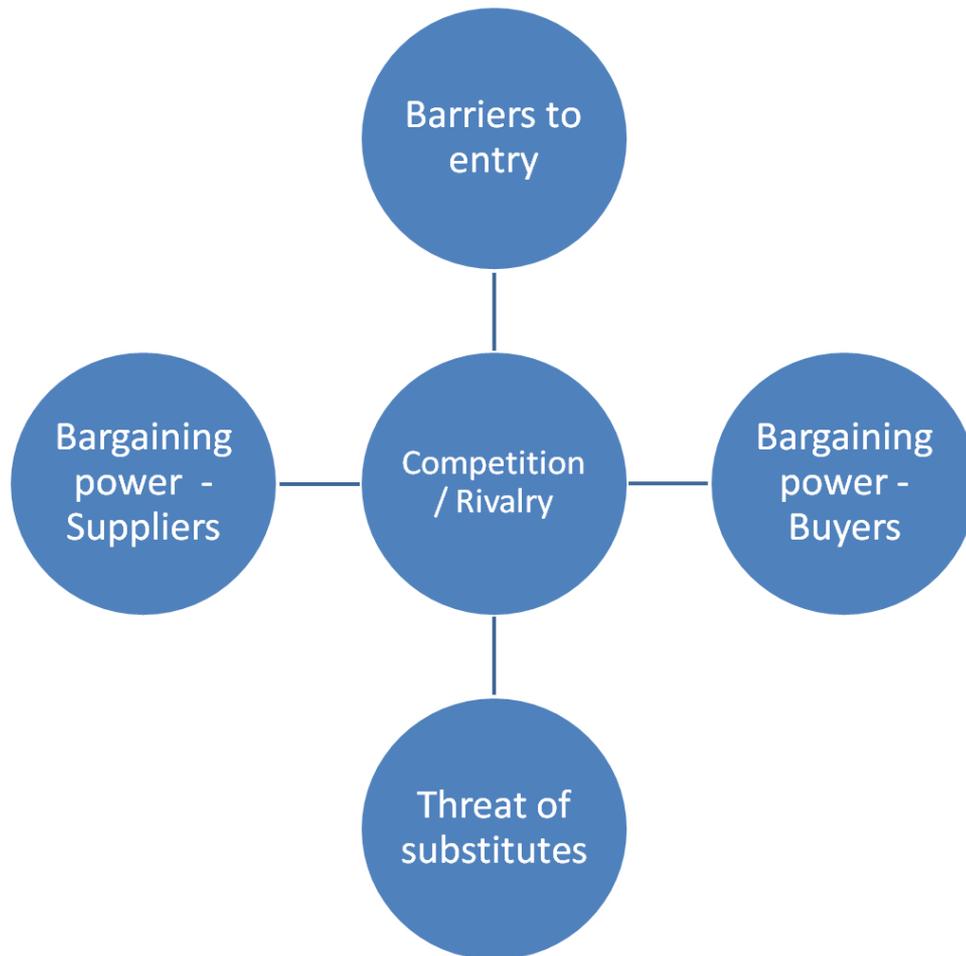
DELIVERABLES

- Porter's Five Forces Model
- Competitors' Products **SWOT** (Strengths, Weaknesses, Opportunities, Threats) Analysis
- Competitor value proposition analysis



*Knowledge is key in determining the right strategy for a Company.
Analyzing the Competition is crucial to improving the Company's positioning and finding the success path to innovation.*

Porter's Five Forces

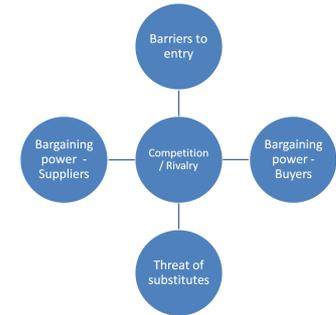


This model was introduced by **Michael Porter** way back in 1979. Porter's five forces analysis is probably the first step for any entrepreneur to figure out if he wants to enter a certain line of business or not.

This framework analyzes the attractiveness of a certain industry based on 5 parameters:

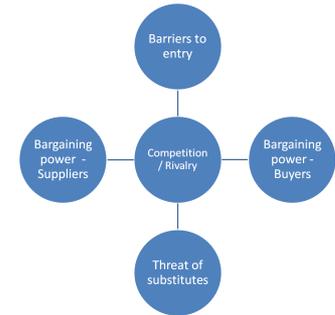
- Barriers to entry
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitutes
- Intensity of competitive rivalry within the industry

Competition in the Industry



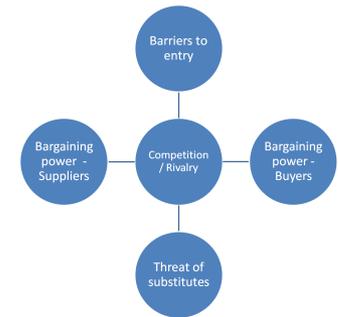
The importance of this force is the number of competitors and their ability to threaten a company. The larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company. Suppliers and buyers seek out a company's competition if they are unable to receive a suitable deal. When competitive rivalry is low, a company has greater power to do what it wants to do to achieve higher sales and profits.

Supplier power



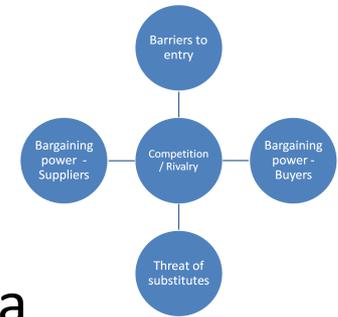
This force addresses how easily suppliers can drive up the price of goods and services. It is affected by the number of suppliers of key aspects of a good or service, how unique these aspects are, and how much it would cost a company to switch from one supplier to another. The fewer the number of suppliers, and the more a company depends upon a supplier, the more power a supplier holds.

Buyer power



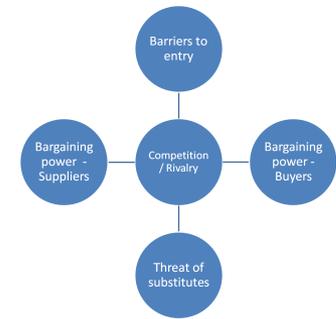
This specifically deals with the ability customers have to drive prices down. It is affected by how many buyers or customers a company has, how significant each customer is, and how much it would cost a customer to switch from one company to another. The smaller and more powerful a client base, the more power it holds.

Threat of Substitutes



Competitor substitutes that can be used in place of a company's products or services pose a threat. For example, if customers rely on a company to provide a tool or service that can be substituted with another tool or service or by performing the task manually, and if this substitution is fairly easy and of low cost, a company's power can be weakened.

