

Rethinking The Competition

How to develop winning strategies that keep you one step ahead of competitor disruption.

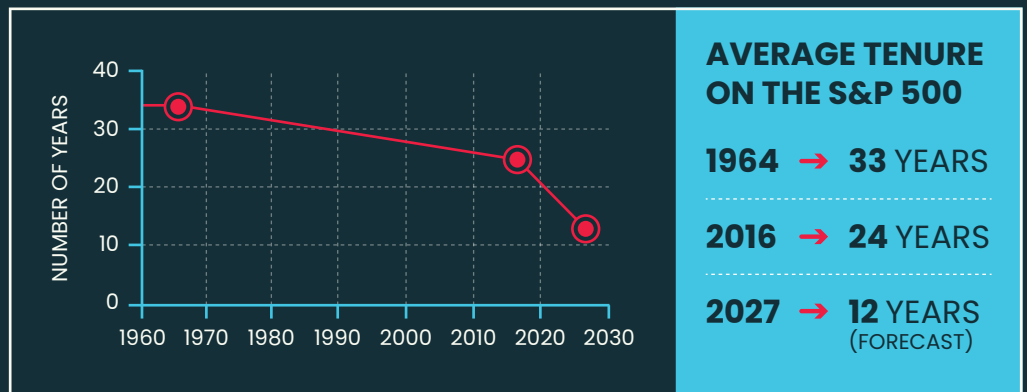


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The Conundrum

In today's fast-paced business landscape, competitor disruption is increasingly prevalent. Innovative start-ups, new business models, and technological advancements are challenging traditional industries and established companies, forcing them to adapt to stay relevant. There is no denying that the acceleration of market disruption has had major repercussions for organisations that are not able to keep up.

From Flybe to Matchesfashion to Paperchase - we are surrounded by tragedies. This is not new news, in fact, you probably know this. What is interesting is how the acceleration of competitor disruption correlates with company performance.



GONE ARE THE DAYS WHEN COMPETITOR STRATEGY MEANT KEEPING TABS ON A FEW MAJOR PLAYERS.

Competition now comes from all angles, creating a fierce battle for market share in increasingly fragmented markets. In this landscape governed by new rules, demanding new capabilities, and heavily reliant on data, senior leaders must be prepared to compete against players and industries they never considered as rivals before.

To thrive, established companies must intelligently leverage competitor and consumer insights, defending their position against new disruptors while seizing opportunities to disrupt themselves. Embracing a mindset that sees competitors not just as threats, but as potential partners or sources of inspiration, will pave the way for future innovation and growth.

This guide aims to provide guidance and tools to help organisations beat the odds and thrive in an environment of fierce competition.



Who should read this?

- CEOs
- Senior business leaders with P&L responsibility
- Marketing & Sales Directors
- Competitor Intelligence leads



Why it's worth a read?

- Discover a new mindset and methodology for navigating competitor disruption
- Gather practical tools and frameworks to unveil patterns and predict shifts in the market

