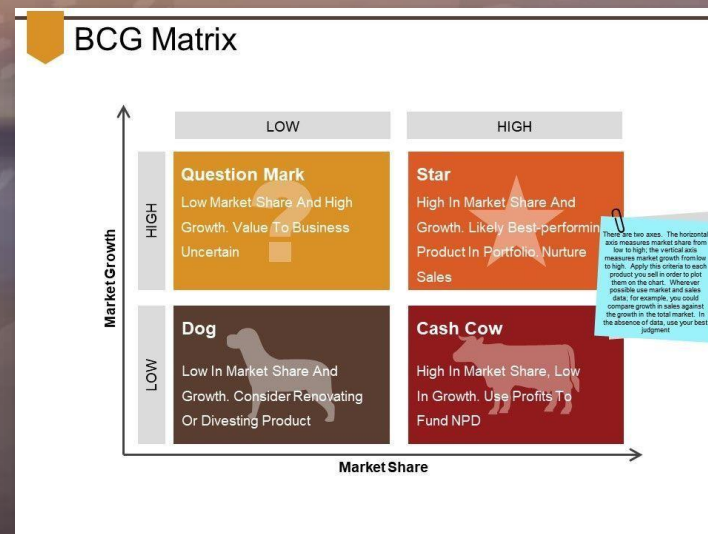


- ❑ **The SWOT analysis**
- ❑ **The BCG Product Portfolio Matrix**
- ❑ **Porter`s Five Forces Model**



What is Competitive Analysis?

- A competitive analysis identifies your competitors and evaluates their strategies to determine strengths and weaknesses relative to your brand.
- A competitive analysis often includes a SWOT analysis that helps the marketer define a competitive marketing plan.
- A competitive analysis is the process of categorizing and evaluating your competitors to understand their strengths and weaknesses in comparison to your own.
- A competitive analysis is a strategy where you identify major competitors and research their products, sales, and marketing strategies.
- By doing this, you can create solid business strategies that improve upon your competitor's.

- A competitive analysis can help you learn the ins and outs of how your competition works, and identify potential opportunities where you can out-perform them.
- It also enables you to stay atop of industry trends and ensure your product is consistently meeting — and exceeding — industry standards.

S	W	O	T
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none">• Things your company does well• Qualities that separate you from your competitors• Internal resources such as skilled, knowledgeable staff• Tangible assets such as intellectual property, capital, proprietary technologies etc.	<ul style="list-style-type: none">• Things your company lacks• Things your competitors do better than you• Resource limitations• Unclear unique selling proposition	<ul style="list-style-type: none">• Underserved markets for specific products• Few competitors in your area• Emerging need for your products or services• Press/media coverage of your company	<ul style="list-style-type: none">• Emerging competitors• Changing regulatory environment• Negative press/media coverage• Changing customer attitudes toward your company

WordStream

What is the purpose of a competitive analysis?

- The purpose of the competitive analysis is to determine the strengths and weaknesses of the competitors within your market, strategies that will provide you with a distinct advantage, the barriers that can be developed in order to prevent competition from entering your market, and any weaknesses that can be exploited.

What should a competitive analysis include?

Your competitive analysis should include:

- Identifying your competitors.
- Obtaining information about your competitors. - Brand awareness - the % of your target market that are aware of your competitors.
- Evaluating their strategies. - Determine their strengths and weaknesses relative to your brand's.

Benefits of conducting competitive analyses:

- Helps you identify your product's unique value proposition and what makes your product different from competitors', which can inform future marketing efforts.
- Enables you to identify what your competitor is doing right. This information is critical for staying relevant and ensuring both your product and your marketing campaigns are outperforming industry standards.
- Tells you where your competitors are falling short — which helps you identify areas of opportunities in the marketplace, and test out new, unique marketing strategies they haven't taken advantage of.

- Learn through customer reviews what's missing in a competitor's product, and consider how you might add features to your own product to meet those needs.
- Provides you with a benchmark against which you can measure your own growth.



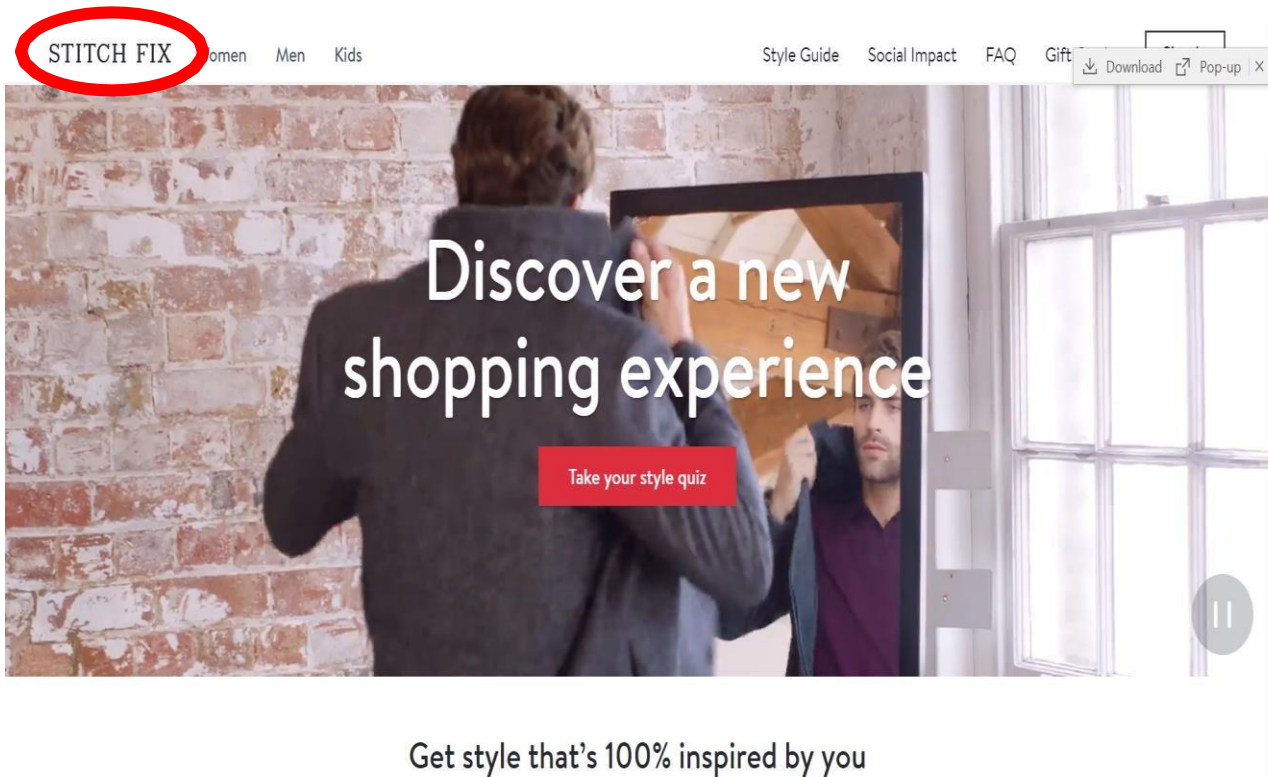
How to do a Competitive Analysis:

1. Determine who your competitors are.
2. Determine what products your competitors offer.
3. Research your competitors sales tactics and results.
4. Take a look at your competitors' pricing, as well as any perks they offer.
5. Ensure you're meeting competitive shipping costs.
6. Analyze how your competitors market their products.
7. Take note of your competition's content strategy.
8. Learn what technology stack your competitors' use.
9. Analyze the level of engagement on your competitor's content.
10. Observe how they promote marketing content.
11. Look at their social media presence, strategies, and go-to platforms.
12. Perform a SWOT Analysis to learn their strengths, weaknesses, opportunities, and threats.

1. Determine who your competitors are.

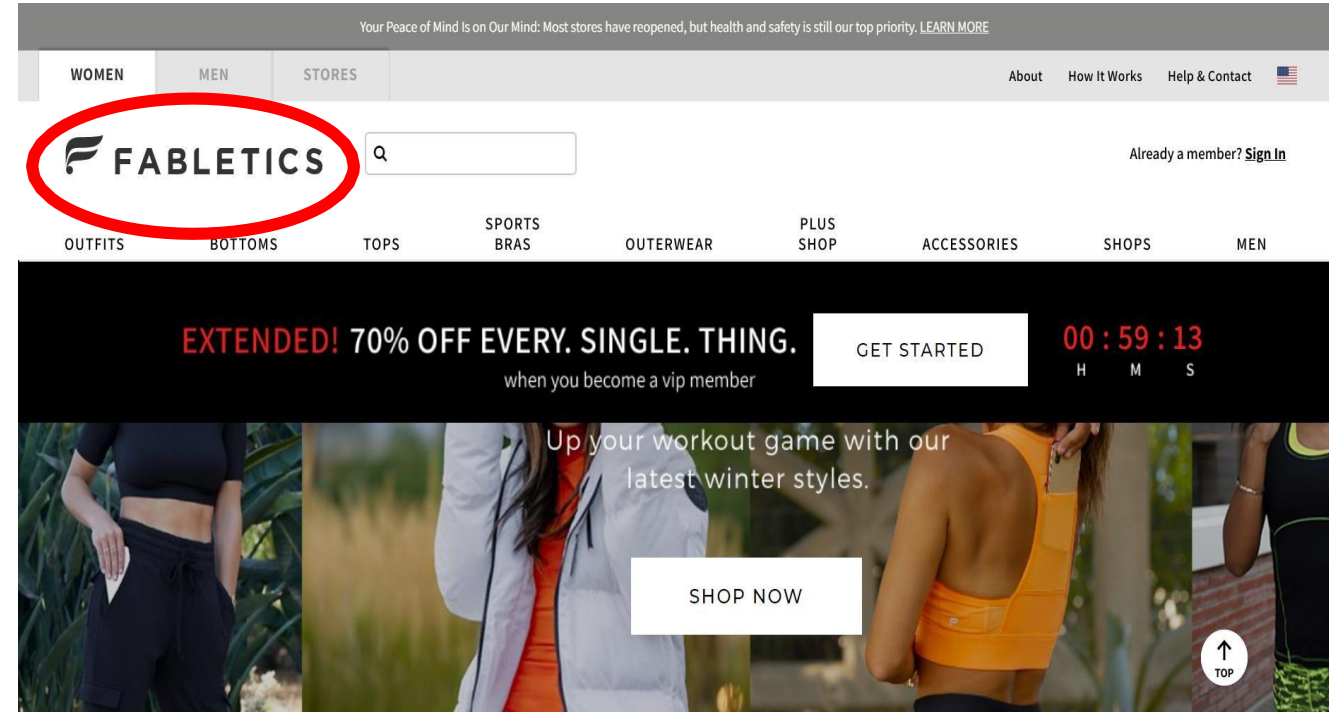
- First, you'll need to figure out who you're really competing with so you can compare the data accurately.
- What works in a business similar to yours may not work for your brand.
- So how can you do this?
- Divide your “competitors” into two categories: direct and indirect.
- Direct competitors are businesses that offer a product or service that could pass as a similar substitute for yours, and that operate in your same geographic area.
- On the flip side, an indirect competitor is one that provides products that are not the same but could satisfy the same customer need or solve the same problem.
- It seems simple enough on paper, but these two terms are often misused.
- When comparing your brand, you should only focus on your direct competitors. This is something many brands get wrong.