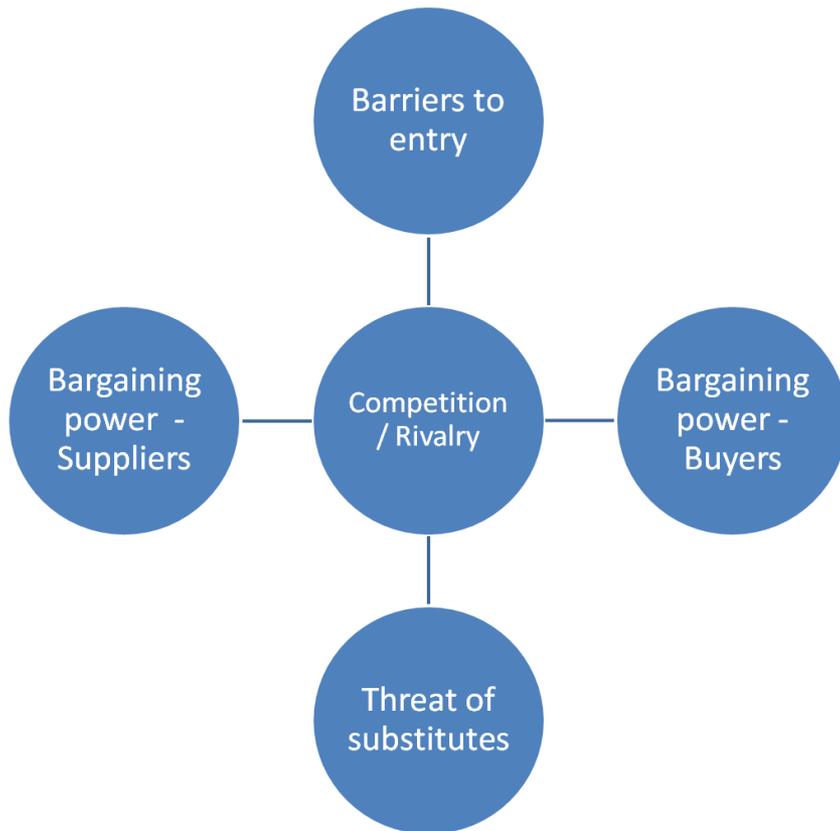
Potential of New Entrants Into an Industry



A company's power is also affected by the force of new entrants into its market. The less time and money it costs for a competitor to enter a company's market and be an effective competitor, the more a company's position may be significantly weakened. An industry with strong barriers to entry is an attractive feature for companies that would prefer to operate in a space with fewer competitors.



Porter's Five Forces Analysis



Barriers to entry

- Technology leadership
- Design leadership

Bargaining power of buyers

- Low because niche market

Bargaining power of suppliers

- Very strong partnership with Panasonic

Threat of substitutes

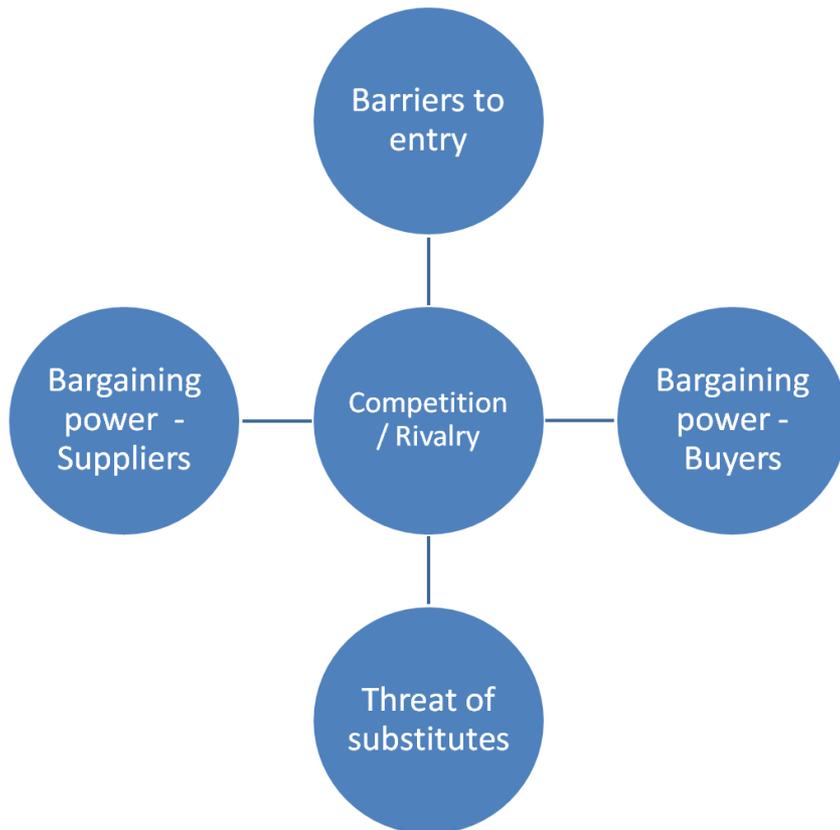
- Now there isn't any substitute

Intensity of competitive rivalry within the industry

- Big players trying to move into this market

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Porter's Five Forces Analysis



Barriers to entry

- ICT infrastructure
- Brand

Bargaining power of buyers

- The buyer is completely free to change platform

Bargaining power of suppliers

- Very strong partnership with Producers

Threat of substitutes

- Now there isn't any substitute

Intensity of competitive rivalry within the industry

- Many players trying to disturb the Netflix leadership



Porter's Five Forces Analysis



Barriers to entry

- ICT & Logistic infrastructure
- Brand & Trust

Bargaining power of buyers

- The buyer is completely free to change products & platform

Bargaining power of suppliers

- Very weak position

Threat of substitutes

- Now there isn't any substitute

Intensity of competitive rivalry within the industry

- Very high level competition (price)



Porter's Five Forces Analysis



Barriers to entry

- Very wide offer & competencies
- Price/quality reputation

Bargaining power of buyers

- Strong customer relationship

Bargaining power of suppliers

- Not known

Threat of substitutes

- Constant threat

Intensity of competitive rivalry within the industry

- Very high level competition (price)

Competitor Analysis

How to identify Competitors:

- Start from the products/services you have identified
- Find Companies that sell products/services that are an alternative to yours.
- Determine the overall market trend. Check also long term cycles.

Competitor Analysis

Assess the competition:

- Determine each Competitors competitive advantages
- Look at the their web pages. Social network presence and activities.
- Sign up (register) for competitor information
- Compare strengths and weaknesses with each competitor
- Build a SWOT analysis
- Identify barriers to competing

Which Ocean are we in?

Red Ocean

- Compete in existing market place
- Beat the competition
- Exploit Existing demand
- Make the value/cost trade-off
- Align the whole system of a company's activities its strategic choice of differentiation or lower cost

Blue Ocean

- Create uncontested market place
- Make the competition irrelevant
- Create and capture new demand
- Break the value/cost trade-off
- Align the whole system of a company's activities in pursuit of differentiation and lower cost



Strengths



- What advantages does your organization have?
- What do you do better than anyone else?
- What unique or lowest-cost resources can you draw upon that others can't?
- What do people in your market see as your strengths?
- What factors mean that you "get the sale"?
- What is your organization's Unique Selling Proposition?

Consider your strengths from both an internal perspective, and from the point of view of your customers and people in your market.

Weaknesses



- What could you improve?
- What should you avoid?
- What are people in your market likely to see as weaknesses?
- What factors lose you sales?