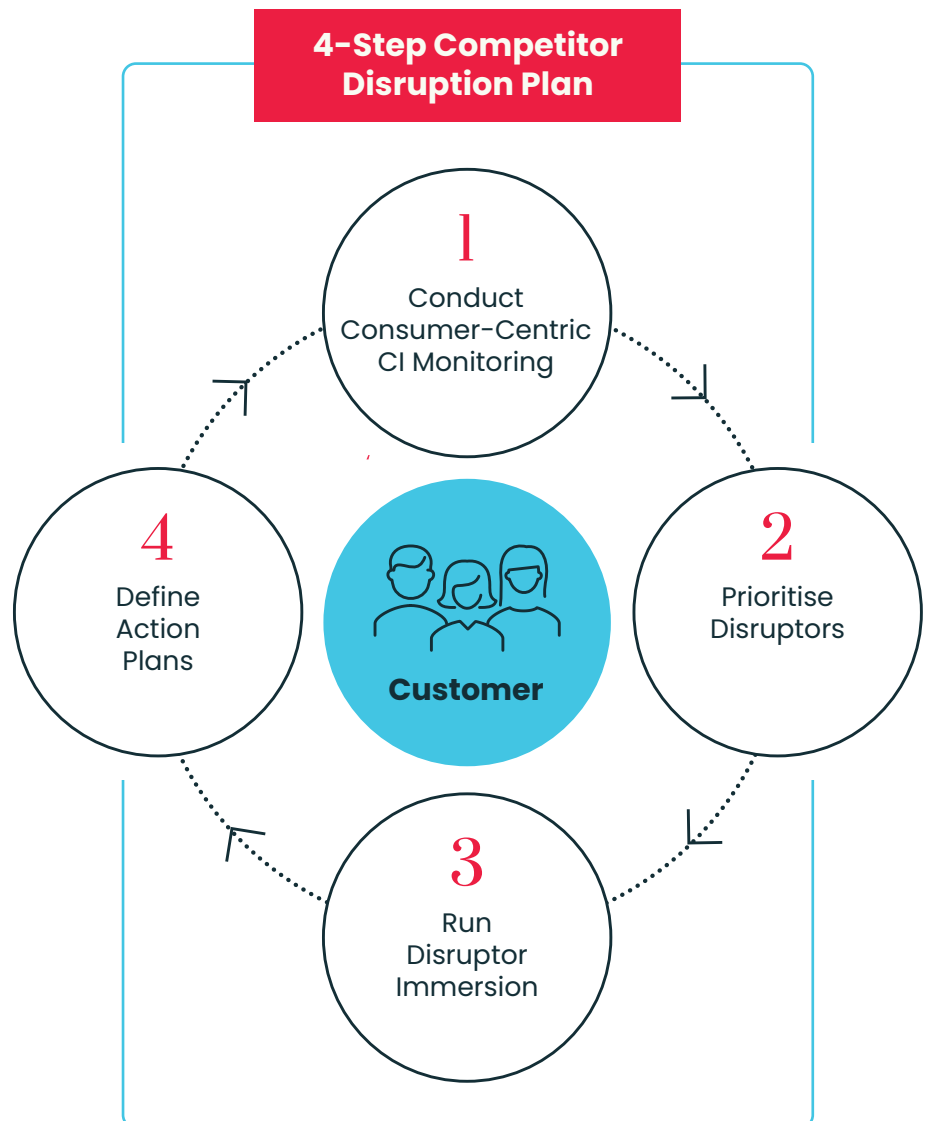
A New Methodology for Navigating Disruption

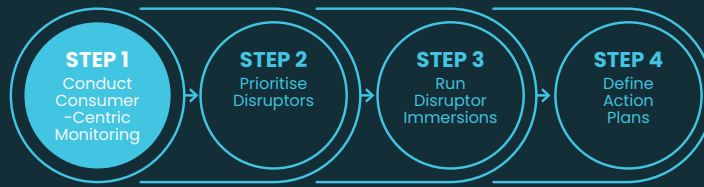
The importance of competitive intelligence can't be understated, with research suggesting that over 90% of Fortune 500 companies are actively using it. However, the majority focus on direct competition, looking at what they have done or are doing - not future threats.

A COMMON PITFALL:

'If it is not in our market data, it is like it doesn't exist and it won't get our attention.'

Recognising this, our methodology challenges how you look at competitors, forcing you to put the consumer problem front and centre. It covers four steps to identify and track key competitors, prioritise the biggest threats and/or opportunities and respond appropriately to stay ahead of the competition.





