

Blind-Side Competition

A PYRAMID White Paper

Once upon a time, competition meant the other brands in a category. Categories were defined based on the product, or product form, or where they were in the store, such as the ready-to-drink soft drink category. Success was measured relatively, e.g. share of market.

This kind of thinking has become dangerously superficial. Today, your most dangerous competitor is just as likely to blind-side you, coming at you from where you least expect. Competitors lurk in other product categories, other industries, other channels, other forms, other countries, and sometimes in the seclusion of a garage scientist's lab. If you choose to focus only on your traditionally defined category, you are inviting disaster.

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Consider the following examples:

- The major dog food players ignored the Vet channel early on. Today, non-grocery channels represent over 30% of dog food sales, and over 50% of category profit.
- The Post Office was hit first by FEDERAL EXPRESS. Now, they both face e-mail and fax, along with the high-speed data transfer

capabilities rapidly emerging from the digital revolution.

- What will happen to long-distance phone service once voice-recognition e-mail is viable?
- Players in the grocery bread aisle awoke to the expansion of free-standing retail bread bakeries only to discover that over the past 10 years, the in-store fresh bakery section had quietly grown to a size exceeding the bread aisle.
- What are packaged goods companies to conclude from the recognition that virtually all profit in grocery stores now comes from the stores' periphery "fresh" sections?
- What happens to BLOCKBUSTER once you can call and order any movie over the phone shown on your TV when you want it shown?
- Will place-based retailers do anything about the rapid growth of direct channels: infomercials, catalogs, Internet, etc. before it is too late?

(Over)

THE RACE TO WINNERSVILLE!!!

In the race to Winnersville, winning is everything. Only the first to arrive gets to stay. Early on, you knew who you were racing against. Each competitor was in a race car, and there was only one road. You knew who was in the race. You could look back to see who was behind. You could look forward to see who was ahead. And, you could see the cars to either side. Then, the race to Winnersville began to change.

First, competitors took different roads. You no longer knew who was racing. You no longer could see who was ahead or behind.

Then, the others chose alternate vehicles. You were now racing against not only other race cars, but also speed boats and planes. With the digital revolution, you may even be racing to Winnersville against virtual vehicles through Cyberspace.

JUST WHO ARE YOUR COMPETITORS?

We believe “benefit” is the key criterion for answering this question. A competitor is any option a customer has to get the same benefit that you offer. Furthermore, a competitor is any option a customer may have in the future.

A product or business exists because it provides a benefit. Anything else that provides, or may provide, the same (or more desirable) benefit is a competitive threat. The rapidly evolving digital industry is a competitive threat to the overnight parcel service industry. Both provide the same benefit: the rapid exchange of information. Laser surgery is a threat to contact lens brands. Both make you see better.

Beyond focusing on the key benefit, you can also better understand a competitive set by adding target audience and source of volume. For example,

BENEFIT: Wake up bright-eyed

Target Audience: Working Women

Source of Volume: Daily Usage, Mon-Fri

The competitive set would include: alarm clocks, coffee, wake-up services, COAST soap, cold water, exercise, etc. Any option that helps working women “wake up bright-eyed 5 days a week” is a competitor.

By adding other criteria involved in achieving the benefit; e.g., speed to benefit, price, hedonics, ease of use, availability, etc.; your complete competitive set can be comparatively assessed. For instance, in comparing choices based on the speed to benefit, cold water is much faster than exercise. Hedonically, coffee, or perhaps cappuccino, might win.

GET OUT OF THE BOX!

The point to all of this is, “Get out of the box!” Competitive threats are hurtling at you from other categories, other industries, other distribution channels, even other countries.

Don’t be blind-sided. Don’t miss the huge opportunities. Think about your category from the benefit out.

PYRAMID is a consulting firm that helps clients build and brand competitive advantage that is both compelling and sustainable.

For questions concerning this thinking, or additional copies, contact **PYRAMID**, 8800 Roswell Rd, Suite 265, Atlanta, GA, 30350, or call 770-594-5100 ext.303