Again, consider this from an internal and external basis:
Do other people seem to perceive weaknesses that you don't see? Are your competitors doing any better than you?

It's best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities



- What good opportunities can you spot?
- What interesting trends are you aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale.
- Changes in government policy related to your field.
- Changes in social patterns, population profiles, lifestyle changes, and so on.
- Local events.

A useful approach when looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them.

Threats

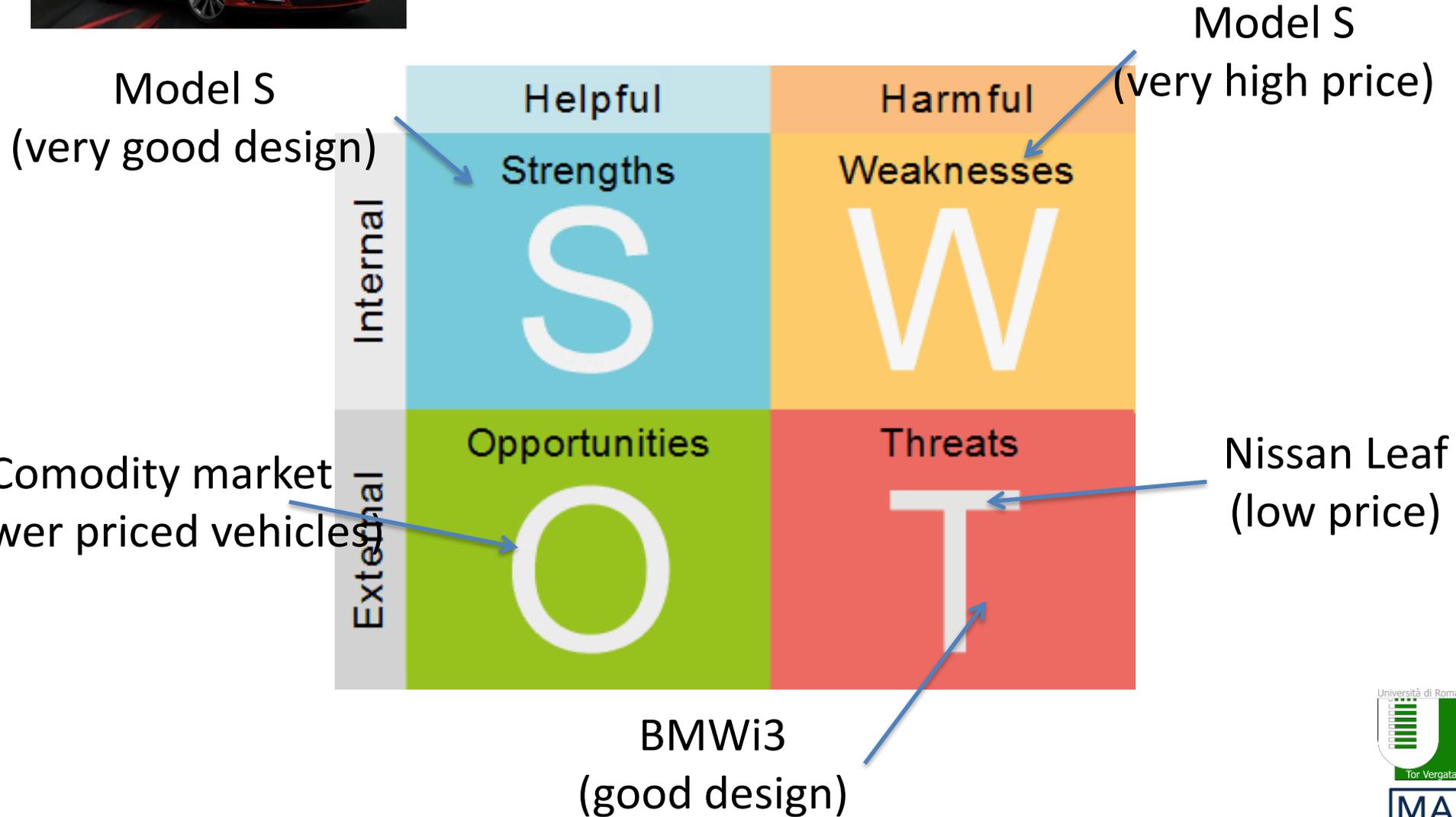


- What obstacles do you face?
- What are your competitors doing?
- Are quality standards or specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

When looking at opportunities and threats, it can help to ensure that you don't overlook external factors, such as new government regulations, or technological changes in your industry.