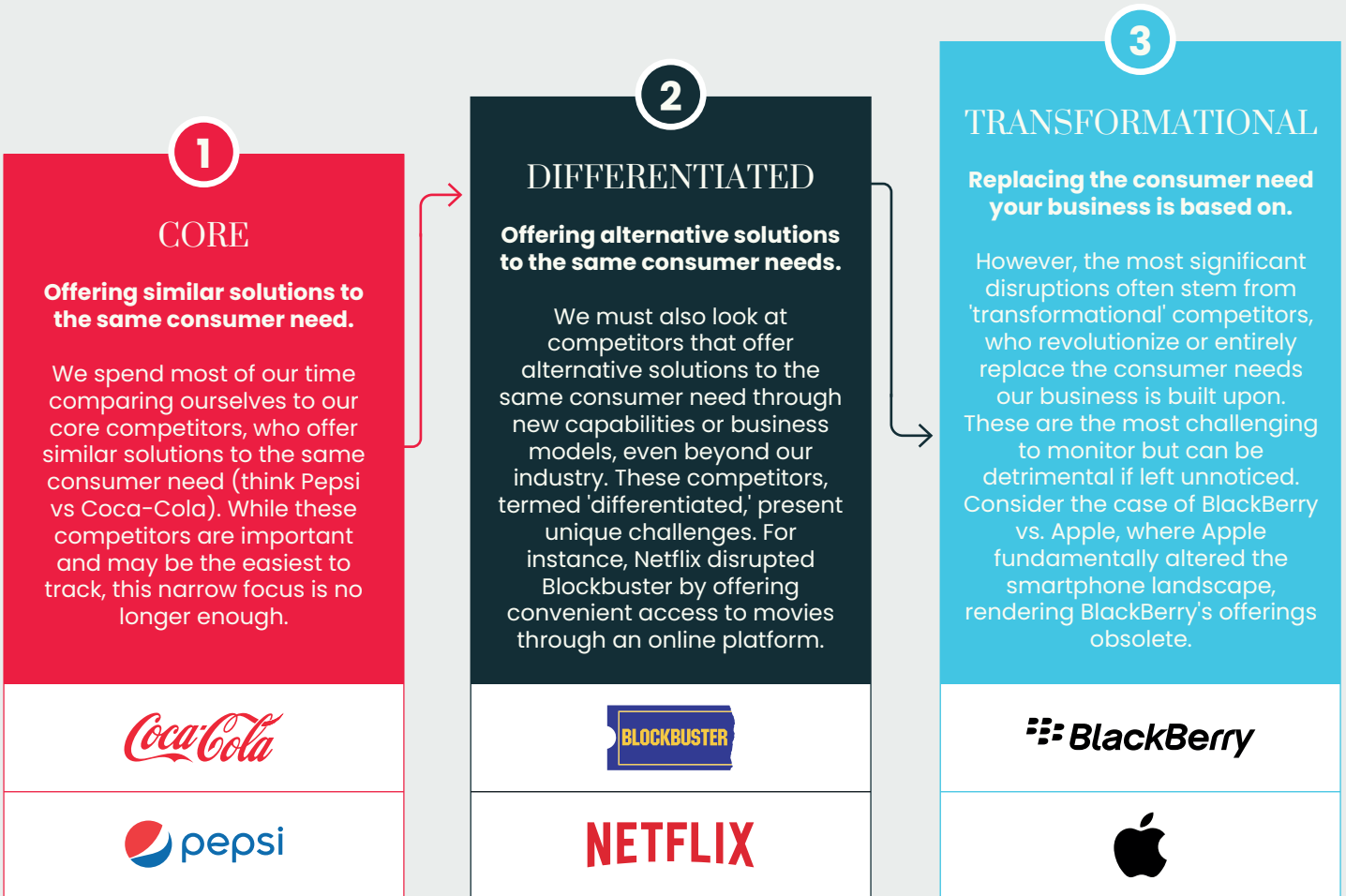
1 Conduct Consumer-Centric Competitive Intelligence (CI) Monitoring

Identify the key consumer problems you are focusing on and understand how well these are solved by others (inside and outside your industry).

Disruptors often emerge by addressing unmet consumer needs or solving existing problems in better, more innovative ways. Therefore, identifying current consumer problems related to your product or service is a crucial first step. This requires a complete shift in the CI mindset from being business/product-led to consumer-led. It also requires you to think outside of your current industry.

To stay on top of disruption, it is important to look at how the consumer problem is addressed across three types of competitors:

The three dimensions of competitor disruption



To truly anticipate and mitigate disruption, competitive intelligence efforts must become more consumer-centric and extend beyond traditional boundaries, addressing all three dimensions.



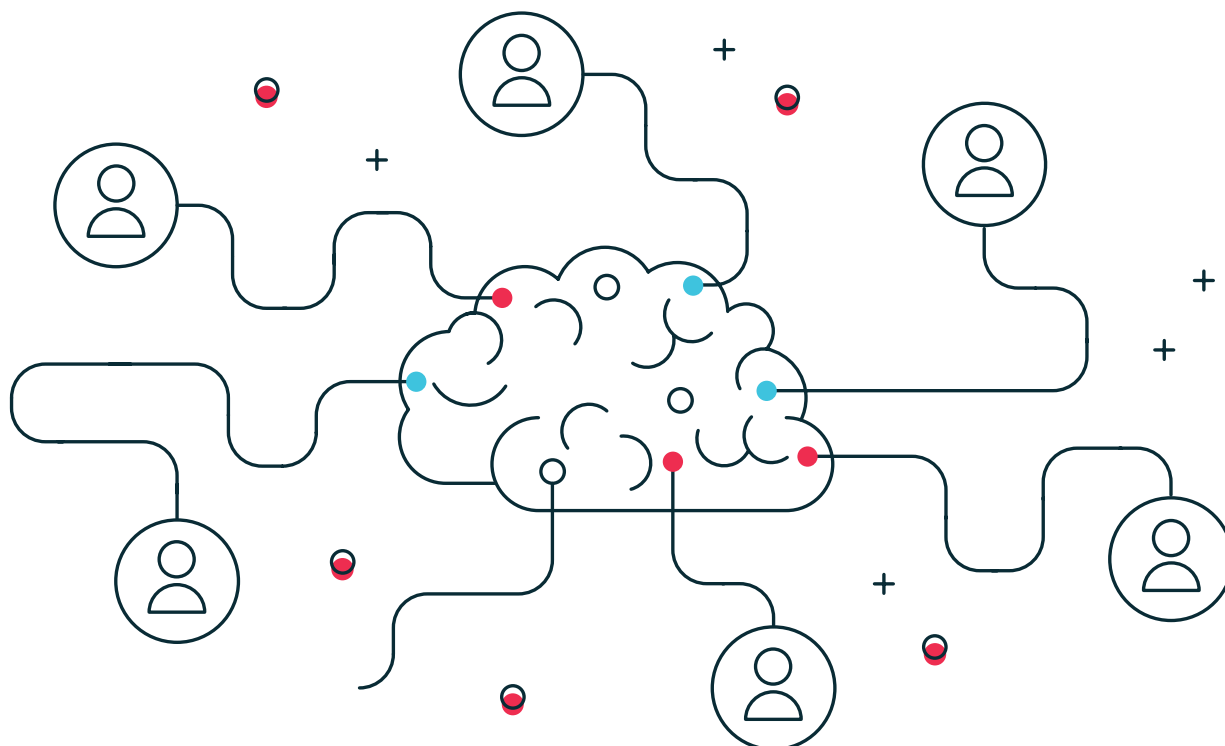
1 → Conduct Consumer-Centric Competitive Intelligence (CI) Monitoring