- Let's use an example: **Stitch Fix** and **Fabletics** are both subscription-based services that sell clothes on a monthly basis and serve a similar target audience.



- But as we look deeper, we can see that the actual product (clothes in this case) are not really the same; one brand focuses on stylish everyday outfits while the other is workout-centric attire only.
- Yes, these brands satisfy the same need for women (having trendy clothes delivered right to their doorstep each month), but they do so with completely different types of clothing, making them indirect competitors.
- This means Kate Hudson's team at Fabletics would not want to spend their time studying Stitch Fix too closely since their audiences probably vary quite a bit. Even if it's only slightly, this tiny variation is enough to make a big difference.

- Now, this doesn't mean you should toss your indirect competitors out the window completely.
- Keep these brands on your radar since they could shift positions at any time and cross over into the direct competitor zone. Using our example, Stitch Fix could start a workout line, which would certainly change things for Fabletics.
- This is also one of the reasons why you'll want to routinely run a competitor analysis. The market can and will shift at anytime, and if you're not constantly scoping it out, you won't be aware of these changes until it's too late.



2. Determine what products your competitors offer.

- At the heart of any business is its product or service, which is what makes this a good place to start.
- You'll want to analyze your competitor's complete product line and the quality of the products or services they're offering.
- You should also take note of their pricing and any discounts they're offering customers.



Some questions to consider include:

- ✓ Are they a low-cost or high-cost provider?
- ✓ Are they working mainly volume sales or one-off purchases?
- ✓ What is their market share?
- ✓ What are characteristics and needs of their ideal customers?
- ✓ Are they using different pricing strategies for online purchases versus brick and mortar?
- ✓ How does the company differentiate itself from its competitors?
- ✓ How do they distribute their products/services?

3. Research your competitors sales tactics and results.

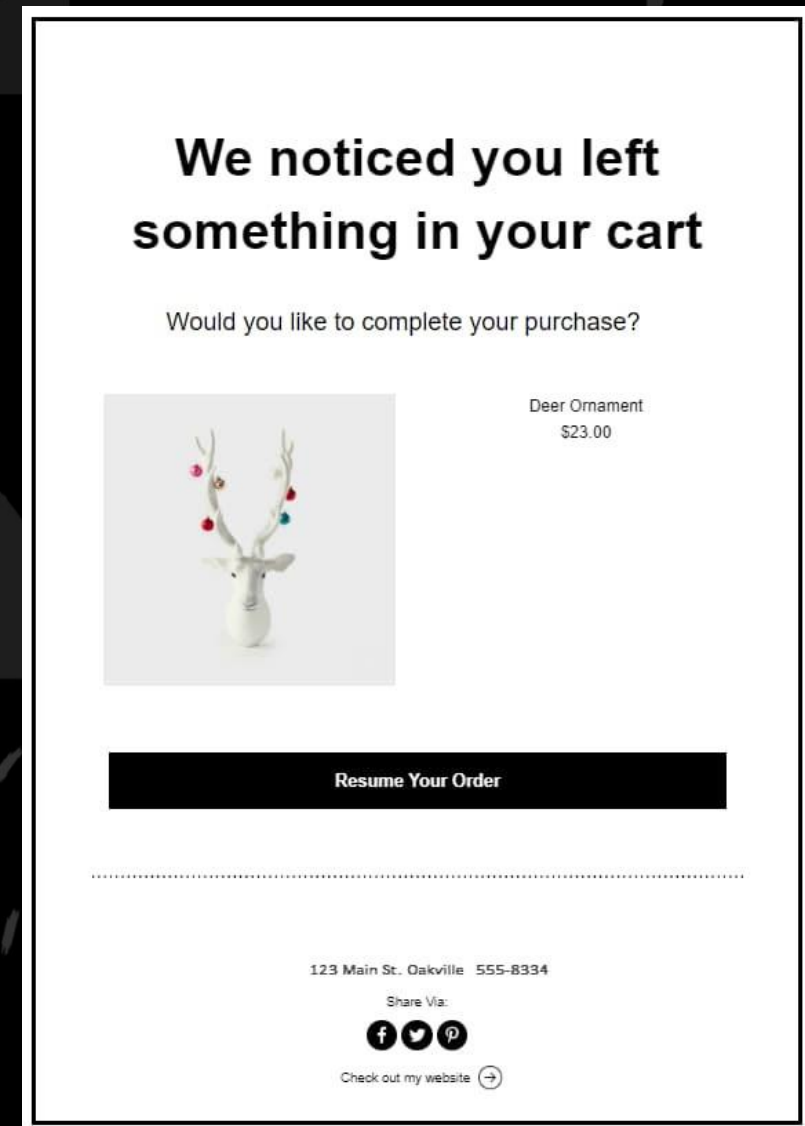
- ❑ Running a sales analysis of your competitors can be a bit tricky.
- ❑ You'll want to track down the answers to questions such as:
 - ❑ What does the sales process look like?
 - ❑ What channels are they selling through?
 - ❑ Do they have multiple locations and how does this give them an advantage?
 - ❑ Are they expanding? Scaling down?
 - ❑ Do they have partner reselling programs?
- ❑ What are their customers reasons for not buying? For ending their relationship with the company?
- ❑ What are their revenues each year?
- ❑ What about total sales volume?
- ❑ Do they regularly discount their products or services?
- ❑ How involved is a salesperson in the process?
- ❑ These helpful pieces of information will give you an idea of how competitive the sales process is, and what information you need to prepare your sales reps with to compete during the final buy stage.

4. Take a look at your competitors' pricing, as well as any perks they offer.

- There are a few major factors that go into correctly pricing your product — and one major one is understanding how much your competitors' are charging for a similar product or service.
- If you feel your product offers superior features to that of a competitors', you might consider making your product or service more expensive than industry standards.
- However, if you do that, you'll want to ensure your sales reps are ready to explain why your product is worth the additional cost.
- Alternatively, perhaps you feel there's a gap in your industry for affordable products. If that's the case, you might aim to charge less than competitors' and appeal to prospects who aren't looking to break the bank for a high-quality product.
- Of course, there are other factors that go into correctly pricing a product, but it's critical you stay on-top of industry pricing to ensure you're pricing your product in a way that feels reasonable to prospects.
- Additionally, take a look at any perks your competitors' offer and how you might match those perks to compete.
- For instance, perhaps competitors' offer a major referral discount, or a month-long free trial version.
- These perks could be the reason you're losing customers, so if it feels reasonable for your brand, consider where you might match those perks — or provide some unique perks of your own, if competitors' don't offer any.

5. Ensure you're meeting competitive shipping costs.

- Did you know expensive shipping is the number one reason for cart abandonment?
- Nowadays, free shipping is a major perk that can attract consumers to choose one brand over another. If you work in an industry where shipping is a major factor — like ecommerce — you'll want to take a look at competitors' shipping costs and ensure you're meeting (if not exceeding) those prices.
- If most of your competitors' offer free shipping, you'll want to look into the option for your own company. If free shipping isn't a practical option for your business, consider how you might differentiate in other ways — including loyalty programs, holiday discounts, or giveaways on social media.



6. Analyze how your competitors market their products.

Analyzing your competitor's website is the fastest way to gauge their marketing efforts.

Take note of any of the following items and copy down the specific URL for future reference:

- ✓ Do they have a blog?
- ✓ Are they creating whitepapers or ebooks?
- ✓ Do they post videos or webinars?
- ✓ Do they have a podcast?
- ✓ Are they using static visual content such as infographics and cartoons?
- ✓ What about slide decks?
- ✓ Do they have a FAQs section?
- ✓ Are there featured articles?
- ✓ Do you see press releases?
- ✓ Do they have a media kit?
- ✓ What about case studies?
- ✓ Do they publish buying guides and data sheets?
- ✓ What online and offline advertising campaigns are they running?

7. Take note of your competition's content strategy.

- ❑ Then, take a look at the quantity of these items. Do they have several hundred blog posts or a small handful? Are there five white papers and just one ebook?
- ❑ Next, determine the frequency of these content assets. Are they publishing something new each week or once a month? How often does a new ebook or case study come out?
- ❑ Chances are, if you come across a robust archive of content, your competitor has been publishing regularly. Depending on the topics they're discussing, this content may help you hone in on their lead generating strategies.
- ❑ From there, you should move on to evaluating the quality of their content. After all, if the quality is lacking, it won't matter how often they post since their target audience won't find much value there.
- ❑ Choose a small handful of samples to review instead of tackling every single piece to make the process more manageable.
- ❑ Your sampler should include content pieces covering a variety of topics so you'll have a fairly complete picture of what your competitor shares with their target audience.

- ✓ How accurate is their content?
- ✓ Are spelling or grammar errors present?
- ✓ How in-depth does their content go? (Is it introductory level that just scratches the surface or more advanced topics with high-level ideas?)
- ✓ What tone do they use?
- ✓ Is the content structured for readability? (Are they using bullet points, bold headings, and numbered lists?)
- ✓ Is their content free and available to anyone or do their readers need to opt-in?
- ✓ Who is writing their content? (In-house team? One person? Multiple contributors?)
- ✓ Is there a visible byline or bio attached to their articles?



- ✓ As you continue to scan the content, pay attention to the photos and imagery your competitors are using.
- ✓ Do you quickly scroll past generic stock photos or are you impressed by custom illustrations and images? If they're using stock photos, do they at least have overlays of text quotes or calls-to-action that are specific to their business?
- ✓ If their photos are custom, are they sourced from outside graphic professionals or do they appear to be done in-house?