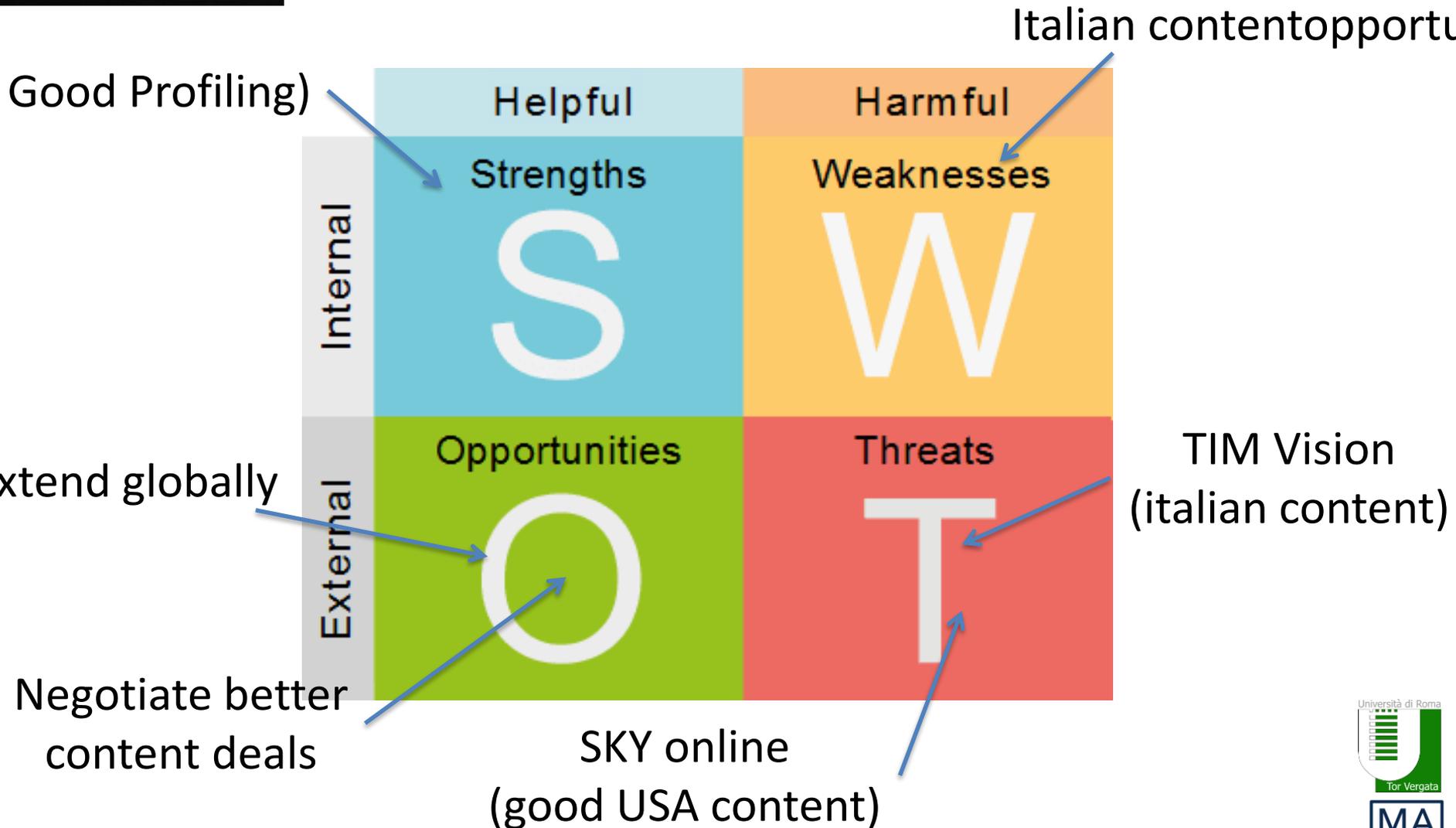


Competitor Analysis



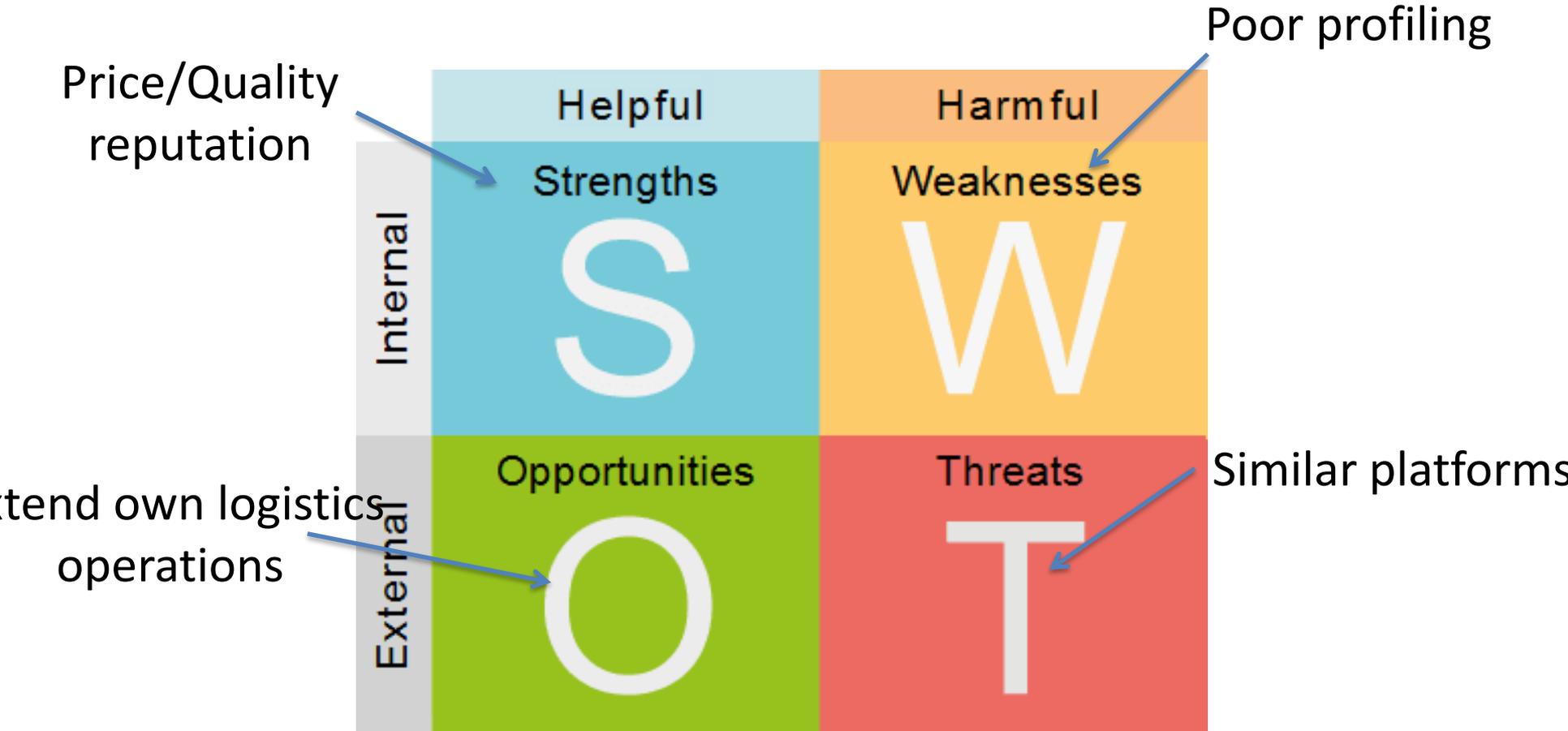
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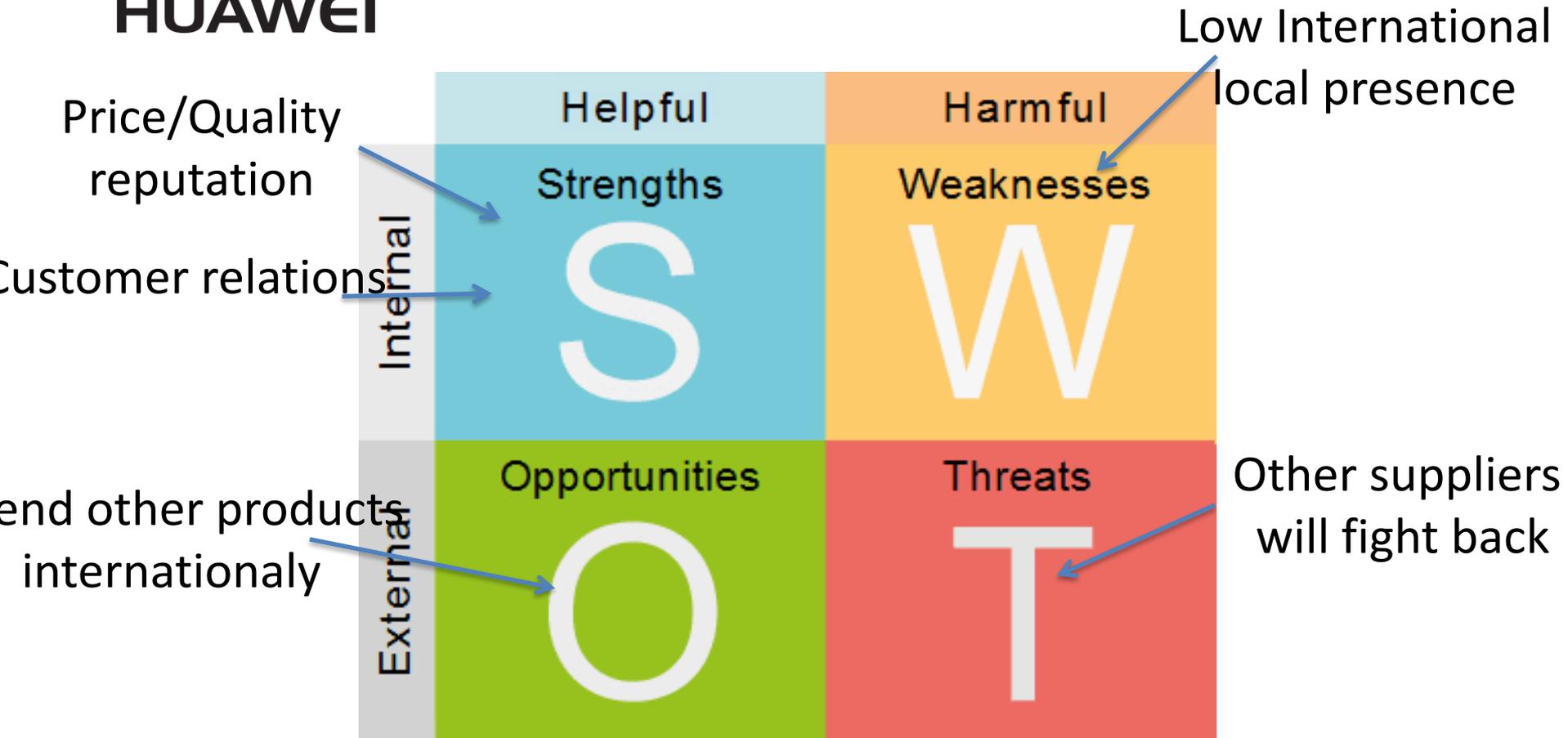