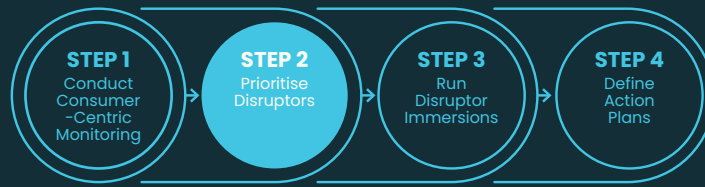
To monitor across these three dimensions will require input from a diverse range of sources and a level of automation to analyse the breadth of insight efficiently. Generative AI plays a crucial role in addressing this challenge. It will allow you to continuously listen and aggregate a variety of online sources - from social media platforms to product reviews - ensuring you're always in tune with the latest information. This is especially pertinent given the breadth and depth of monitoring now required.

L'ORÉAL

L'Oréal has built an AI-based social listening tool called 'Trendspotter', which analyses 25 million data points from over 3,500 online sources - including mainstream social media, industry-specific blogs, beauty forums, and even images and videos. This allows L'Oréal to stay ahead of competitors by quickly identifying emerging products and trends. By leveraging Trendspotter's consumer-centric competitive intelligence capabilities, L'Oréal can detect faint signals of disruption 6-18 months before they go mainstream, providing a crucial head start to innovate and adapt ahead of rivals.

Building proprietary AI systems like Trendspotter requires significant resources and may not be appropriate for every business. However, companies can still access AI-powered, consumer-centric competitor monitoring through third-party providers offering subscriptions or partnerships at varying investment levels.





2 → Prioritise Disruptors

Identify key threats by assessing the extent to which these disruptors can solve the consumer problem better than you and their growth potential.

Expanding CI to encompass a broader industry perspective makes it challenging to know which companies to focus on. A comprehensive competitive intelligence strategy must address both established competitors and emerging threats. This raises the question: which emerging disruptors should you prioritise?

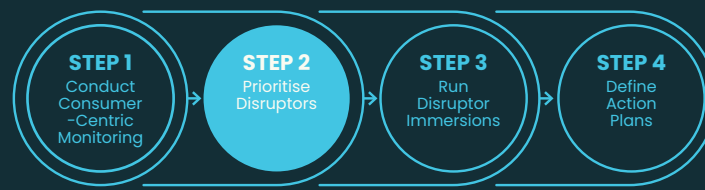
It's crucial to consider two key metrics:

1. The extent of the disruptor's ability to solve the consumer problem better than you
2. The disruptor's growth potential

This approach helps to identify priority disruptors with the greatest threat to your market share and determine the appropriate response.



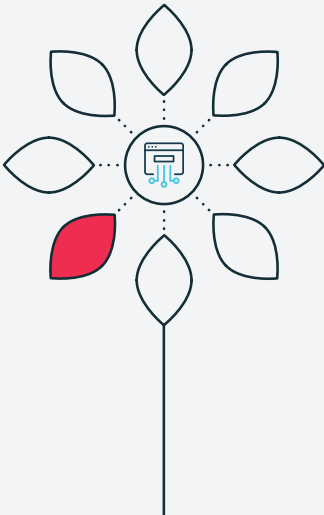
DISRUPTOR PRIORITISATION FRAMEWORK



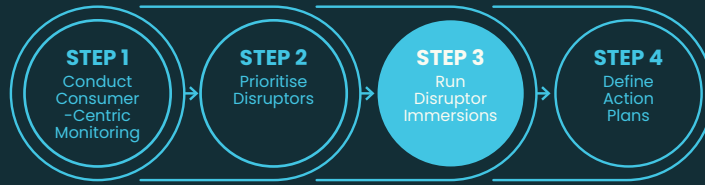


2 → Prioritise Disruptors

What data points should you be looking at to run this prioritisation exercise?