- ✓ When you have a solid understanding of your competitor's content marketing strategy, it's time to find out if it's truly working for them.



8. Learn what technology stack your competitors' use.

- ❑ Understanding what types of technology your competitors' use can be critical for helping your own company reduce friction and increase momentum within your organization.
- ❑ For instance, perhaps you've seen positive reviews about a competitor's customer service — as you're conducting research, you learn the customer uses powerful customer service software you haven't been taking advantage of.
- ❑ This information should arm you with the opportunity to outperform your competitors' processes.
- ❑ To figure out which software your competitors' use, type the company's URL into Built With, an effective tool for unveiling what technology your competitors' site runs on, along with third-party plugins ranging from analytics system to CRMs.
- ❑ Alternatively, you might consider looking at competitors' job listings, particularly for engineer or web developer roles.
- ❑ The job listing will likely mention which tools a candidate needs to be familiar with — a creative way to gain intel into the technology your competitors' use.

9. Analyze the level of engagement on your competitor's content.

- To gauge how engaging your competitor's content is to their readers, you'll need to see how their target audience responds to what they're posting.
- Check the average number of comments, shares, and likes on your competitor's content and find out if:
 - Certain topics resonate better than others
 - The comments are negative, positive, or a mix
 - People are tweeting about specific topics more than others
- Readers respond better to Facebook updates about certain content
- Don't forget to note if your competitor categorizes their content using tags, and if they have social media follow and share buttons attached to each piece of content.



10. Observe how they promote their marketing content.

From engagement, you'll move right along to your competitor's content promotion strategy.

- ✓ Keyword density in the copy itself
- ✓ Image ALT text tags
- ✓ Use of internal linking

The following questions can also help you prioritize and focus on what to pay attention to:

- ❖ Which keywords are your competitors focusing on that you still haven't tapped into?
- ❖ What content of theirs is highly shared and linked to?

- ❖ How does your content compare?
- ❖ Which social media platforms is your target audience using and the most active on?
- ❖ What other sites are linking back to your competitor's site, but not yours?
- ❖ Who else is sharing what your competitors are publishing?
- ❖ Who is referring traffic to your competitor's site?
- ❖ For the keywords you want to focus on, what is the difficulty level?
- ❖ There are several free (and paid) tools that will give you a comprehensive evaluation of your competitor's search engine optimization.

11. Look at their social media presence, strategies, and go-to platforms

The last area you'll want to evaluate when it comes to marketing is your competitor's social media presence and engagement rates.

- ✓ How does your competition drive engagement with their brand through social media?
- ✓ Do you see social sharing buttons with each article?
- ✓ Does your competitor have links to their social media channels in the header, footer, or somewhere else?
- ✓ Are these clearly visible?
- ✓ Do they use calls-to-action with these buttons?

❑ If your competitors are using a social network that you may not be on, it's worth learning more about how that platform may be able to help your business, too.

❑ To determine if a new social media platform is worth your time, check your competitor's engagement rates on those sites.

❑ First, visit the following sites to see if your competition has an account on these platforms:

- Facebook
- Twitter
- Instagram
- Snapchat
- LinkedIn
- YouTube
- Pinterest



Then, take note of the following quantitative items from each platform:

- Number of fans/followers
- Posting frequency and consistency
- Content engagement (Are users leaving comments or sharing their posts?)
- Content virality (How many shares, repins, and retweets do their posts get?)
- With the same critical eye you used to gauge your competition's content marketing strategy, take a fine-toothed comb to analyze their social media strategy.
- What kind of content are they posting?
- Are they more focused on driving people to landing pages, resulting in new leads?
- Or are they posting visual content to promote engagement and brand awareness?



- How much of this content is original?
- Do they share curated content from other sources?
- Are these sources regular contributors? What is the overall tone of the content?
- How does your competition interact with their followers?
- How frequently do their followers interact with their content?
- After you collect this data, generate an overall grade for the quality of your competitor's content.
- This will help you compare the rest of your competitors using a similar grading scale



12. Perform a SWOT Analysis to learn their strengths, weaknesses, opportunities, and threats.

- ❑ As you evaluate each component in your competitor analysis (business, sales, and marketing), get into the habit of performing a simplified SWOT analysis at the same time.
- ❑ This means you'll take note of your competitor's strengths, weaknesses, opportunities, and threats any time you assess an overall grade.



- ☐ What is your competitor doing really well with? (Products, content marketing, social media, etc.)
- ☐ Where does your competitor have the advantage over your brand?
- ☐ What is the weakest area for your competitor?
- ☐ Where does your brand have the advantage over your competitor?
- ☐ What could they do better with?
- ☐ In what areas would you consider this competitor as a threat?
- ☐ Are there opportunities in the market that your competitor has identified?
- ☐ You'll be able to compare their weaknesses against your strengths and vice versa.
- ☐ By doing this, you can better position your company, and you'll start to uncover areas for improvement within your own brand.

WHAT IS A SWOT ANALYSIS?

- ✓ SWOT stands for Strengths, Weaknesses, Opportunities, and Threats, and so a SWOT Analysis is a technique for assessing these four aspects of your business.
- ✓ You can use SWOT Analysis to make the most of what you've got, to your organization's best advantage.
- ✓ And you can reduce the chances of failure, by understanding what you're lacking, and eliminating hazards that would otherwise catch you unawares.
- ✓ Better still, you can start to craft a strategy that distinguishes you from your competitors, and so compete successfully in your market.

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SWOT Analysis

PURPOSE	
Enter the purpose of the analysis here	

S	INTERNAL STRENGTHS
1	What do our customers love most?
2	What are we more efficient at?
3	What can we do for less money?
4	What can we do in less time?
5	What makes us stand out?
6	
7	

W	INTERNAL WEAKNESSES
1	Where do we lack efficiency?
2	Where are we wasting money?
3	Where are we wasting time and resources?
4	What do our competitors do better?
5	What are our top customer complaints?
6	
7	

O	EXTERNAL OPPORTUNITIES
1	What is missing in our market?
2	What could we create or do better than a competitor?
3	What new trends are occurring?
4	What new technology could we use?
5	What openings in the market are there?
6	
7	

T	EXTERNAL THREATS
1	What changes are occurring in our market's environment?
2	What technologies could replace what we do?
3	What changes are occurring in the way we're being discovered?
4	What social changes could threaten us?
5	Are there any threatening government policies or regulations?
6	
7	

ACTION ITEMS & GOALS	
1	Which opportunities should we pursue? How can we use our strengths to help us succeed?
2	Which weaknesses can be worked on to help maximize success?
3	What strategies can we put into place to be prepared for threats?
4	

SWOT ANALYSIS

How to Develop a Strategy For Success

- Use SWOT Analysis to assess your organization's current position before you decide on any new strategy.
- Find out what's working well, and what's not so good.
- Ask yourself where you want to go, how you might get there – and what might get in your way.
- These are big issues, and you'll need a powerful but simple technique to help you: SWOT Analysis.



You can approach a SWOT Analysis in two ways:

1. To get people together to "kick off" strategy formulation informally,
 2. Or as a more sophisticated and formal tool.
- ✓ In either case, gather a team from a range of functions and levels in your organization.
 - ✓ Use Brainstorming techniques to build a list of ideas about where your organization currently stands.
 - ✓ Every time you identify a Strength, Weakness, Opportunity, or Threat, write it down in the relevant part of the grid.
 - ✓ To clarify which section an idea belongs to, it may be useful to think of Strengths and Weaknesses as internal factors – that is, to do with the organization, its assets, processes, and people.
 - ✓ Think of Opportunities and Threats as external factors, arising from your market, your competition, and the wider economy.



STRENGTHS

- ✓ Strengths are things that your organization does particularly well, or in a way that distinguishes you from your competitors.
- ✓ Think about the advantages your organization has over other organizations.
- ✓ These might be the motivation of your staff, access to certain materials, or a strong set of manufacturing processes.
- ✓ Your strengths are an integral part of your organization, so think about what makes it "tick."

- ✓ What do you do better than anyone else?
- ✓ What values drive your business?
- ✓ What unique or lowest-cost resources can you draw upon that others can't?
- ✓ Identify and analyze your organization's **Unique Selling Proposition** (USP), and add this to the Strengths section.
- ✓ Then turn your perspective around and ask yourself what your competitors might see as your strengths.
- ✓ Remember, any aspect of your organization is only a strength if it brings you a clear advantage. For example, if all of your competitors provide high-quality products, then a high-quality production process is not a strength in your market: it's a necessity.

WEAKNESSES

- ✓ Now it's time to consider your organization's weaknesses.
 - ✓ Be honest! A SWOT Analysis will only be valuable if you gather all the information you need.
 - ✓ So, it's best to be realistic now, and face any unpleasant truths as soon as possible.
 - ✓ Weaknesses, like strengths, are inherent features of your organization, so focus on your people, resources, systems, and procedures.
 - ✓ Think about what you could improve, and the sorts of practices you should avoid.
- ✓ Once again, imagine (or find out) how other people in your market see you.
 - ✓ Do they notice weaknesses that you tend to be blind to?
 - ✓ Take time to examine how and why your competitors are doing better than you.
 - ✓ What are you lacking?

WEAKNESSES

- Expertise
- Reputation
- Cost
- Project Management
- Speed of Delivery
- Easy to Use
- Quality
- Communication
- Low risk processes
- Procurement and supplier management
- People

OPPORTUNITIES

- ✓ Opportunities are openings or chances for something positive to happen, but you'll need to claim them for yourself!
- ✓ They usually arise from situations outside your organization, and require an eye to what might happen in the future.
- ✓ They might arise as developments in the market you serve, or in the technology you use.
- ✓ Being able to spot and exploit opportunities can make a huge difference to your organization's ability to compete and take the lead in your market.
- ✓ Think about good opportunities you can spot immediately.
- ✓ These don't need to be game-changers: even small advantages can increase your organization's competitiveness.
- ✓ What interesting market trends are you aware of, large or small, which could have an impact?
- ✓ You should also watch out for changes in government policy related to your field.
- ✓ And changes in social patterns, population profiles, and lifestyles can all throw up interesting opportunities.