Competitor Analysis





Competitor Analysis



Price/Quality reputation

Customer relations

Internal

Helpful
Strengths

S

Harmful
Weaknesses

W

Low International local presence

end other products internationally

External

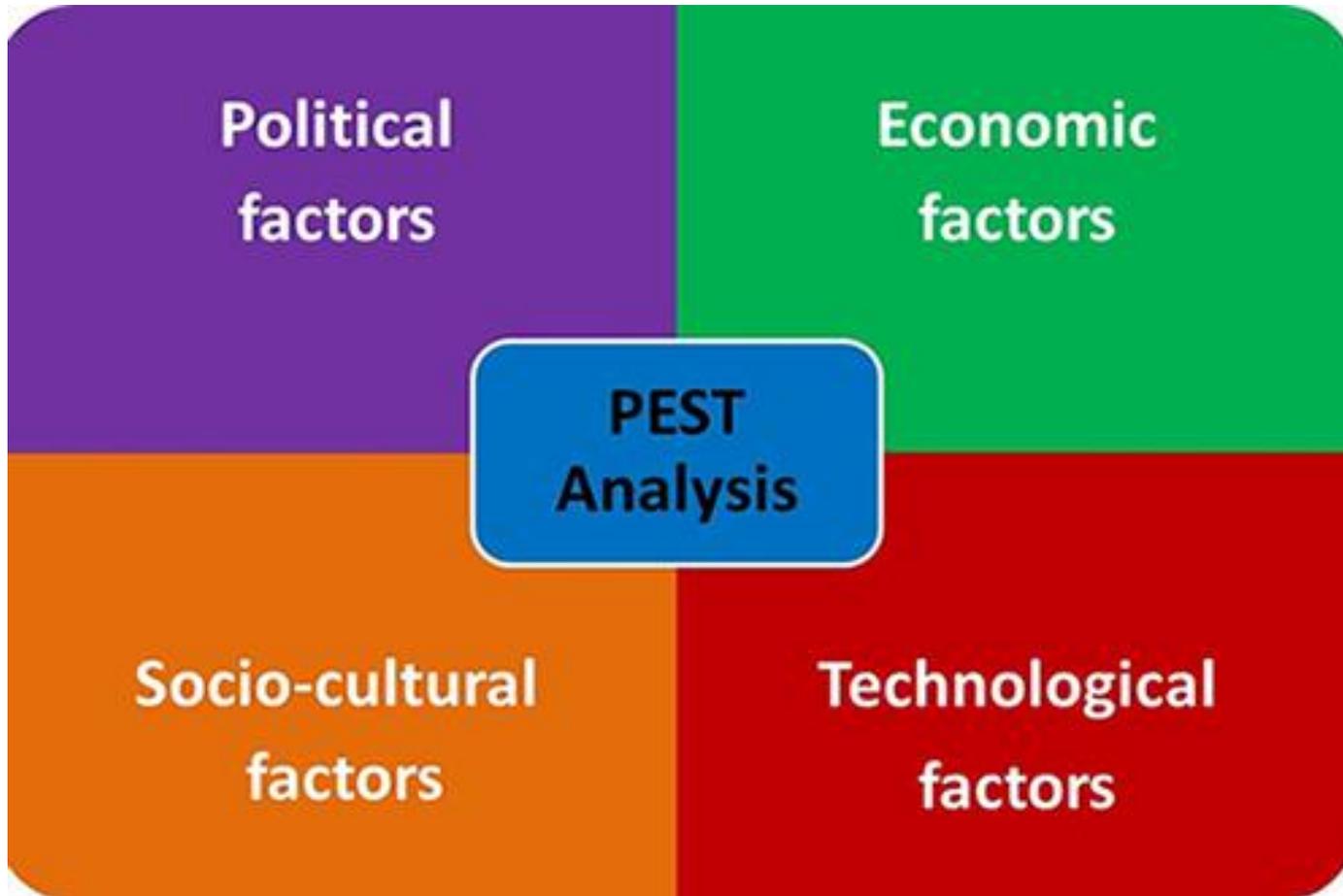
Opportunities

O

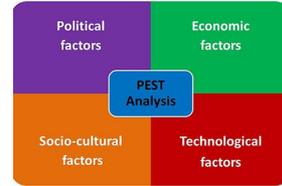
Threats

T

Other suppliers will fight back

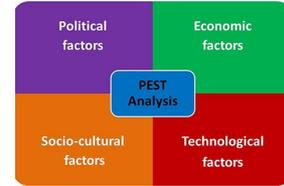


Political Factors to consider



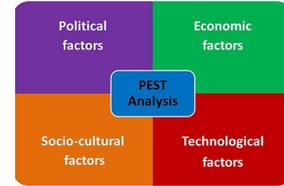
- When is the country's next local, state, or national election? How could this change government or regional policy?
- Who are the most likely contenders for power? What are their views on business policy, and on other policies that affect your organization?
- Depending on the country, how well developed are property rights and the rule of law, and how widespread are corruption and organized crime? How are these situations likely to change, and how is this likely to affect you?
- Could any pending legislation or taxation changes affect your business, either positively or negatively?
- How will business regulation, along with any planned changes to it, affect your business? And is there a trend towards regulation or deregulation?
- How does government approach corporate policy, corporate social responsibility, environmental issues, and customer protection legislation? What impact does this have, and is it likely to change?
- What is the likely timescale of proposed legislative changes?
- Are there any other political factors that are likely to change?