Key Metric	Recommended Data Inputs
 <p>How well does the disruptor solve the consumer problem?</p>	<p>We recommend a mix of qualitative and quantitative data, focusing on:</p> <ul style="list-style-type: none"> → Customer satisfaction scores → Product or service quality benchmarked against your organisation → Comparison of CAC (Customer Acquisition Costs) and CLV (Customer Lifetime Value) to gauge the effectiveness of their problem solving.
 <p>What is the disruptor's potential for growth?</p> 	<p>Assessing a disruptor's potential for growth requires an evaluation of scalability and market expansion, which includes:</p> <p>An understanding of the Total Addressable Problem (TAP) that the disruptor is aiming to solve:</p> <ul style="list-style-type: none"> → Instead of looking at how much market share they can get for products/services that already exist (Total Addressable Market), the TAP shows the opportunity that the disruptor could create/access. → By solving additional problems and accessing extra demand, the disruptor has much higher potential to scale successfully. → Disruptors could be small upon initial investigation, but spotting their ability to meet demand, grow and scale is vital. <p>Other factors to consider:</p> <ul style="list-style-type: none"> → Scalability of operations → Funding and investment levels → Appetite and capability of leadership team → Ability to operate across different regulatory environments

In a heavily fragmented market, conducting analyses for numerous disruptors can be daunting and cumbersome. Consider grouping disruptors into thematic categories, such as specific price segments or target markets. Then, select one disruptor that best represents each group for a more streamlined and pragmatic assessment process.



3 → Run Disruptor Immersion

Conduct research to understand the businesses of your top competitors. Focus the insight gathering around the disruptive threat, and the competitors' capabilities and strategies in that area. Then engage decision makers with the findings, and challenge their thinking in immersive disruptor sessions.

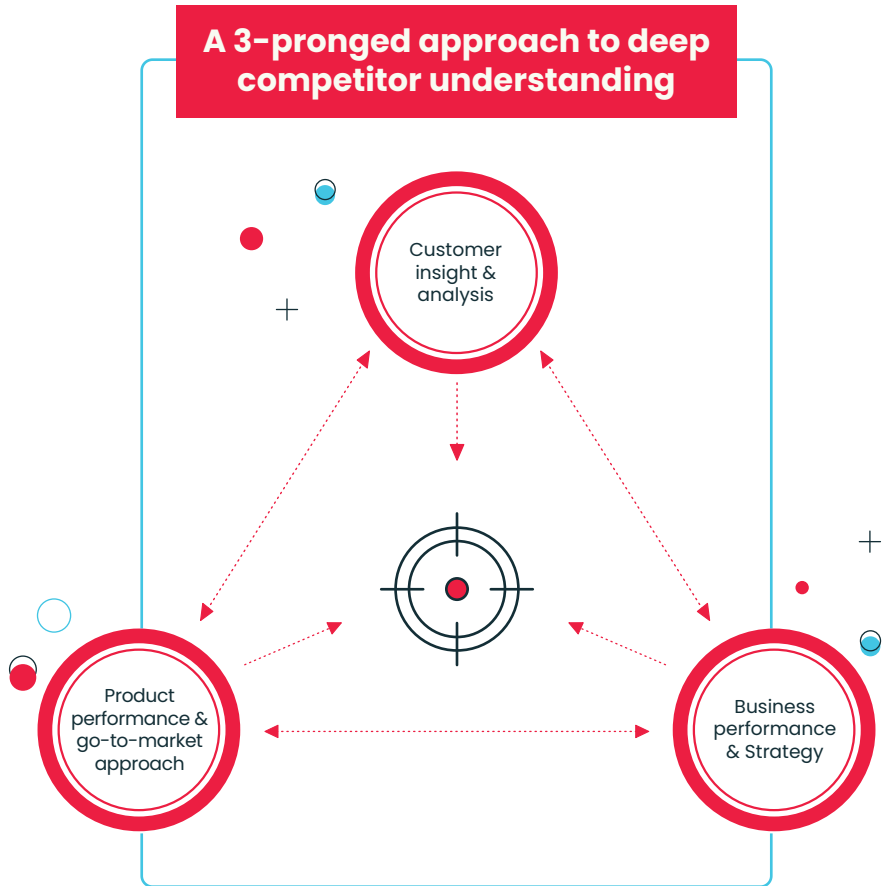
After pinpointing your top disruptors, it is imperative to delve deep into the inner workings of their businesses. This includes understanding their capabilities, strategies, and unique business models compared to your own.