THREATS

- ❑ Threats include anything that can negatively affect your business from the outside, such as supply chain problems, shifts in market requirements, or a shortage of recruits.
- ❑ It's vital to anticipate threats and to take action against them before you become a victim of them and your growth stalls.
- ❑ Think about the obstacles you face in getting your product to market and selling.
- ❑ You may notice that quality standards or specifications for your products are changing, and that you'll need to change those products if you're to stay in the lead.
- ❑ Evolving technology is an ever-present threat, as well as an opportunity!
- ❑ Always consider what your competitors are doing, and whether you should be changing your organization's emphasis to meet the challenge.
- ❑ But remember that what they're doing might not be the right thing for you to do, and avoid copying them without knowing how it will improve your position.
- ❑ Be sure to explore whether your organization is especially exposed to external challenges.
- ❑ Do you have bad debt or cash-flow problems, for example, that could make you vulnerable to even small changes in your market? This is the kind of threat that can seriously damage your business, so be alert.

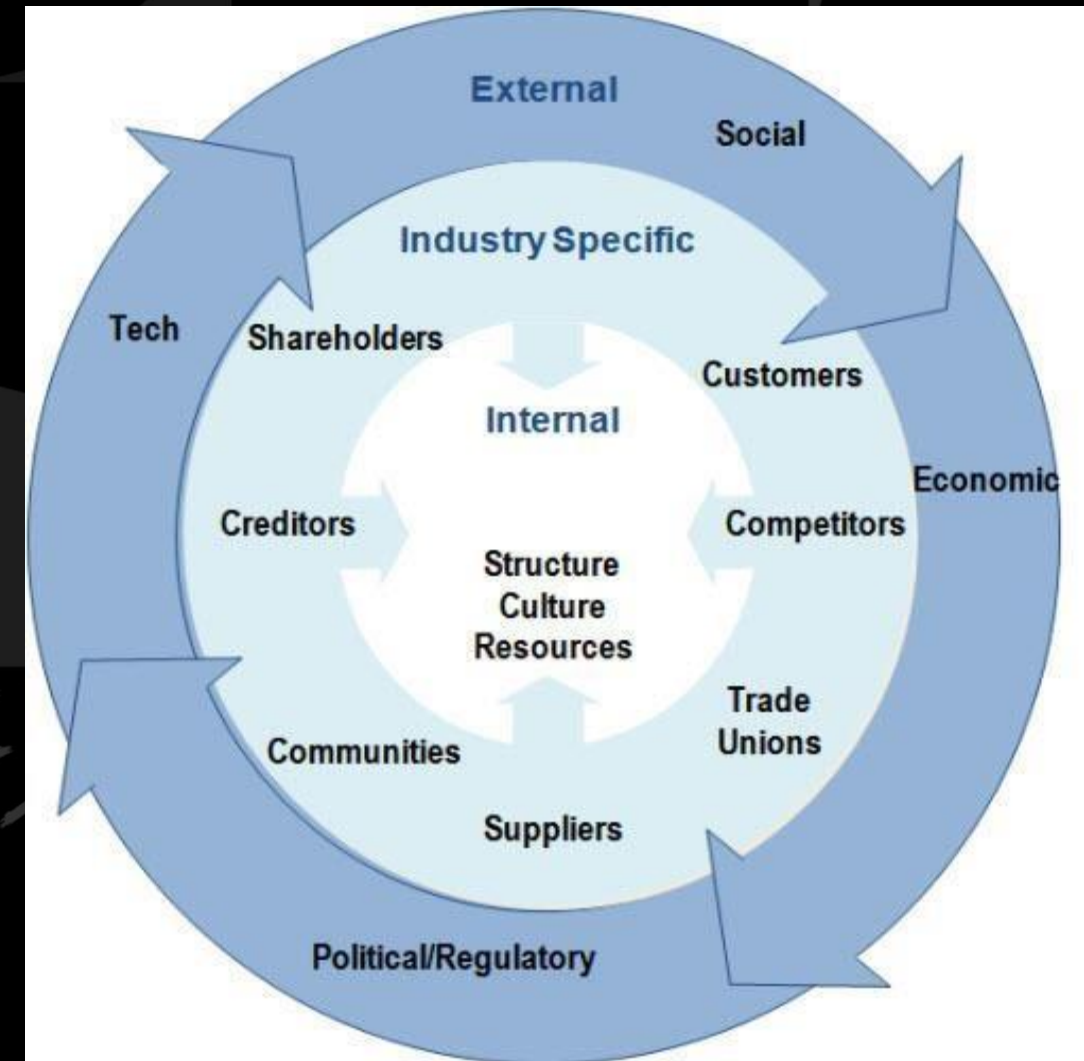
How to Conduct a SWOT Analysis?

- ❑ Like feature-benefit matrices, there are several ways to conduct a SWOT analysis.
- ❑ However, regardless of how you choose to structure your analysis, we need to start by asking a series of questions.
- ❑ Let's take our first element, Strengths, for example.
- ❑ To determine what your strengths are as an organization, you could begin by asking some of the following questions:
 - What do your customers love about your company or product(s)?
 - What does your company do better than other companies in your industry?
 - What are your most positive brand attributes?
 - What's your unique selling proposition?
 - What resources do you have at your disposal that your competitors do not?

We can use the same principle to determine your company's weaknesses:

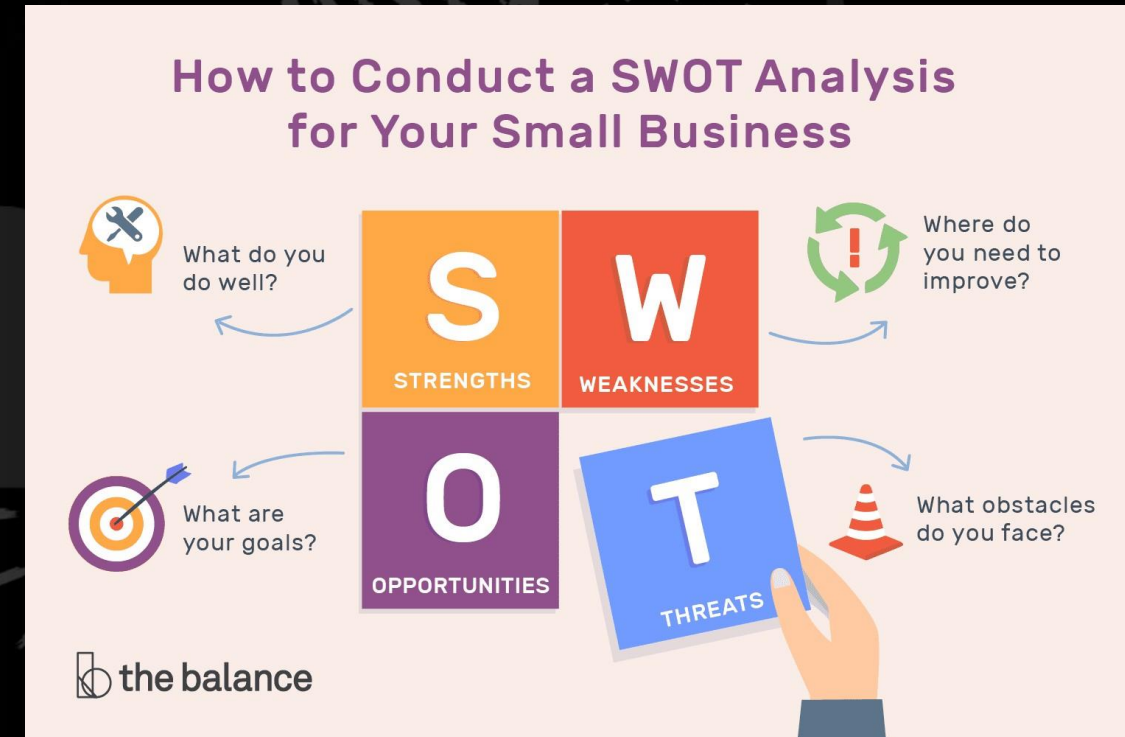
1. What do your customers dislike about your company or product(s)?
 2. What problems or complaints are often mentioned in your negative reviews?
 3. Why do your customers cancel or churn?
 4. What could your company do better?
 5. What are your most negative brand attributes?
 6. What are the biggest obstacles/challenges in your current sales funnel?
 7. What resources do your competitors have that you do not?
- You may find that determining the strengths and weaknesses of your organization or project is considerably easier or takes less time than figuring out the opportunities and threats facing your company.
 - This is because, as we said earlier, these are internal factors.
 - External factors, on the other hand, may require more effort and rely upon more data, as these are often beyond your immediate sphere of influence.

- ❑ Identifying opportunities and threats may require you to conduct in-depth competitive intelligence research about what your competitors are up to, or the examination of wider economic or business trends that could have an impact on your company.
- ❑ That's not to say that opportunities and threats cannot be internal, however; you may discover opportunities and threats based solely on the strengths and weaknesses of your company.



Some possible questions you could ask to identify potential opportunities might include:

1. How can we improve our sales/customer onboarding/customer support processes?
2. What kind of messaging resonates with our customers?
3. How can we further engage our most vocal brand advocates?
4. Are we allocating departmental resources effectively?
5. Is there budget, tools, or other resources that we're not leveraging to full capacity?
6. Which advertising channels exceeded our expectations – and why?



- ❑ When it comes to threats, you could certainly begin by asking a series of questions like those above.
- ❑ However, it's often quite easy to come up with a list of potential threats facing your business or project without posing questions beforehand.
- ❑ This could include “branded” threats such as emerging or established competitors, broader threats such as changing regulatory environments and market volatility, or even internal threats such as high staff turnover that could threaten or derail current growth.

SWOT ANALYSIS	
<p><u>Strengths</u></p> <p>Strengths are factors which the company holds expertise in and contribute to the continued success of the organization. These are the basis for the continued success of the organization and will assist in gaining the organization’s mission.</p>	<p><u>Weaknesses</u></p> <p>Weaknesses are factors that prevent an organization from meeting its mission and achieving full potential. These weaknesses hamper the organizational success and growth.</p>
<p><u>Opportunities</u></p> <p>The environment within which our organization operates offers opportunities. An organization can identify such opportunities and enjoy benefit arising from them by planning and executing required strategies.</p>	<p><u>Threats</u></p> <p>Threats are factors existing in the external environment that jeopardize the profitability and reliability of the organization. Such threats are uncontrollable and prove to be a risk to the stability and survival of the organizations.</p>

WHAT IS BCG PORTFOLIO ANALYSIS?