Economic Factors to consider



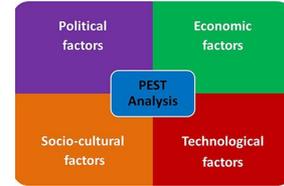
- How stable is the current economy? Is it growing, stagnating, or declining?
- Are key exchange rates stable, or do they tend to vary significantly?
- Are customers' levels of disposable income rising or falling? How is this likely to change in the next few years?
- What is the unemployment rate? Will it be easy to build a skilled workforce? Or will it be expensive to hire skilled labor?
- Do consumers and businesses have easy access to credit? If not, how will this affect your organization?
- How is globalization affecting the economic environment?
- Are there any other economic factors that you should consider?

Socio-Cultural Factors to consider



- What is the population's growth rate and age profile? How is this likely to change?
- Are generational shifts in attitude likely to affect what you're doing?
- What are your society's levels of health, education, and social mobility? How are these changing, and what impact does this have?
- What employment patterns, job market trends, and attitudes toward work can you observe? Are these different for different age groups?
- What social attitudes and social taboos could affect your business? Have there been recent socio-cultural changes that might affect this?
- How do religious beliefs and lifestyle choices affect the population?
- Are any other socio-cultural factors likely to drive change for your business?

Technological Factors to consider



- Are there any new technologies that you could be using?
- Are there any new technologies on the horizon that could radically affect your work or your industry?
- Do any of your competitors have access to new technologies that could redefine their products?
- In which areas do governments and educational institutions focus their research? Is there anything you can do to take advantage of this?
- How have infrastructure changes affected work patterns (for example, levels of remote working)?
- Are there existing technological hubs that you could work with or learn from?
- Are there any other technological factors that you should consider?

STEP 3

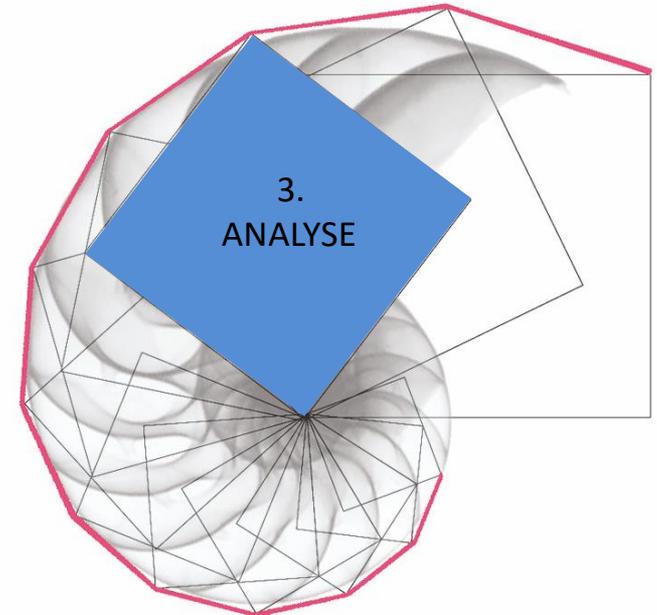
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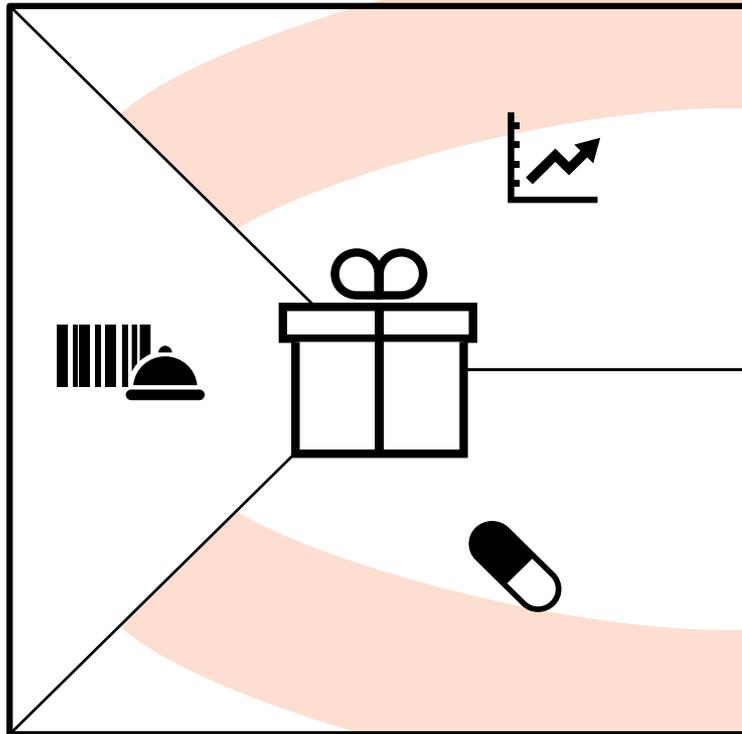


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Analyse Value Proposition for your Competitor's Product-Service/Market fit

- Look at the profile of your customers:
 - What do they do (jobs)
 - What problems do they need solved (pains)
 - What advantages do they expect/would like/would be surprised by (gains)
- Look at your competitors' products:
 - What do they do (Product description)
 - What problems do they solve (pain relievers)
 - What advantages do they provide (gain creators)

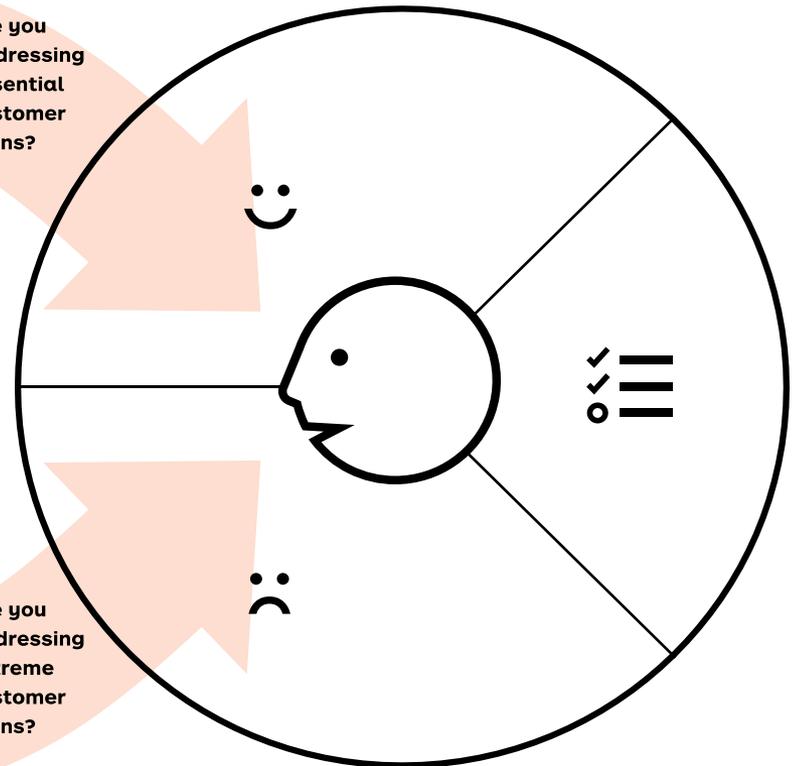
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Fit

Are you addressing essential customer gains?