This is where traditional competitive intelligence comes into play. By truly understanding their operations and dissecting their strategies, you can gain invaluable insights into their competitive advantages and potential vulnerabilities. Armed with this knowledge, you can then craft tailored responses and strategies to effectively navigate the competitive landscape and maintain your organisation's competitive edge against them.

'If you know the enemy and know yourself, you need not fear the result of a hundred battles.'

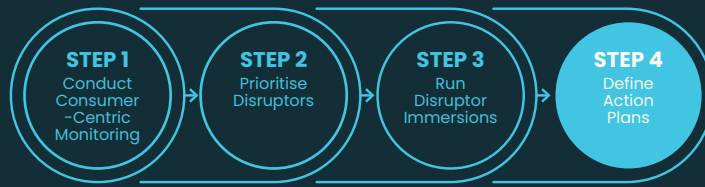
Sun Tzu | Author of The Art of War

An influential work of military strategy that laid the groundwork for wargaming as a training and decision-making tool.



Engaging Stakeholders

Our experience shows that even with a comprehensive report that uncovers powerful insights on disruptors, getting decision-makers to acknowledge them as genuine threats can be challenging. Often, disruptors are overlooked due to cognitive biases or a reluctance to deviate from established norms. To foster deeper engagement and buy-in, consider running immersive disruptor sessions. By role-playing the disruptors and bringing their strategies and capabilities to life, leaders can gain first-hand insights into the competitive landscape. Dressing the room in the disruptors' branding and materials can improve engagement and energy in the session. This experiential approach helps break down barriers and enables leaders to see disruptors from a new perspective and craft powerful strategic responses.