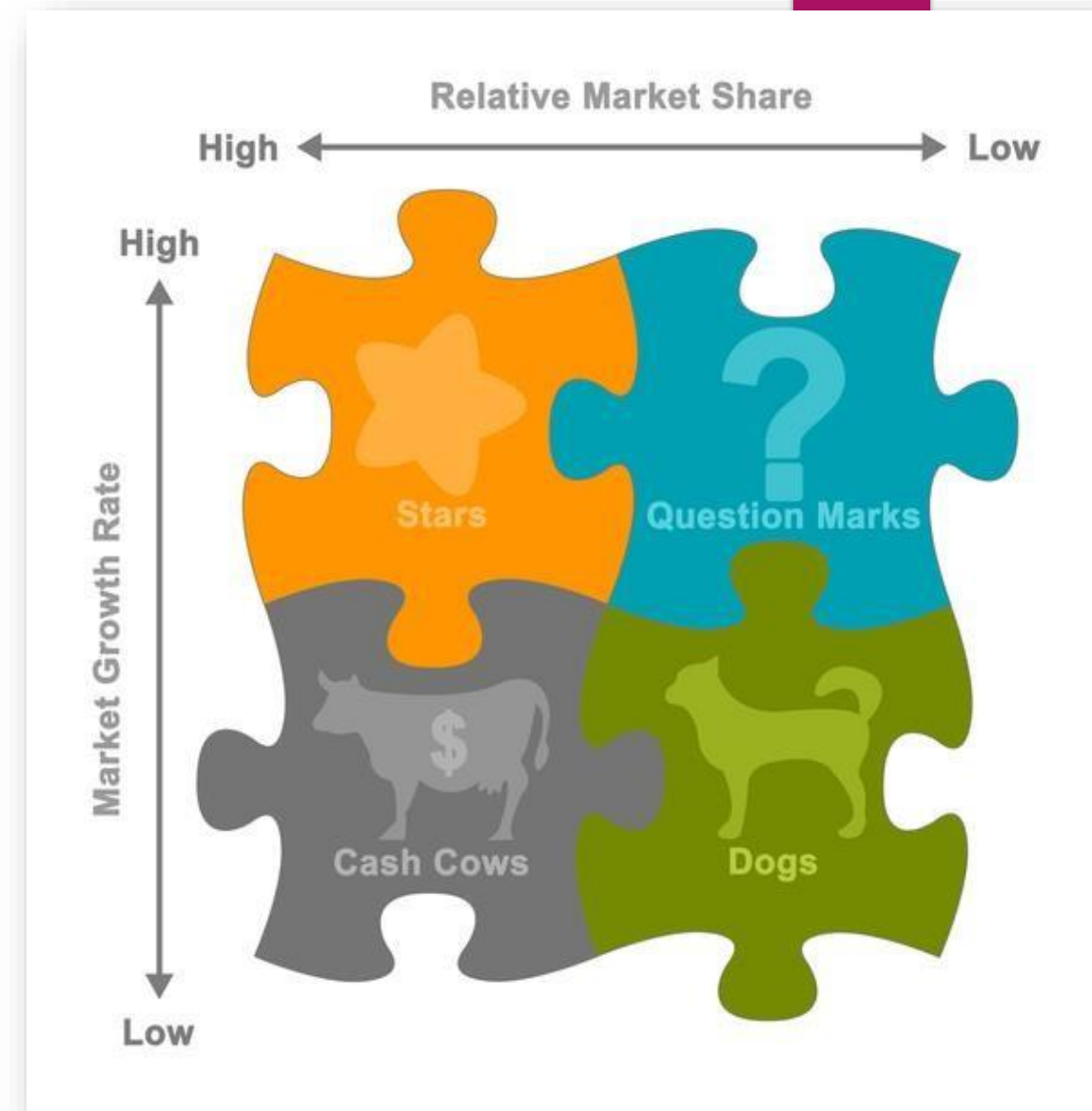
- ❑ The **Boston Consulting group's** product **portfolio** matrix (**BCG** matrix) is designed to help with long-term strategic planning, to help a business consider growth opportunities by reviewing its **portfolio** of products to decide where to invest, to discontinue or develop products. It's also known as the Growth/Share Matrix.
- ❑ A BCG matrix helps businesses analyze both the current and future competitive landscape of their industry, and then plan accordingly.
- ❑ Business models are based on providing products or services that are profitable now, but they also attempt to identify changes in offerings that will keep the company profitable in the future.
- ❑ The current moneymakers are easy to identify now, but a good business strategy also asks, "What about the future?"
- ❑ Created by the Boston Consulting Group, the BCG matrix – also known as the Boston or growth share matrix – provides a strategy for analyzing products according to growth and relative market share.
- ❑ The BCG model has been used since 1968 to help companies gain insights on what products best help them capitalize on market share growth opportunities and give them a competitive advantage.

Creating your matrix

- ✓ To analyze your own company, first, you'll need data on the relative market share and growth rate of your products or services.
- ✓ When examining market growth, you need to objectively determine your competitive advantage over your largest competitor and think in terms of growth over the next three years.
- ✓ If your market is extremely fragmented, however, you can use absolute market share instead.
- ✓ Next, you can either draw a BCG matrix or find a BCG matrix template program online.
- ✓ There are several that are free, available for subscription or are part of another charting program, such as the free one by [Miro](#).

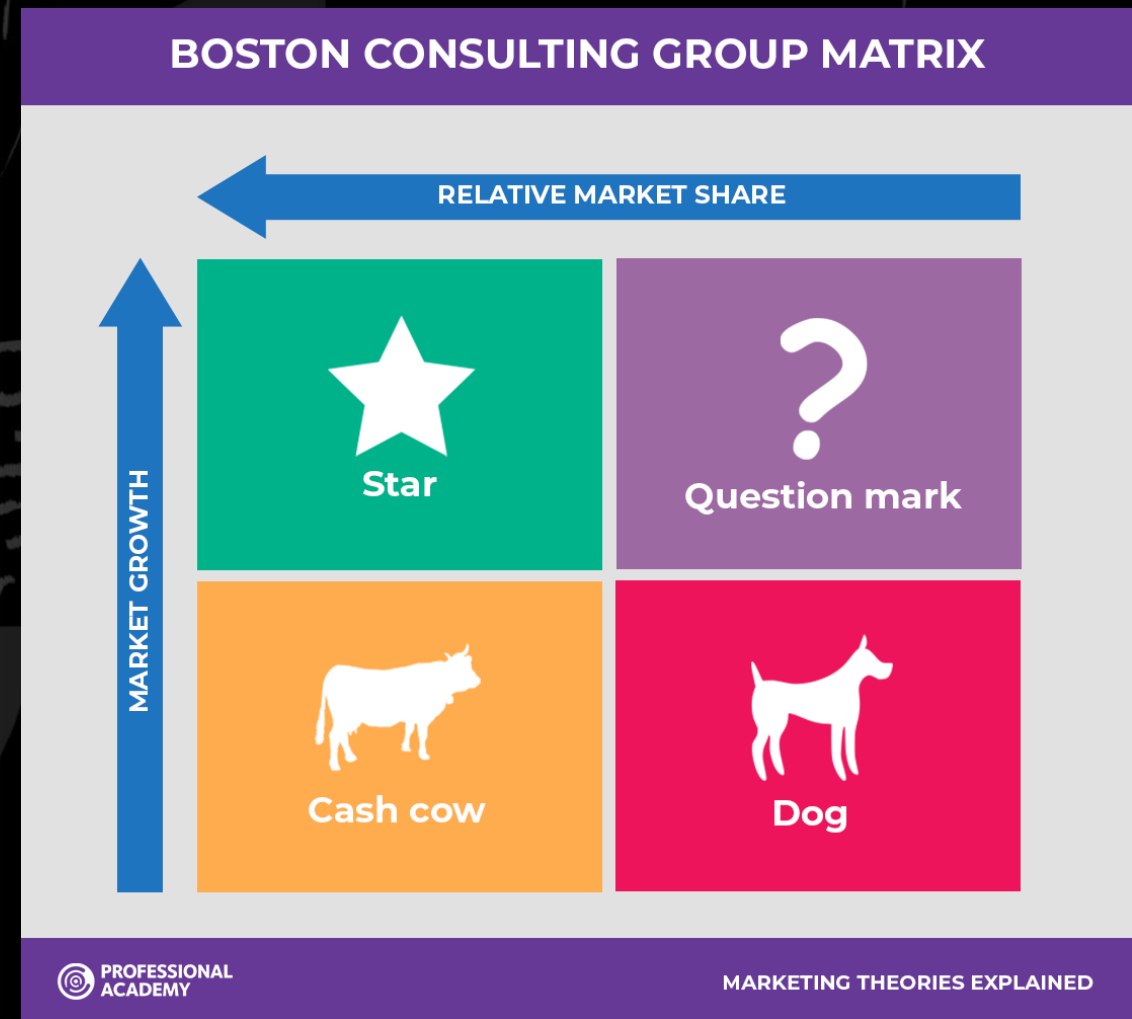


- ❑ In this four-quadrant BCG matrix template, market share is shown on the horizontal line (low left, high right) and growth rate is found along the vertical line (low bottom, high top).
- ❑ The four quadrants are designated Stars (upper left), Question Marks (upper right), Cash Cows (lower left) and Dogs (lower right).
- ❑ Place each of your products in the appropriate box based on where they rank in market share and growth.
- ❑ Where you choose to set the dividing line between each quadrant depends in part on how your company compares to the competition.