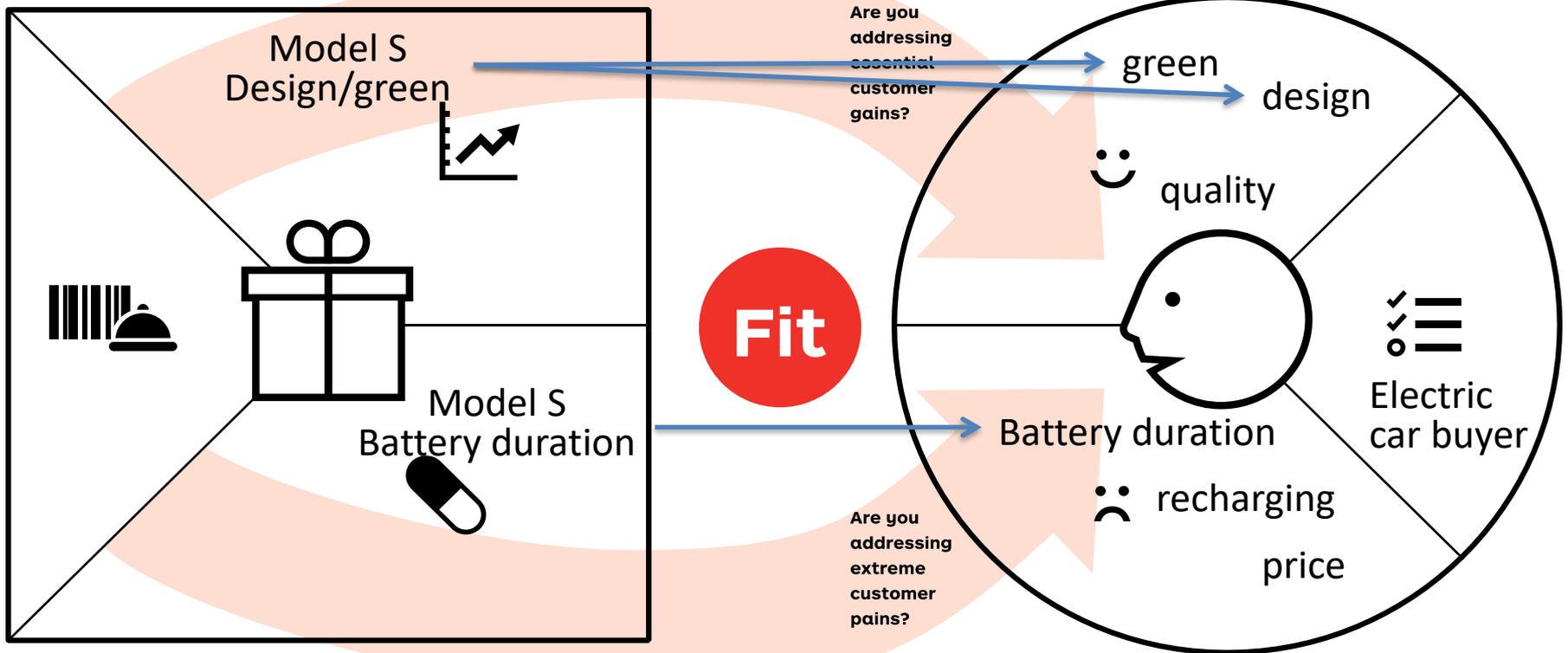
Are you addressing extreme customer pains?



Customers have a lot of pains. No organization can reasonably address all of them. Focus on those headaches that matter most and are insufficiently addressed.