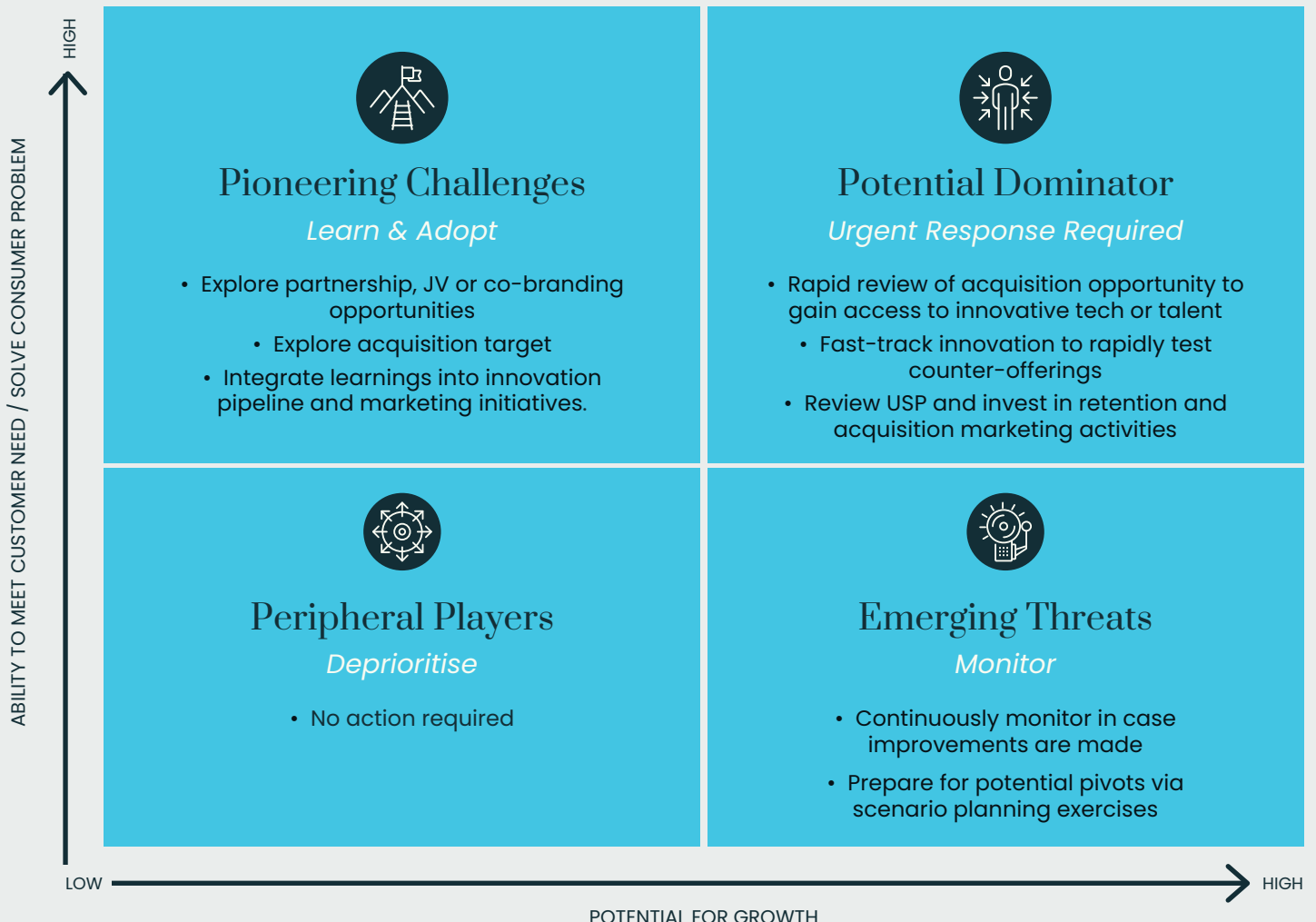
4 → Define Action Plans

Determine the best response plan, ensuring you don't just consider the disruptor as a threat that needs defending, but also as an opportunity to fuel further innovation and growth.

This immersive session must include a second component focused on mapping out the response for your business, ensuring the insight is actioned by the right stakeholders. It's crucial not to default to a purely defensive stance when faced with a significant competitor threat. Instead, consider the possibility of partnership with the high-priority disruptors identified. Collaboration can unlock mutually beneficial opportunities, such as joint ventures, partnerships, or co-branding initiatives, that leverage the strengths of

both parties. Additionally, exploring alternative responses beyond defence allows for innovative thinking and agility in navigating the competitive landscape. This might involve reimagining business models, investing in research and development to stay ahead of emerging trends, or even pre-emptive disruption of one's own industry. By embracing a proactive and adaptable approach, organisations can turn competitor threats into catalysts for growth and transformation.

ILLUSTRATIVE RESPONSE ACTIONS



Making this happen in your organisation

Three principles that will help you bring this methodology to life.

Transitioning these concepts from theory to practice comes with challenges. While no two businesses are the same, our experience working across diverse markets and sectors shows that successfully adopting this methodology requires thoughtful integration across three key areas: strategic processes, organizational capabilities, and clear accountability structures. While it is not rocket science, it's important to get these fundamental principles right.



1.

Strategic Process Integration

To translate intent into activity, this methodology must be embedded into the strategic planning cycle. The optimal timing is 2–3 months prior to kicking off the planning process, allowing these insights to directly inform your environmental scanning and situational analysis phase.

In the first year, you will need to run it as a distinct project to prove the value and gain leadership buy-in, engaging integral partners like your head of strategy or insights. But in subsequent years, it should be hardwired into your strategic cadence as a formal recurring process owned by those core partners.



2.

Organisational Capabilities

The success of this new methodology hinges on your ability to blend traditional competitive analysis with deep consumer insights. Assess if you have the right skill sets for analysing competitors through a customer motivation lens. If not, invest in building this expertise through hiring, upskilling or leveraging external partners.

Additionally, foster cross-functional collaboration by connecting your competitive intelligence teams with those interacting directly with customers such as Innovation, Marketing or Sales teams. Establish forums and communities of practice to consistently share perspectives and insights across these complementary groups.



3.

Clear Accountability

Clearly define who owns this unified competitive/consumer view. If not already part of existing roles, update job descriptions and objectives to hardwire accountability. For example, set targets such as basing a quantifiable portion of your innovation pipeline from the insights produced. This creates clear incentives and KPIs tied to effective adoption.

Most importantly, ensure tight connectivity between those responsible for understanding competitors and those understanding customers. Whether through reporting lines, dotted-line structures or cross-functional governance, facilitate constant collaboration between these complementary teams.

Success stories of those who navigated competitor disruption

There are lots of examples of tragedies – established, iconic businesses who no longer exist because of competitor disruption. But here are some examples of businesses who have recognised the need to pivot in the face of competition. Businesses who successfully evolve and adapt, by being aware of how the landscape is changing, and what they need to do to stay one step ahead.



Disruption: The rise of digital entertainment and video games was shifting children's interests away from traditional toys. LEGO, facing new competitors for share of wallet, needed to find a way to remain relevant in an increasingly tech-driven world. To turn things around, LEGO revamped its product lines, focusing on innovative themes and licensed sets (e.g., Star Wars, Harry Potter). They also expanded into digital products with video games and movies.