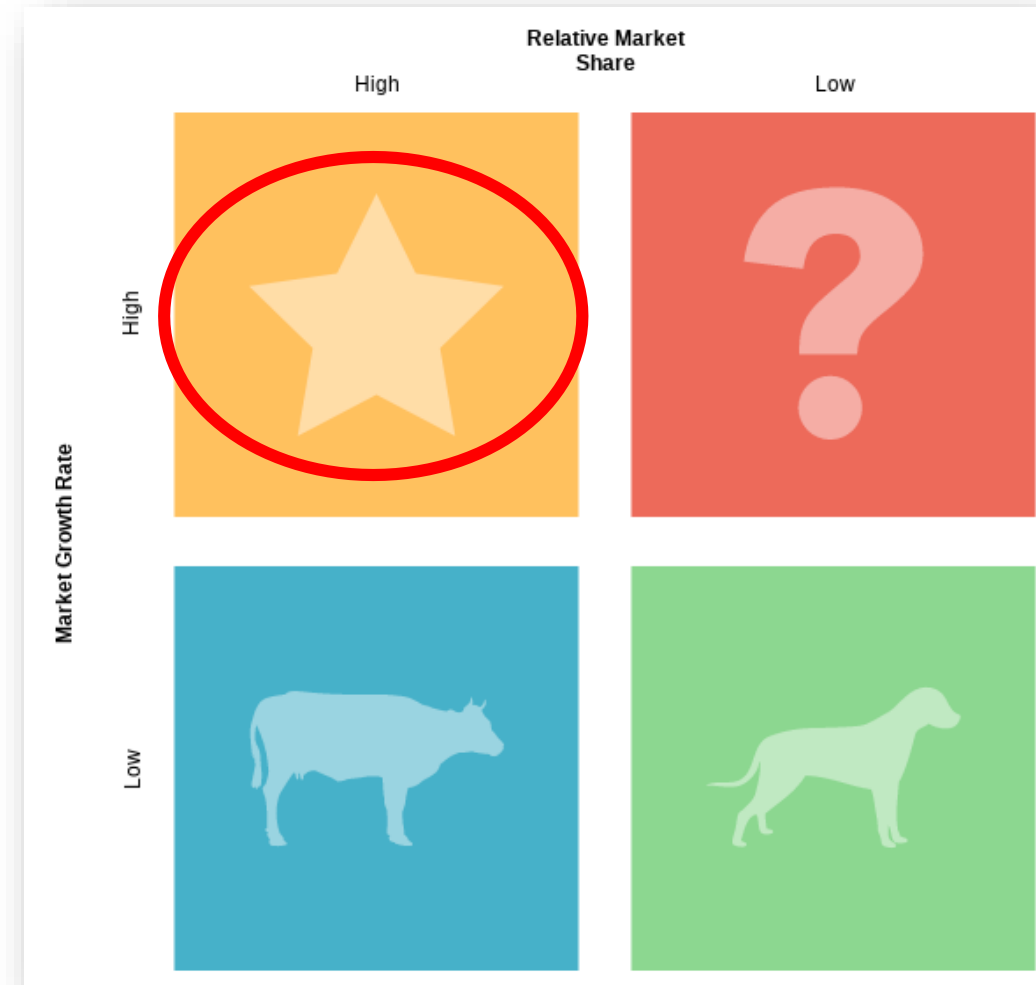
WHAT ARE THE FOUR CATEGORIES OF BCG MATRIX?

The growth-share matrix aids the company in deciding which products or units to either keep, sell, or invest more in. The BCG growth-share matrix contains four distinct categories: "dogs," "cash cows," "stars," and "question marks."



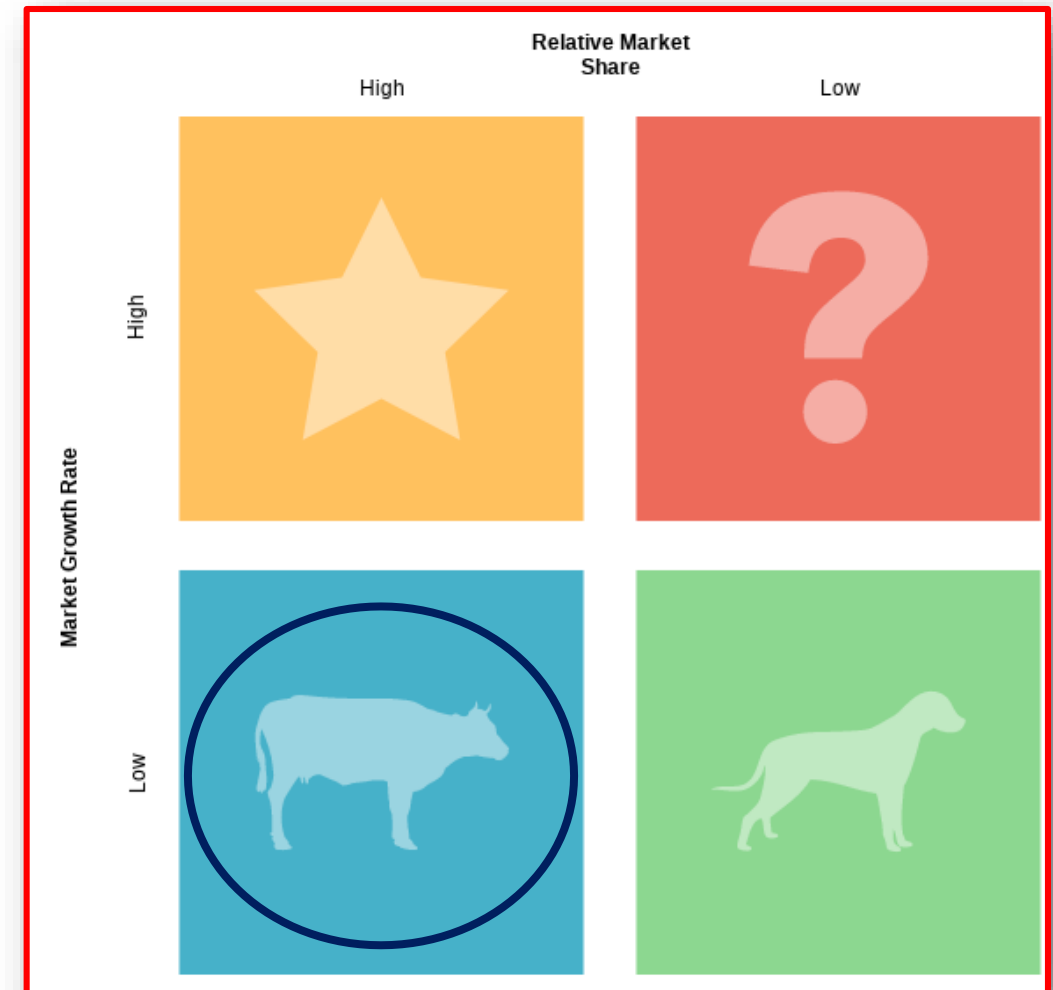
STARS:

- ❑ The business units or products that have the best market share and generate the most cash are considered stars.
- ❑ Monopolies and first-to-market products are frequently termed stars.
- ❑ However, because of their high growth rate, stars consume large amounts of cash.
- ❑ This generally results in the same amount of money coming in that is going out.
- ❑ Stars can eventually become cash cows if they sustain their success until a time when a high growth market slows down.
- ❑ A key tenet of BCG strategy for growth is for companies to invest in stars.



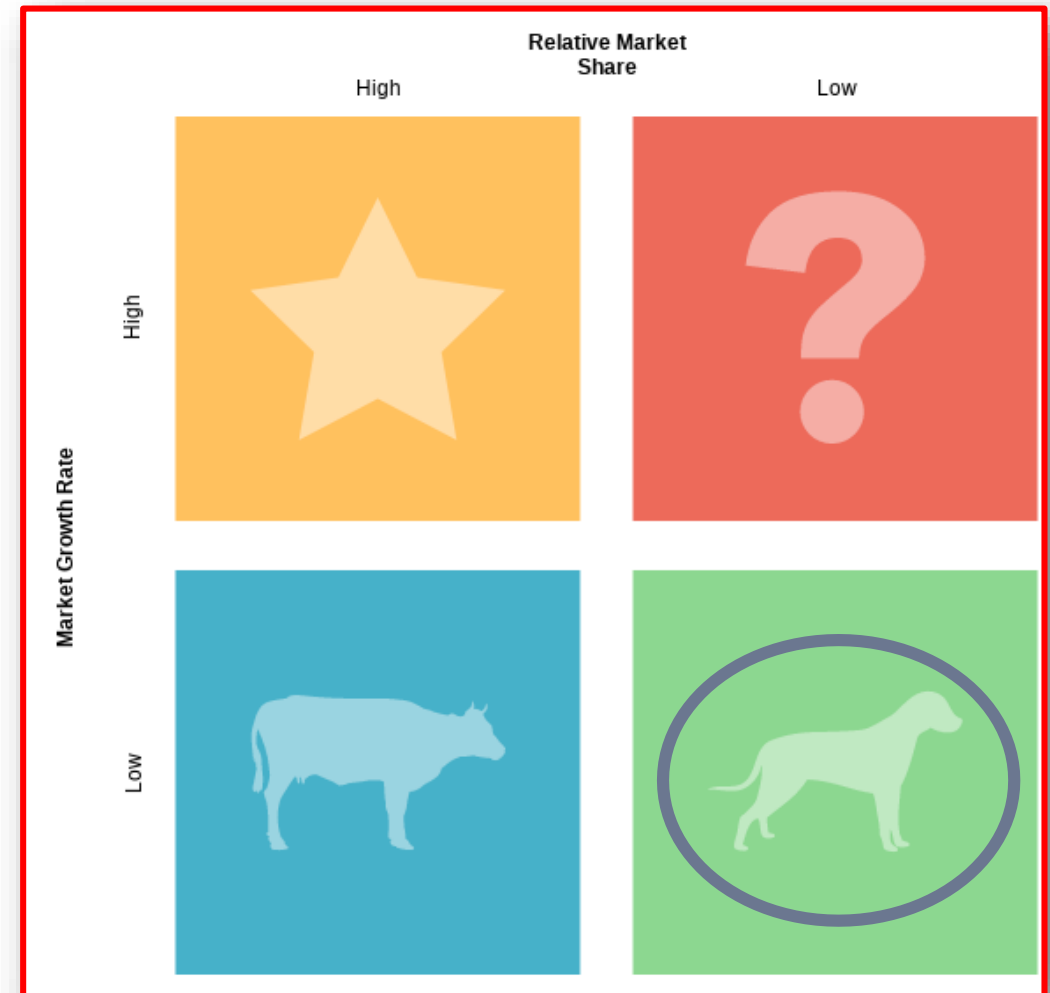
CASH COWS:

- ❑ A cash cow is a market leader that generates more cash than it consumes.
- ❑ Cash cows are business units or products that have a high market share but low growth prospects.
- ❑ According to NetMBA, cash cows provide the cash required to turn a question mark into a market leader, cover the administrative costs of the company, fund research and development, service the corporate debt, and pay dividends to shareholders.
- ❑ Companies are advised to invest in cash cows to maintain the current level of productivity or to "milk" the gains passively.



