



# Competitiveness profiling

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*There is a link to a short 'explainer' video here:*

<https://youtu.be/JYcfcR9n2WY>

A powerful tool for picking up signals for innovation involves creating a simple profile of how your products and processes match up to what the market wants and what your best competitors can offer. The step-by-step process is well suited to discussion in groups and provides a powerful way of building a shared awareness of the strategic challenges facing the firm.

## Creating a competitiveness profile

**Step 1** involves reviewing and focusing the business. This recognises that for all but the smallest firm, there may be a number of different product/market combinations with widely differing strategic characteristics. Where one business might involve a relatively standard product and compete in a market based on price, another may involve producing to customer specifications, where competition is based on fast delivery, high quality and the ability to meet customer needs as closely as possible. Trying to configure a single factory to meet these different requirements is unlikely to be a successful approach, and an alternative model is to focus on particular families with common characteristics and concentrate development of parallel strategies for each of these.

For example, a firm making furniture might have three distinct product/market groups. The first is high volume furniture for general use that sells mainly on low price. The second is high quality, advanced design fashion furniture that sells at a higher price and can be customised to meet particular needs. And the third is for sale to a major retail store for resale under its own brand. Let us concentrate on the third of these.

**Step 2** involves identifying the market requirements for performance within these groupings; the concepts of 'order-qualifying' and 'order-winning' criteria are helpful here. This involves defining those factors that have to be present simply to be able to enter the particular market (such as, for example, minimum levels of price or standards of quality performance), and those factors that win orders (such as faster delivery, better levels of customisation, or high quality of service).

Then try and answer the question 'What level of performance does the market expect in each of these?' Use a scoring scale from 1 to 5 where 1 is 'not important' and 5 is 'very important'.

Essentially this stage involves building up a map of what the market requires and what competitors are achieving, as a means of setting clear targets towards which capability improvement must be directed.

For example, in the furniture case the retail store demands high quality, increasing variety, fast and reliable delivery and good prices. By contrast the mass market furniture sells mainly on price rather

than design, and people will accept a trade-off on quality.



**Step 3** involves answering (honestly) the question 'How well do we meet these demands?' - in our example it is clear that there is a big gap that must be closed.



**Step 4.** The problem becomes even more acute if we add a third question 'How well does our best competitor perform?' - in our diagram it is clear the competitor is better able to meet the needs of this particular customer than the furniture firm compiling the profile.



The challenge is simple - either the firm should close the gap, or it might as well exit from this market. So there is a clear target for strategic change.

**The next steps** involve reviewing the internal capability to meet these performance targets. This can be a review of strengths and weaknesses of individual elements or functions in the product or process, or a wider look at the appropriateness of the process itself, in the light of prevailing technological and market conditions (business process re-design). It is concerned with answering the question 'How far does our product or process help or hinder the achievement of the external performance targets?'

In the case of the furniture firm it may well be that the firm needs to look at new design technology to help close that gap. Or it could look at new production techniques to reduce its lot size and enable it to work with higher variety and smaller volumes - which would also speed up its deliveries. New equipment might be another option. But in each case these possible changes are now being considered in the context of a strategic framework, not as random inputs.

### Strengths and weaknesses of competitiveness profiling

While the level of detail involved in constructing a simple sketch like this is low, the process can be used to focus on a more detailed analysis using better information - for example, coming from a survey of customers or a benchmarking study of competitors. The purpose is the same - to help focus the analysis of the market on key strategic market drivers and to identify where and what has to change.

### Hints for using this tool

Building your own competitiveness profile is the first step in developing an understanding of your market that can then be tested against the perception of your customers. Kick off the process with group discussions about what people think your customers want. Is there generally a consensus, or a

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great deal of confusion over what exactly it is you should be aiming for? Do different levels of your organisation have an equally clear picture of what it is that your market demands?

Once you have identified them, rate the Critical Success Factors that govern your market. Next consider how well your firm performs, and ask yourselves how well your competitors perform. Represent these findings graphically as outlined above, and identify areas where you might want to target improvements (i.e. where performance falls short of expectations).

A useful follow-up exercise would be a survey of your customers, which would allow you to get a more accurate understanding of their demands, and perceptions of your performance and that of your competitors. Use these findings as the basis for further discussion within your firm, with the aim of building a more accurate understanding of your market, and how best to improve your performance.