Impact: This transformation revitalised LEGO's brand and broadened its appeal, leading to significant sales growth and cultural relevance. The success of the "LEGO Movie" franchise further solidified LEGO's presence in entertainment.



Disruption: McDonald's has repeatedly updated its menu and business model to adapt to changing consumer preferences and competition from healthier restaurant alternatives. Recent initiatives include the introduction of healthier menu options, digital ordering kiosks, and the implementation of delivery services through partnerships with platforms like Uber Eats.

Impact: These changes have helped McDonald's to appeal to health-conscious consumers and tech-savvy customers. The emphasis on convenience and technology has improved customer experience and driven sales growth.



Disruption: Intuit existed to make managing finances easier and faster. In 2008, new CEO Brad Smith recognised the business needed to pivot. They were seeing huge investment from non-traditional competitors (Adobe, Microsoft) and fintech startups into cloud-based software. Customers' preferences were towards real-time access to data and syncing across devices. Intuit acted decisively and boldly, transitioning the business from desktop to cloud-based. They launched QuickBooks, aimed at home-users and small businesses.

Impact: The transition had stunning success. Intuit delivered a 600% return to shareholders across the duration of Smith's tenure. The products' ease and simplicity meant the company crossed the \$1bn revenue mark by the turn of the century.

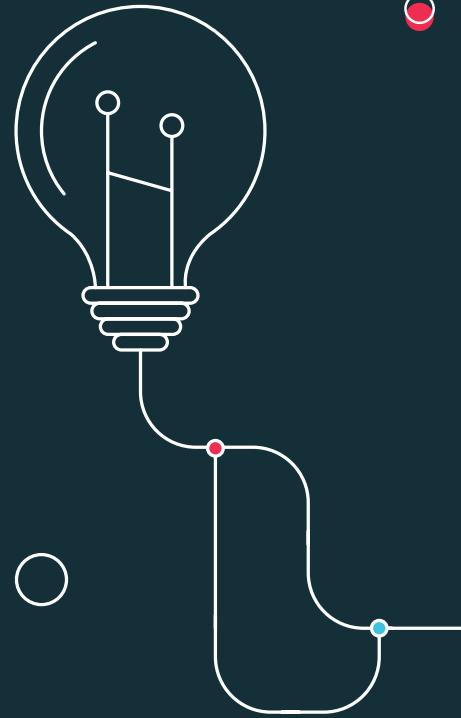


Disruption: Fujifilm, historically known for its dominance in the film and photography industry, faced significant challenges with the rise of digital photography. New competitors such as Canon, Nikon, Sony and Panasonic were quick to innovate in digital cameras. As well as smartphones by the likes of Apple and Samsung providing nontraditional competition. Fujifilm expanded into new business segments; digital imaging and cameras. Also they entered healthcare and pharmaceuticals with medical imaging systems and diagnostic equipment.

Impact: Fujifilm have become a market leader in digital imaging within healthcare and pharmaceuticals. They offset losses from declining film sales, by showing foresight and adaptability.

The final word

Navigating the increasingly disruptive competitor landscape demands a new mindset and methodology. From identifying emerging disruptors to crafting strategic responses and fostering collaboration, the journey towards staying ahead of disruption requires constant vigilance, innovation, and strategic foresight. With the right mindset, tools, and leadership support, organisations can not only defend their position in the market, but also thrive amidst disruption, turning competitor challenges into opportunities for success.



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About Cognosis

We're a London-based strategy consultancy

We unlock business potential by creating strategies that drive sustainable growth.

For over 25 years, we've been igniting growth across more than 60 countries with some of the world's most ambitious companies.

Within competitor strategy, we are academy CI trained, and are frequently asked to share our thought leadership at conferences and events. It is a core competence and we run engagements all over the globe.

What we do

SECURING COMPETITIVE ADVANTAGE

Competitor Benchmarking & Intelligence
Competitor War-Gaming
Competitor Response Planning

BUILDING STRATEGIES FOR GROWTH

Business Strategy
Purpose Definition
Value Proposition Development
Portfolio Strategy
Go To Market Strategy
Marketing & Sales Strategy

TURNING STRATEGY INTO ACTION

Target Operating Model
Strategic Programme Management
OKRs (Objectives & Key Results)

EXPLORING AND QUANTIFYING THE FUTURE

Opportunity Identification & Sizing
Scenario Planning

Who we work with

We work at both board level and with strategy, marketing & innovation teams. Whatever the industry, we're excited to work with people who are passionate about driving real change.

 ABInBev

 Entain

 DIAGEO

 AkzoNobel

 arco
Experts in Safety

 SureserveGroup

 IG

 Dr. AirWair
Martens

 HISCOX

 Lenovo

 LVMH

 Scholl

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