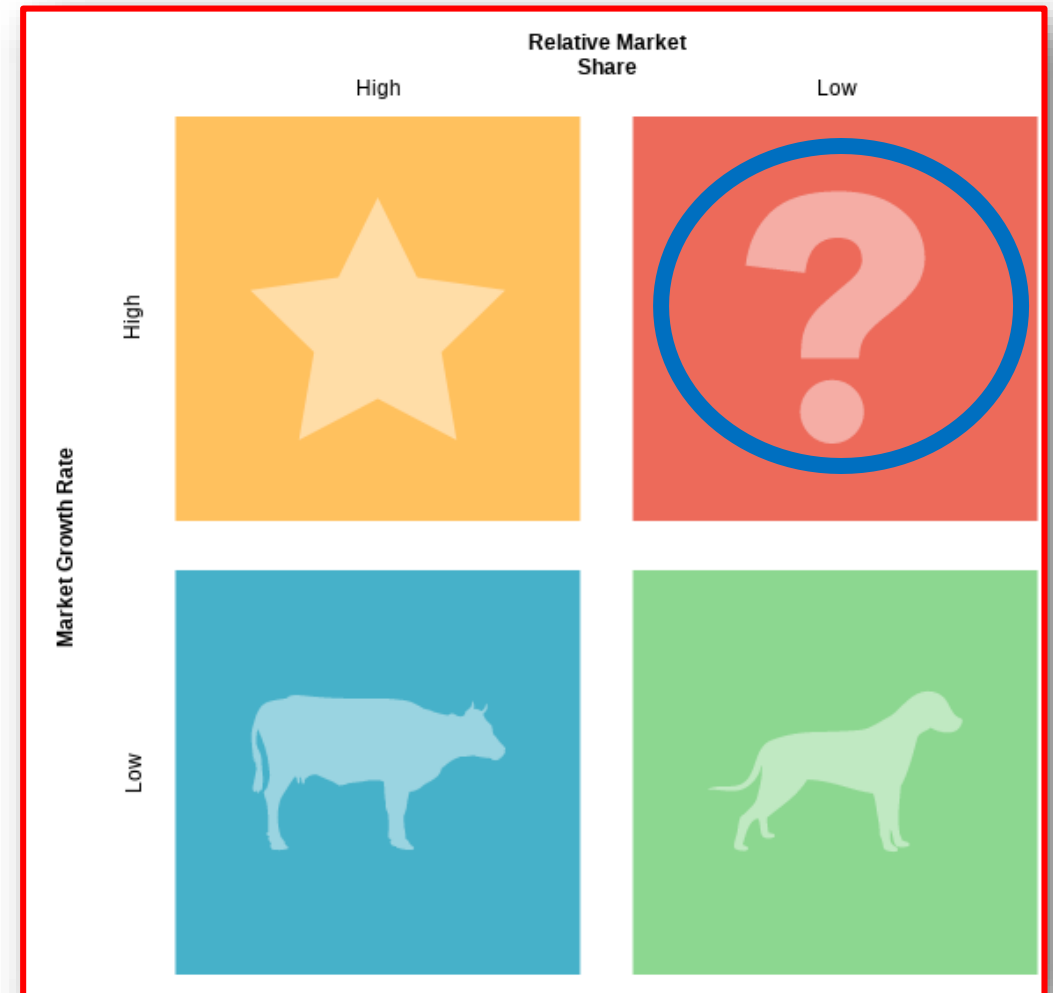
DOGS:

- Dogs, or pets as they are sometimes referred to, are units or products that have both a low market share and a low growth rate.
- They frequently break even, neither earning nor consuming a great deal of cash.
- Dogs are generally considered cash traps because businesses have money tied up in them, even though they are bringing back basically nothing in return.
- These business units are prime candidates for divestiture.



QUESTION MARKS:

- ❑ These parts of a business have high growth prospects but a low market share.
- ❑ They consume a lot of cash but bring little in return. In the end, question marks lose money.
- ❑ However, since these business units are growing rapidly, they have the potential to turn into stars in a high growth market.
- ❑ Companies are advised to invest in question marks if the product has the potential for growth, or to sell if it does not.



USING THE BCG MATRIX TO STRATEGIZE

1. Increase investment in a product to increase its market share. For example, you can push a question mark into a star and, finally, a cash cow.
2. If you can't invest more into a product, hold it in the same quadrant, and leave it be.
3. Reduce your investment and try to take out the maximum cash flow from the product, which increases its overall profitability (best for cash cows).
4. Release the amount of money already stuck in the business (best for dogs). You need products in every quadrant of your BGC matrix to keep a healthy cash flow and have products that can secure your future.

THE ROLE OF CASH FLOW IN THE BCG MATRIX

noted_

1. Margins and cash generated are a function of market share. High margins and high market share go together.
2. To grow, you need to invest in your assets. The added cash required to hold share is a function of growth rates.
3. High market share must be earned or bought. Buying market share requires an additional increment or investment.

4. No product market can grow indefinitely. You need to get your payoff from growth when the growth slows; you lose your opportunity if you hesitate. The payoff is cash that cannot be reinvested in that product.



- ❑ That last point is even more important now than ever.
- ❑ The market moves more quickly now than it did 40 years ago, and BCG has since published recommended revisions to analyze and act on the matrix information.
- ❑ Maintaining a healthy supply of question marks readies you to act on the next trend.
- ❑ Cash cows, conversely, need to be milked efficiently, because they may fall out of favor – and profitability – more quickly. You can find more strategies on BCG's website.
- ❑ With a few tweaks, the matrix can be adapted to help companies drive the strategic experimentation required for success, even in unpredictable markets.
- ❑ The matrix needs to be applied with accelerated speed while balancing the investments between exploration in new segments and exploitation of established segments.
- ❑ In addition, the investments and divestments need to be managed rigorously while carefully measuring and monitoring the portfolio economics of experimentation."

A REAL-LIFE BCG MATRIX EXAMPLE

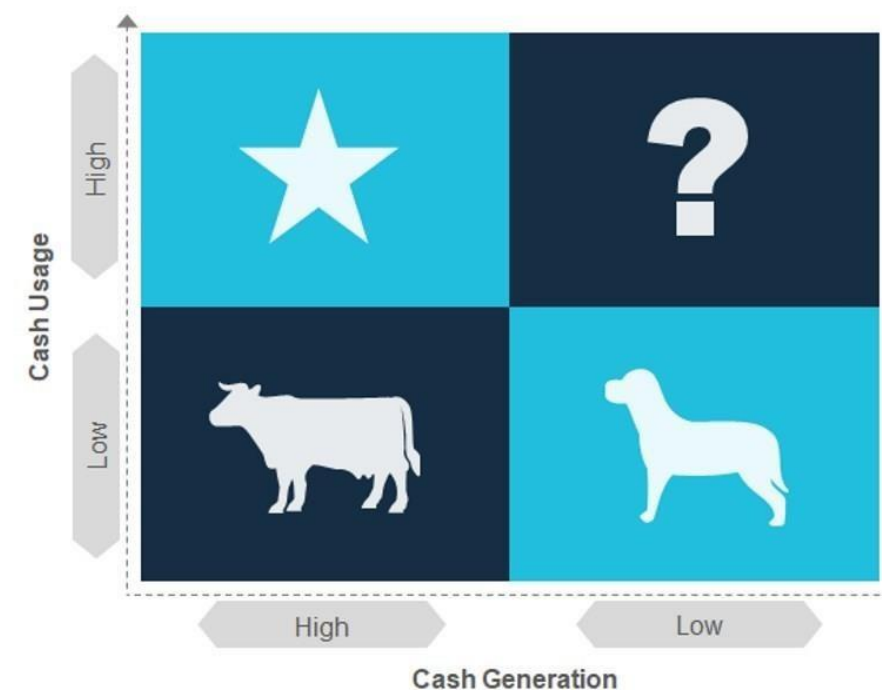
worthwhile to look at a real-life BCG matrix example and then share the matrix with your team.

- ✓ A commonly used BCG matrix example is that of Coca-Cola, which owns many more drinks than just its titular brand.
- ✓ In the Coca-Cola BCG matrix example, Diet Coke and Minute Maid are question marks, as these names attract a modest audience but still have plenty of room to grow.
- ✓ Its bottled water brands Kinley and Dasani are stars since they dominate the market in, respectively, Europe and the U.S. and show no signs of slowing growth.
- ✓ Its own titular drink is a cash cow since it experiences low growth despite its high market share, a categorization that makes sense given Coca-Cola's ubiquity among soft drinks.
- ✓ However, Coca-Cola is also a dog, because legislation against soft drinks – not to mention public sentiment turning against them – has lessened soda sales.
- ✓ Coca-Cola's real-life BCG matrix example provides an important takeaway:
- ✓ Sometimes, a product can fall into more than one category.

An alternative for another perspective

- While a great tool, the BCG matrix isn't for every business.
- Some companies find they don't have products in each quadrant, nor do they have steady movement of products among the quadrants as they progress in their product life cycle.
- Some consultants advocate the use of the GE/McKinsey matrix instead, which offers more categorization options and measures products according to business unit strength and industry attractiveness rather than market share, the complexity of which may be outside an individual company's control.

- Comparing the two models can reveal hidden insights that fuel increased growth for your company.



