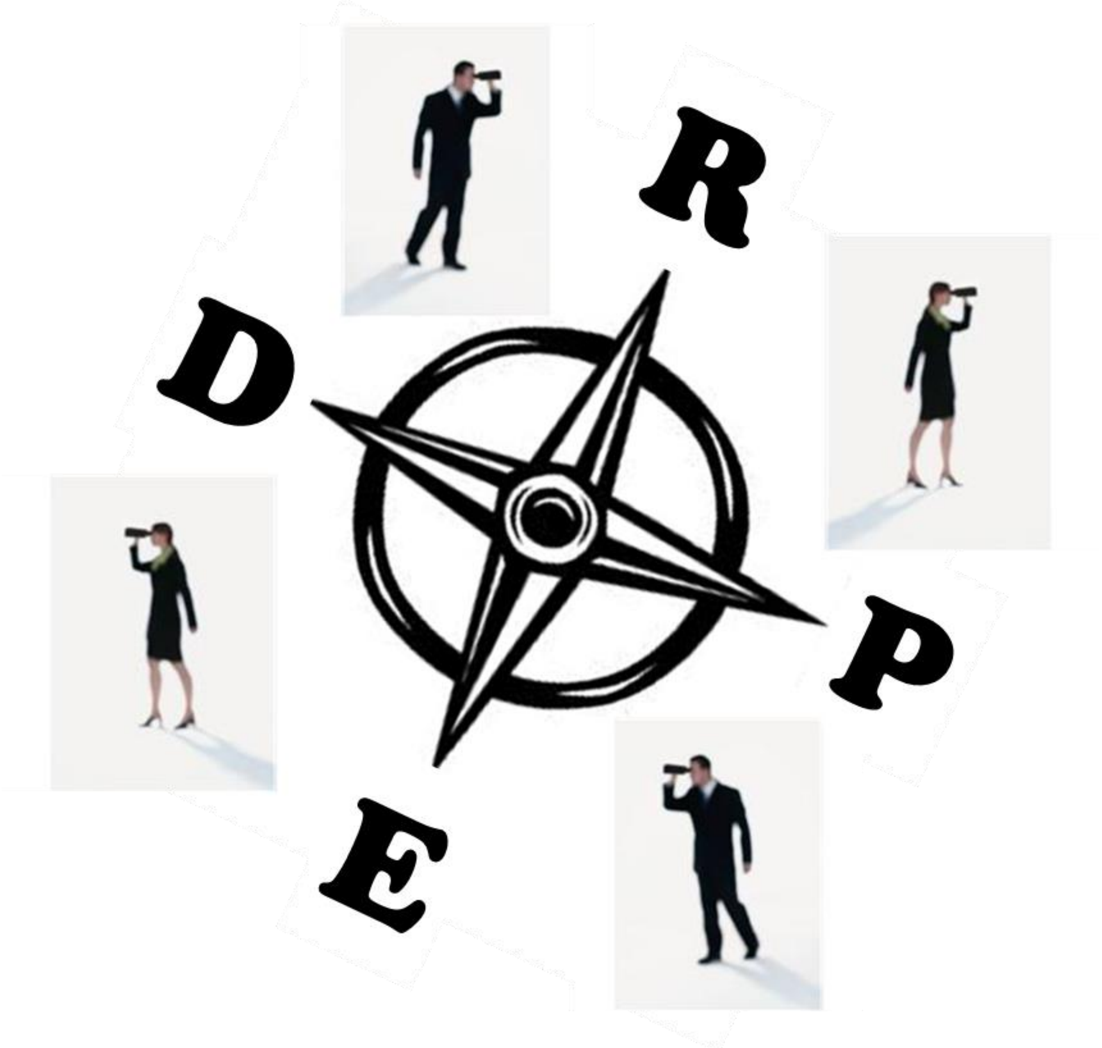

Competing at All Four Levels:
Competing against Competitors is not enough

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CBS COMPETITIVENESS PLATFORM

Tools for Competitiveness

02/2014 – Copenhagen Business School – March 2014

Tough market conditions have encouraged firms to sharpen their tools for competing in markets: being different from competitors and getting close to customers and their needs. Yet this increased awareness of "cut throat" competition has narrowed executives' attention from the four levels of competition to only one – competition in markets. Thus, it's time to regain the full picture.

