

Market Segmentation

10

Assessing company competitiveness and the portfolio matrix

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Assessing company competitiveness and the portfolio matrix

Summary

To complement the analysis of segment attractiveness, it is essential that the company assesses how well equipped it is to deal with each segment before finally deciding where to focus its financial and managerial resources. However, no matter how 'fit' your company may be in meeting the needs of a segment, customers will make their choice based on which of the competing companies is, in their view, the 'fittest'. It is, therefore, the company's relative competitiveness that has to be balanced with segment attractiveness in order to determine where the greatest realizable opportunities are to be found for the organization.

Assessing relative competitiveness and balancing it with segment attractiveness is looked at in this chapter. It is the seventh and final step in the segmentation process, as illustrated in Figure 10.1.



Figure 10.1: The segmentation process – Step 7

In order to arrive at a realistic assessment of company strengths, it is necessary to look at the performance of companies in terms of how it is perceived by customers in relation to the needs they are seeking to satisfy. This step, therefore, requires 'perceived' performance as opposed to 'true' performance to be measured.

A term we briefly referred to in Chapter 7 and use more extensively here is 'Critical Success Factors'(CSFs). This refers to the constituents of an offer that enable companies to deliver the benefits customers are seeking. Critical success factors therefore describe for the company the relevant product, price, promotion and place requirements (and all other relevant 'Ps').

This chapter is organized as follows:

- An introduction to 'company competitiveness' and an overview of the steps it involves
- Defining the time period for company competitiveness
- Factors to consider in company competitiveness for each segment
- The weightings to be allocated to these factors
- Defining the parameters for competitiveness so that company strengths can be gauged
- How to evaluate the competitiveness scores for your company and your competitors in each segment
- Transferring the results on to a portfolio matrix and illustrating the size of each segment along with your share
- How different time periods and different strategic assumptions for your company and your competitors can be used to produce a Directional Policy Matrix (DPM)
- A review of this, the final step in the segmentation process
- Examples of segment portfolios
- Exercises further to help you with relative company competitiveness.

■ Company competitiveness

Definition: ■ Company competitiveness is a measure of an organization's actual strengths in each segment (in other words, the degree to which it can take advantage of a segment opportunity).

Company competitiveness, for the purposes of this book, is a measure of an organization's actual strengths in each segment, in other words, the degree to which it can take advantage of a segment opportunity. Thus, it is an objective assessment of an organization's ability to satisfy segment needs relative to competitors.

The procedure to follow when assessing company competitiveness can be summarized as follows:

- 1 For each segment, list the needs they are seeking to satisfy – these, along with 'price', were identified in Step 5 as their decisive buying criteria (DBC's) – and note the constituents of the offer required to deliver each of the buying criteria successfully (many of which will be aligned to the segment's key discriminating features (KDF's)).
- 2 Associate a weight with each of the buying criteria that reflects its relative importance (and, therefore, the relative importance of what is required to deliver it) to the segment. This was also identified in Step 5, though where the relative importance of a segment's buying criteria remain expressed as symbols, they now need to be expressed numerically and 100 points distributed between them.

Chapter extract

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