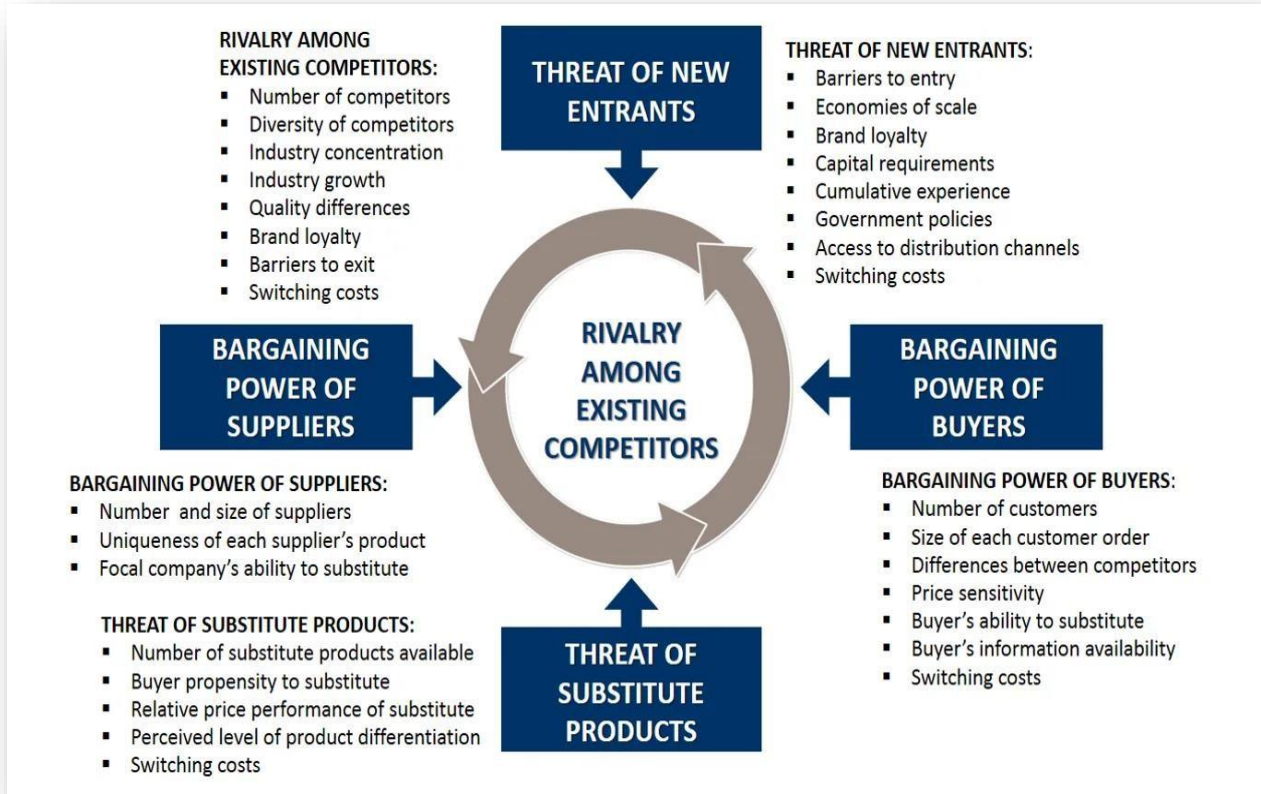
PORTER'S FIVE FORCES

- ✓ Porter's Five Forces is a simple but powerful tool for understanding the competitiveness of your business environment, and for identifying your strategy's potential profitability.
- ✓ This is useful, because, when you understand the forces in your environment or industry that can affect your profitability, you'll be able to adjust your strategy accordingly.
- ✓ For example, you could take fair advantage of a strong position or improve a weak one, and avoid taking wrong steps in future.



Understanding Porter's Five Forces

its publication_



1. COMPETITIVE RIVALRY.

- This looks at the number and strength of your competitors.
 - How many rivals do you have? Who are they, and how does the quality of their products and services compare with yours?
 - Where rivalry is intense, companies can attract customers with aggressive price cuts and high-impact marketing campaigns.
 - Also, in markets with lots of rivals, your suppliers and buyers can go elsewhere if they feel that they're not getting a good deal from you.
- On the other hand, where competitive rivalry is minimal, and no one else is doing what you do, then you'll likely have tremendous strength and healthy profits.



2. SUPPLIER POWER.

3. BUYER POWER.

- ❖ Here, you ask yourself how easy it is for buyers to drive your prices down.
- ❖ How many buyers are there, and how big are their orders?
- ❖ How much would it cost them to switch from your products and services to those of a rival?
- ❖ Are your buyers strong enough to dictate terms to you?
- ❖ When you deal with only a few savvy customers, they have more power, but your power increases if you have many customers.

5. THREAT OF NEW ENTRY.

4. THREAT OF SUBSTITUTION.

- ✓ This refers to the likelihood of your customers finding a different way of doing what you do.
- ✓ For example, if you supply a unique software product that automates an important process, people may substitute it by doing the process manually or by outsourcing it.
- ✓ A substitution that is easy and cheap to make can weaken your position and threaten your profitability.

- ✓ According to Porter, these Five Forces are the key sources of competitive pressure within an industry.
- ✓ He stressed that it is important not to confuse them with more fleeting factors that might grab your attention, such as industry growth rates, government interventions, and technological innovations.
- ✓ These are temporary factors, while the Five Forces are permanent parts of an industry's structure.



USING THE TOOL

- ❑ To understand your situation, look at each of the forces in turn, then write your observations on our free [worksheet](#).
 - ❑ **Brainstorm** the relevant factors for your market or situation, and then check against the factors listed for the force in the diagram above.
 - ❑ Next, write the key factors on the worksheet, and summarize the size and scale of the force on the diagram.
 - ❑ An easy way of doing this is to use a single "+" sign for a force that's moderately in your favor, or a "-" sign for a force that's moderately against you. Use "++" for a force that's strongly in your favor, or "--" for one that's strongly against. For a neutral force, you can use "o."
- ❑ You'll see these used in the example, below.
 - ❑ Finally, look at the situation that you find using this analysis and think through how it affects you. Bear in mind that few situations are perfect – however, looking at things in this way helps you to think through what you could change to improve your industry position and increase your profitability with respect to each force.
 - ❑ What's more, if you find yourself in a structurally weak position, this tool helps you to think about what you can do to move into a stronger one.

EXAMPLE OF PORTER'S FIVE FORCES IN ACTION

Martin Johnson is deciding whether to switch career and become a farmer – he's always loved the countryside, and he wants a job where he can be his own boss. He creates the following Five Forces analysis to help him to decide:

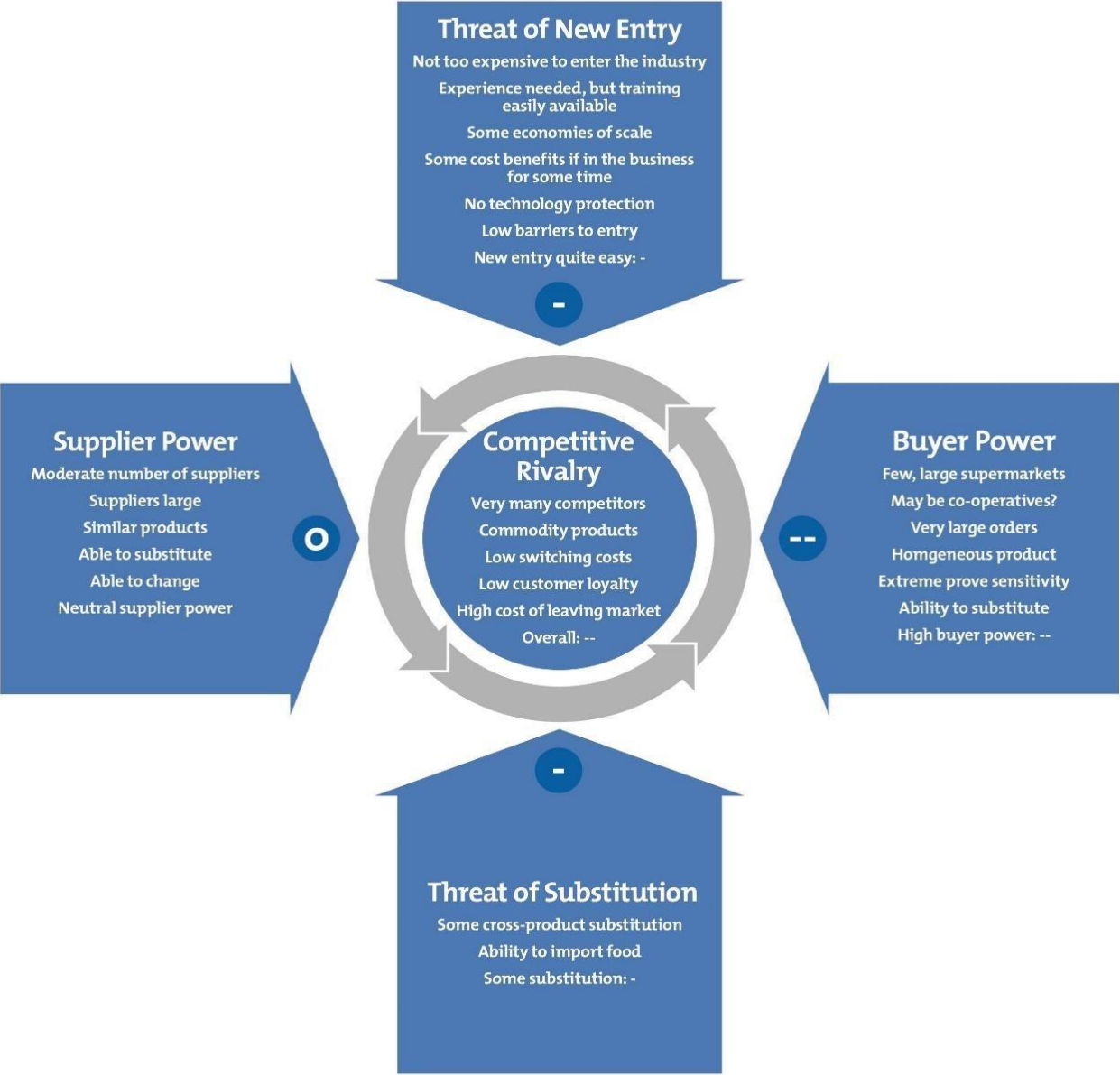
Suppliers

As a farmer, Martin will need to buy a lot of things, such as seeds, fertilizers, pesticides, and farm equipment. These suppliers will be able to charge him a lot of money because he will be a small business and they will be able to charge him a lot of money. This is a very tough industry to survive in.

Unless Martin is able to find some way of changing this situation, this looks like a very tough industry to survive in.

Maybe he'll need to specialize in a sector of the market that's protected from some of these forces, or find a related business that's in a stronger position.

Porter's Five Forces Example:
Buying a Farm



KEY POINTS:

- ✓ **Supplier Power:** the ability of suppliers to drive up the prices of your inputs.
- ✓ **Buyer Power:** the strength of your customers to drive down your prices.
- ✓ **Competitive Rivalry:** the strength of competition in the industry.
- ✓ **The Threat of Substitution:** the extent to which different products and services can be used in place of your own.
- ✓ **The Threat of New Entry:** the ease with which new competitors can enter the market if they see that you are making good profits (and then drive your prices down).

End of Chapter 7

