# EXTERNAL AND COMPETITOR MARKET ANALYSIS

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Abstract

External and competitor market analysis are important aspects of creating a solid marketing strategy. When both of these types of examination are done through researching and classifying customer and competitor groupings, stronger strategies can be developed to sustain a company's growth. Unmet needs may also represent opportunities and threats that should be considered in the development of marketing strategies. This paper will give the reader ideas of what questions to ask in order to identify external market factors and competitor analysis.

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## Dimensions of External Market Analysis

External Analysis is a necessary part of developing a marketing strategy. It involves an endless process of researching a company's opportunities, threats, trends and strategic uncertainties (Aaker, 2001). The purpose of an external analysis should be to consistently improve the choices a company makes and enhance the company's competitive standing. This paper will explore the areas that should be evaluated including competitor analysis.

According to David Aaker, author of *Strategic Market Management* (2001), the role of external analysis evaluates investment decisions on where to compete, should existing businesses be liquidated, milked, maintained or invested in for growth? Questions of what growth directions should receive investment, should there be market penetration product expansion or market expansion are also investigated. Aaker also suggests that questioning the functional area strategies for implementation, position strategy, segmentation strategy, distribution strategy, manufacturing strategy should also be of concern. Finally, the questions what are the key success factors and what assets and competencies should be created, enhanced, or maintained should be asked too.

Strategic uncertainties are often difficult to assess when doing an analysis of external analysis. When questions are explored relating to uncertainties, very often more questions will appear. Future levels of demand are often the center of questions of uncertainty. These questions are fueled by performance improvements, competitive technological development and financial uncertainties in the industry.

David Aaker (2001) suggests that external analyses are often conducted annually. However, he recommends that they need not be done as in-depth from year-to-year, but only done with a focus on a particular product or segment of the business. Aaker tells readers that, “The need for strategic review and change is often continuous. Information sensing and analysis therefore also need to be continuous.” And “The framework and concepts of external analysis can still play a key role in providing structure even when the analysis is continuous and addresses only a portion of the whole (p. 42).” Customers of the business may be the most determining factor of change requirements and can be the most-powerful source of information for creating a strategic plan that addresses operational opportunities, threats and uncertainties.

## Segmentation

Segmentation, according to David Aaker (2001) is the key to developing a sustainable competitive advantage. Being able to identify customer groups defines the process of segmentation and allows the company to focus on competitive needs. In order to identify each segment, questions of who are the biggest customers, most profitable, most attractive potential customer should be asked (Aaker, 2001). There are of course subgroups of every segment that should also be assessed.

Subgroups of each major segment could be identified through benefits sought, usage level, application, organization type, geographic location, loyalty and price sensitivity. Market strategist David Aaker (2001) suggests that for each subgroup, questions of determining what elements of the product or service the customer values most, customers’ objectives, how segments differ in motivation priorities and what changes are occurring customer motivation and priorities should be addressed (p. 43).

Customers may also have needs that are unmet and should also be addressed when assessing customer segments. Perhaps there may be customers who are dissatisfied and are changing to other brands or suppliers. If so, they should be interviewed, if possible and adaptations products and services should be considered to win customers back. Reasons behind the customers' problems associated with the product or service need to be assessed consistently, as well as possible future problems that customers are not yet aware of. Also, questions of whether competitors are using weakness from your company as leverage should be researched and addressed (Aaker, 2001).

Customers can be defined through common characteristics, which include geographic areas, lifestyle, sex, age, occupation, organizational type or firm. Also, identification of customer type may be broken into groupings of how they use the product or service, benefits sought, price sensitivity and how and if they use competitor's products and services (Aaker, 2001).

An example of customers who use a product for benefit may be the product is quick-to-fix or has health benefits. People may also benefit from pricing reasons. They may perceive the product or service to be of value because it is lower priced in comparison to competitor's products or services. Perhaps the product/service is of a greater perceived value because it is priced higher and represents a superior product or service. Whatever the reason the customer may continue to purchase a product or service, it should lead to developing a sense of brand loyalty, another type of segment-identification.

## Brand Loyalty

Brand loyalty may be the greatest asset a company has. Therefore, it should be consistently sought after and evaluated. Customers who become loyal to a company's brand may do so based upon quality, price, consistency, service or other such competitive reasons associated with the product or service. Whatever the reason customers become loyal to a product or service, it should be maintained and consistently evaluated. In the 1980's Coke changed the recipe for its primary product that customers were very loyal to. This led to a customer revolt that eventually caused the company to revert back to the original recipe and admitting it made a mistake.

Part of assessing customer loyalty also includes what motivates the customer to purchase a product or service. Marketing analysts should ask the questions what lies behind the purchasing decision of the customer and how dies that differ by segment (Aaker, 2001)? Any unmet needs of the customer truly represent opportunities for the company that should be addressed, because they truly are threats to the company's share of the market or potential share. If your company does not address these issues, they may be addressed by a competitor's company, which could give them a marketing edge to build a strategy around.

## Competitor Analysis

It is important to evaluate the competition on a regular basis. Identifying who it is that you compete with, who is the most intense and least intense can give strength in developing a marketing strategy. Marketing strategists should evaluate also who are the makers of substitute products and who, potentially could become potential competitive entrants (Aaker, 2001).

Evaluating the competitors means analyzing competitors' objectives, strategies, level of commitment, costs, image, advantages and disadvantages. In doing so, it will give a view of possible leverage areas, strategic weaknesses, customer problems and unmet needs. This process could be done effectively by identifying and placing competitors in strategic groupings. Groupings may include similar competitive strategies, distribution channel, communication strategies, price, position, aggressiveness, assets, and competencies, including brand associations, logistics, capability, global presence, or research and development (Aaker, 2001, p. 59).

Areas of particular interest for doing a competitor analysis should be done in sections pertaining to innovation, manufacturing, finance, management, marketing and customer base. Using interviews from customers of competitors, information found on competitor websites and other such media may assist in categorizing and evaluating the level of strength and weakness of each of these areas.

## Conclusion

Developing a marketing strategy involves researching and analyzing external factors including competition, opportunities, threats, trends and strategic uncertainties. Identification of customers in segments identified by characteristics including benefits sought, loyalty, application and motivation can prove beneficial in creating a solid marketing strategy.

Identification of who the competitors are and who possible potential competitors could be is also a necessary step of building a solid marketing strategy. Dimensions of size, growth, profitability, image, objectives, business strategies, culture, cost structure, strengths and weaknesses could also categorize competitors. In doing so, potential strengths and weaknesses can be identified in order to develop a strategy for creating customer brand loyalty and a more competitive marketing strategy. This coupled with identifying who the customers are, their needs, likes and dislikes could be the difference in creating marketing strategies that succeed or fail in the long-run.  Big-picture analyses of both are truly the keys.

References

Aaker, D. A. (2001). *Strategic market management* *6$^{th}$ edition*. New York, NY: Wiley & Sons.