The first competition any firm faces is a **competition for relevance** – is there a relevant customer need the firm can address. If the customer sees no relevance in an offering, the game is over before it even started. Many products are developed and some even launched which do not meet customers' needs. Think of famous failure like New Coke or even an Apple Newton – there was just no sufficient demand for these products as they were not relevant at the time of their launch. Alternatively, offerings may come out of fashion or out of use: floppy disks are just not a good business these days.

There is a weak spot for each and every firm which will bring that firm out of business due to a lack of relevance. The pharmaceutical industry invests billions in the development of cancer treatments – and all of that will be irrelevant once there is a vaccine to prevent cancer. Major slaughter houses like Danish Crown become irrelevant if humans turn vegetarian. Campus universities are challenged by online course providers. Every firm has a scenario in which the firm, and potentially all established competitors, goes out of business.

This "killer scenario" may sometimes be very unrealistic, very unlikely – or even unthinkable. Yet it exists. And my experience from discussing this issue with top managers is that the killer scenario often is closer than thought. One firm was a proud market leader with no threats of substitute – but the discussion brought to light that one, and only one, major incident may lead politicians to change the law which would make the whole business irrelevant.

The second competition is actually against customers! Given a relevant and significant need, customers may satisfy the need by themselves, i.e. without using suppliers. Thus, firms **compete for dependence** – customers must depend on suppliers to fulfil the need as there otherwise is no market. Restaurants will go down if home cooking increases – likewise baby food producers get a hard time if parents turn to home-made. Fitness studios suffer when people train at home, travel agents when customer plan their trips themselves and book directly.

This second level of competition unfolds not for a need – customers' needs are in place. But customers do not involve a supplier for satisfying the need. The big question for executives is: what will turn customers away from suppliers and into "own production", how likely is this, and how can this be avoided?

The third competition is the classical one –**firms compete against other firms for being the preferred supplier by customers**. Once customers have a need and accept suppliers to fulfil it, different suppliers can compete in markets. This level of competition fills much of executives attention – competitor intelligence, value analysis, gap analysis. The executive attention is good and necessary – but needs to be supplemented by the other levels discussed here.

The fourth competition level covers the firm competing against itself. It is the ongoing struggle against complacency, against being satisfied with the status quo. At this level, firms **compete for achieving excellence** and against the arrogance of success. Firms have to reinvent themselves, have to challenge their own business through cannibalization in order to stay competitive. This competition is typical for market leaders – they compete against themselves as no other benchmark is available. It is a struggle against the belief that a good revenue stream will stay forever.

Spaces of competition	Key managerial challenge	Key issue
Competing for customer needs and against obsolesce	**Relevance** "What will kill our business?"	Convincing customers of the significance of their need
Competing for customer outsourcing and against self-supply	**Dependence** "What makes customers trust in suppliers?"	Convincing customers of outsourcing advantages
Competing for customer preference and against competitors	**Preference** "What is the key difference between us and our competitors?"	Convincing customers of the comparative advantage of own value proposition in comparison to competitors' value propositions
Competing for cannibalization and against complacency	**Excellence** "What can we do better tomorrow – regardless that things were good today?"	Convincing customers and own organization of continuing innovation

Table 1: Overview over the four levels of competition

Thus, executives need to broaden their view on relevant competition beyond the apparent competitors in their existing market. They need to capture trends on all levels in order to develop their firms' competitiveness. There is no need to be the best in a market without customers. There is no need for celebration of a leader when that firm could have done a lot better. Thus, why not use the table below at the next strategy seminar and spend some time to discuss the four different levels of competition. Based on my experiences, the chances of surprising insights are very high.

Level	1 **Relevance**	2 **Dependence**	3 **Preference**	4 **Excellence**
Which **event** will trigger a significant impact from this level? (see questions in Table 1)				
How **likely** is this event?				
What trends **increase** the likelihood?				
What trends **decrease** the likelihood?				
How well **prepared** are we to deal with this?				
What can/should we do to **improve** our position?				

Table 2: Discussing the levels of competition

Please quote this article as:

Ritter, Thomas (2014): Competing at all four levels: competing against competitors is not enough. Tools for Competitiveness, 02/2014, Copenhagen Business School, Denmark.