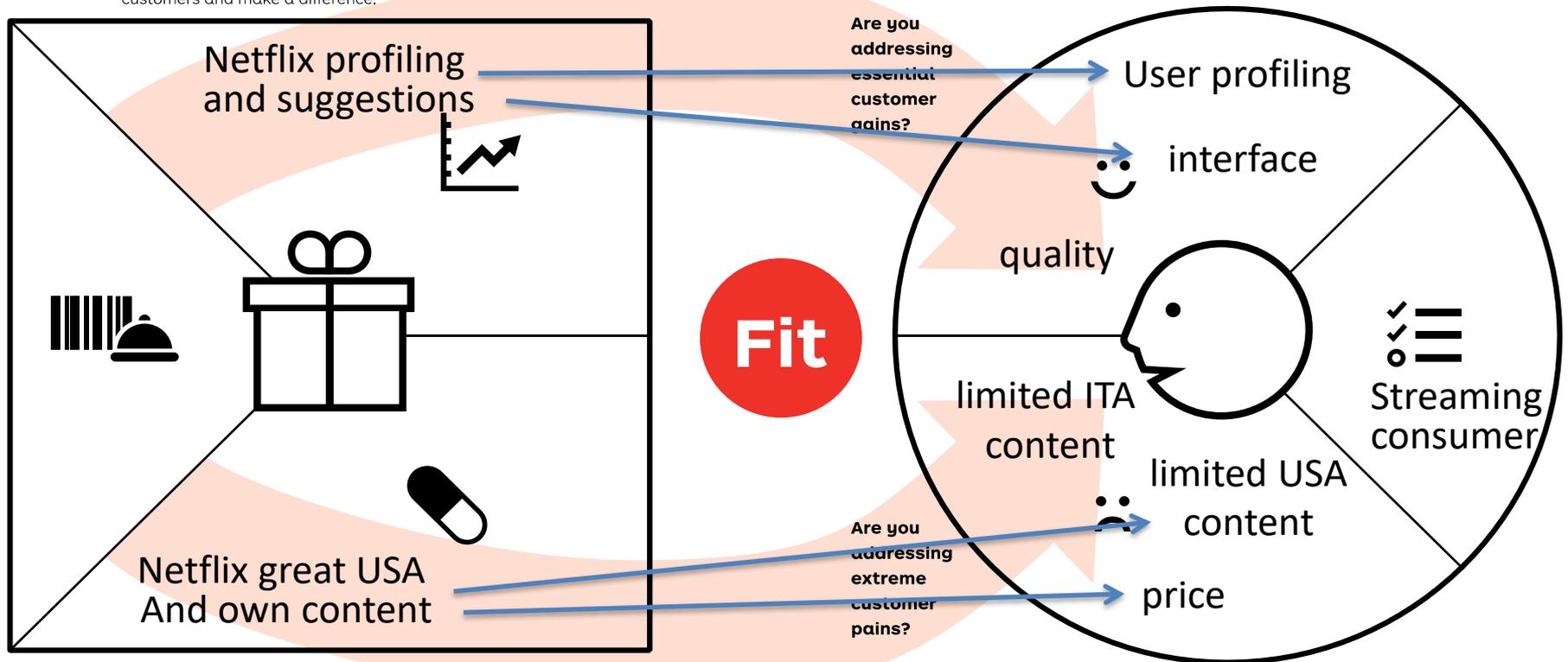
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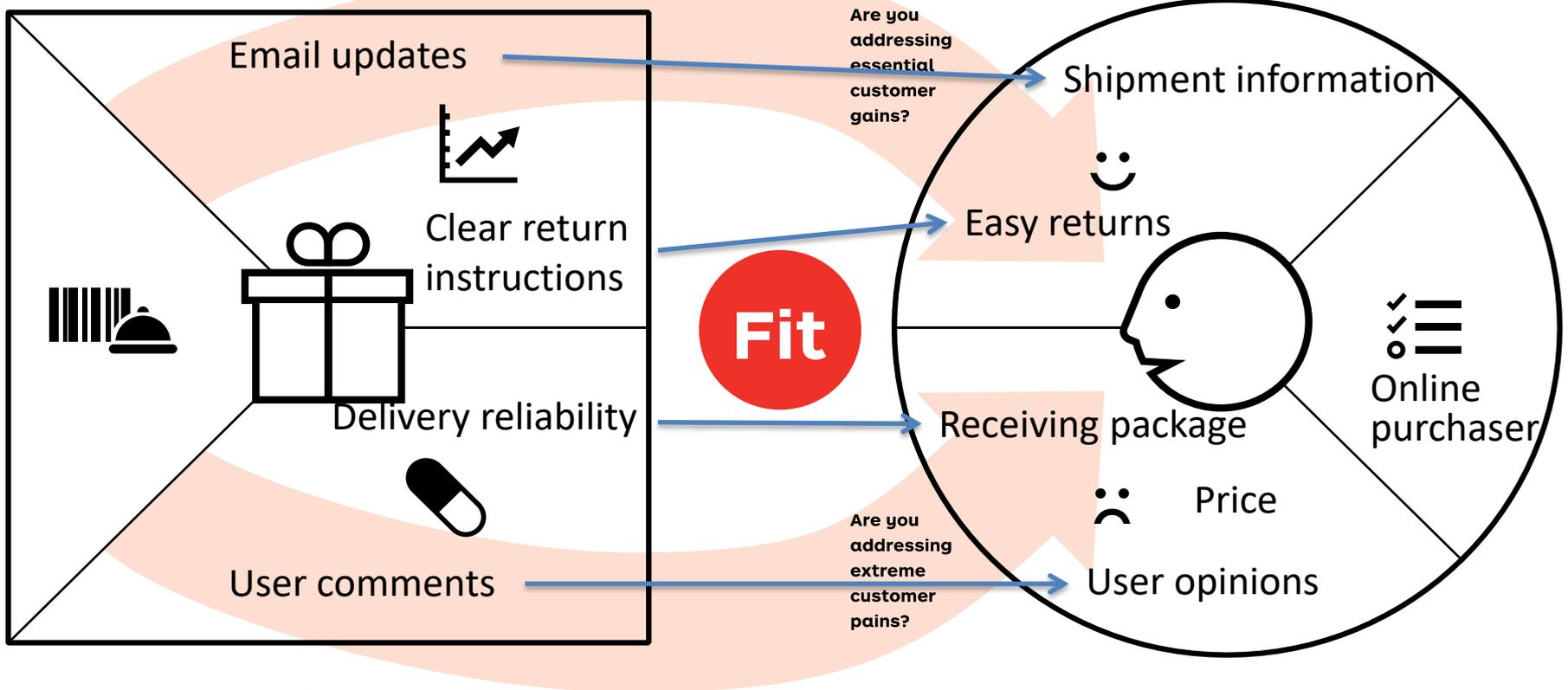
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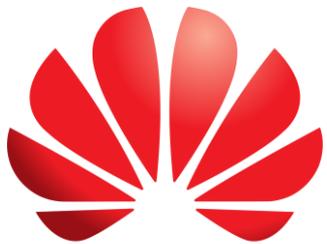
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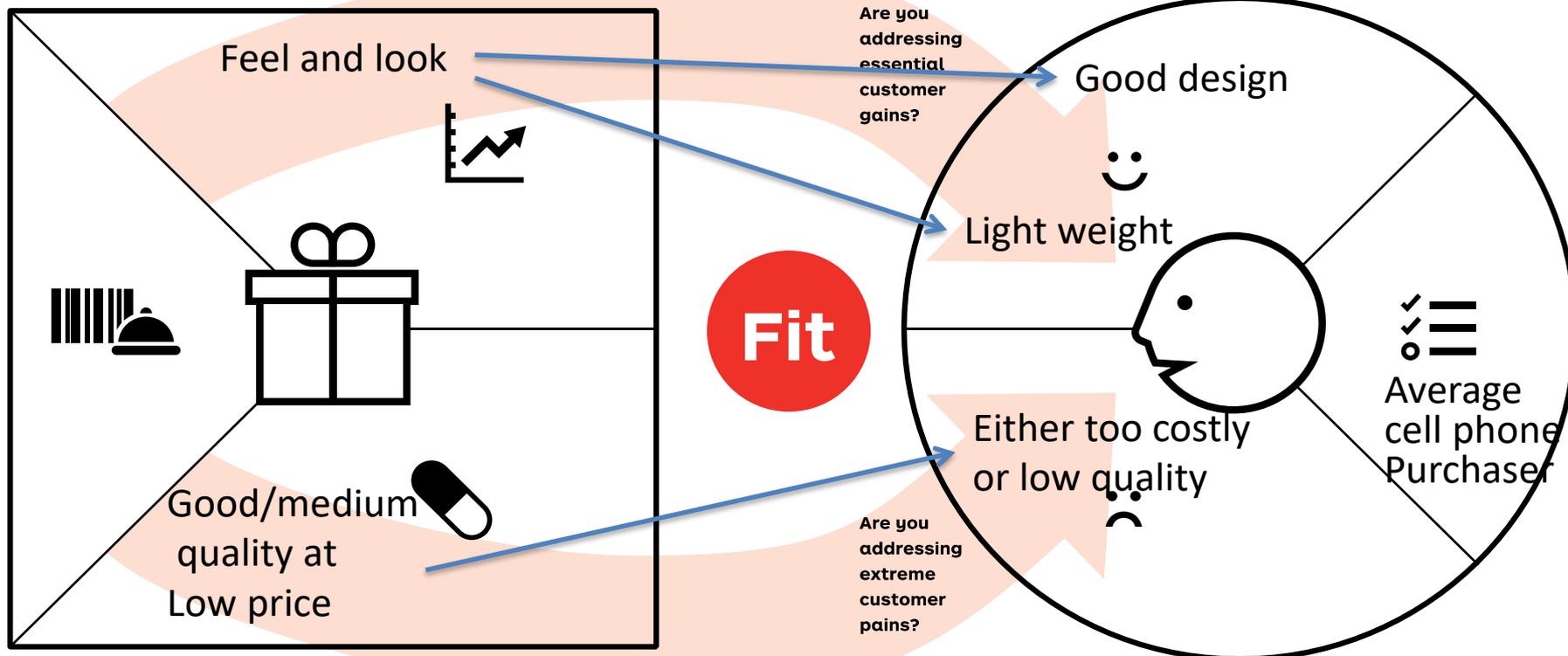


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Case Studies

Today's Case Study Objectives

- Case study session
 - Case analysis in groups
 - Porter Five Forces
 - SWOT Analysis
 - Value Proposition