

Darwinian Fitness in the Global Marketplace

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Darwinian Fitness in the Global Marketplace

Analysing the Competition

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Foreword © John L. Stanton 2012

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Foreword

Competition may arguably be the most relevant concept in modern business. In a positive sense it provides the incentive to continually improve and assess your weaknesses. On the negative side, it can be the reason for lost sales and profits. Therefore understanding competition should be at the top of every business executive's list. Rajagopal's book *Darwinian Fitness in the Global Marketplace: Analysing the Competition* provides an elegant approach to understanding and dealing with competition. He uses a tried-and-true approach to competition: Darwinism. Darwinism is about dealing with change, survival, and evolution. Rajagopal's book is about the same things. This book makes three key contributions that should be mandatory reading for all students of business.

First, it provides a framework to better understand competition as a survival-of-the-fittest approach. He carefully explains how business is Darwinian and what it means. He acknowledges the importance of adapting to an ever-changing environment including technology and globalisation. Second, Rajagopal clarifies the roles of competition and cooperation. He delineates the ideology of strategy formulation through competition and cooperation. Understanding these two concepts will be of paramount importance in a future world of globalisation, new players in the market, and shifts in power between customers and suppliers. Finally this book provides examples of best practices. There is no better way to make theory come alive and be actionable than to show examples of companies that are (implicitly or explicitly) putting these theories into practice. These examples bring to life the Xs and Ys into everyday decisions and behaviour. This is not a book of examples, it is a book that outlines a way to go to market, to compete, and/or cooperate. The examples make it clear that it can be done successfully.

This is not a book for all executives. It should however be mandatory reading for those executives who have competition, who face challenges of a changing environment, and who are perplexed by new products, new competition, new customers and consumers. Darwin points out, 'In the struggle for survival, the fittest win out at the expense of their rivals because they succeed in adapting themselves best to their environment.'¹ Read this and you will be better able to adapt, succeed, and survive for the next battle. Marketing and business is a game with no finish line. The battles continue and the environment changes but *Darwinian Fitness in the Global Marketplace: Analysing the Competition* will keep you in the game!

John L. Stanton has a PhD in Quantitative Methods and Marketing from Syracuse University. He is currently Full Professor of food marketing at

Saint Joseph's University in Philadelphia. Besides academia, Dr. Stanton has also worked in the food industry. He was Vice President of Marketing for an international coffee company; he was also Director of Research of an advertising agency and has consulted for many well-known food companies. Dr. Stanton has written over 100 peer-reviewed articles and ten books, including *Making Niche Marketing Work* (McGraw-Hill) a Business Week Book Club choice, which was published in German, Portuguese, Thai, Hebrew, and Korean. Dr. Stanton is currently the Editor-in-Chief of the *Journal of Food Products Marketing* and the *International Journal of Food and Agribusiness Marketing*. Dr. Stanton has been regularly quoted in the media including CNN, the Today Show, and NBC Nightly News. He has been quoted in most of the food-marketing magazines, as well as in the print media, and has been quoted in *Forbes*, *Fortune*, *Advertising Age*, *Brand Week*, *New York Times*, *Wall Street Journal*, and many others. He hosted an episode of the History Channel's Modern Marvels titled 'The History of the Supermarket'.

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Preface

Darwinism is an axiom of evolution in any form – biological or business related. Social Darwinism is a term used for various late-nineteenth-century ideologies predicated on the idea of survival of the fittest. It especially refers to the notions of struggle for existence being used to justify social and economic policies. The most prominent form of such views stressed competition between firms in laissez-faire capitalism or in the contemporary perspective – globalisation-driven competition. This book deals with competition as its core value. The arguments on competition in this book are woven around understanding rivals, competitor signals, portfolio management, attributes mapping, types of competitors, marketing myopia, competitive strategies and tactics, and customer value in a competitive marketplace.

Globalisation has opened many routes to marketing, including opportunities through the Internet and virtual shops. However, amidst increasing market competition, the rules of the game are subject to change without notice. In this process a company must understand thoroughly all the moves of rival firms from various sources. The locales of business rivalry have to be spotted to assess their strengths. An intriguing aspect of the marketplace is that the nature of competition can change over time. A technology, company, or product does not need to remain prey to another forever. Competitive roles can be radically altered with technological advances or with the right marketing decisions.

Competing firms try to attract customers by various means to polarise business and earn confidence in the marketplace. It is necessary for successful business companies to look for such a place of business that provides them more location advantage and retain customers for their goods and services. Business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even small business companies can compete globally with firms of all sizes through the Internet. The distribution channels, franchisees, carrying and forwarding agents, retailers, and mailers with value-added services represent an increasingly intense business rivalry or competition in all markets or competitive domains.

The school of thought, which has constructed the competition-related theories, may be categorised in two groups – economic theory and industrial organisation perspective. The economists of the former group have discussed many different models of competition. The focus of their work is the model of perfect competition, which is based on the premise that when a large number of buyers and sellers in the market are dealing in

homogeneous products, there is complete freedom to enter or exit the market and everyone has complete and accurate knowledge about everyone else. The latter group of the school of thought on competition in reference to industrial organisations postulates that a firm's position in the marketplace depends critically on the characteristics of the industry environment in which it competes.

The philosophy of the free enterprise system has been laid on the basics of competition. Competition is found in all marketing functions which include the prices, at which products are exchanged; the attributes and qualities of products manufactured; the volume of products exchanged; and the methods of distribution and promotion. Corporate business strategies should possess three generic points: cost leadership, differentiation, and focus. Strategy is an approach in consonance with the goal of the company to be achieved. Strategies are formulated for short and long run according to the goals of the company. Goals indicate what a company wants to achieve in a given environment and time frame; strategy answers how to get there. Every business must develop a tailor-made strategy for achieving its goals. The managerial strategy in business should be to reduce cost of production and distribution. The company cultivates the strengths that will give competitive advantage in one or more benefits. Companies seeking quality leadership must make or buy the best components, put together expertly after careful examination, and so on. It may be hypothesised that the rising prosperity of a nation depends on the productivity with which it uses its human capital and natural resources. This is manifested in the way in which a nation's firms compete. The success in planning and implementation strategies largely depend on the managerial skills delivered appropriately in reference to time, target, and territory. How the path is paved to success in the competitive market environment is manifested in the strategic decisions taken by the managers of the firm. In the present competitive business environment every retailing company lives in fear of the low-end competitor – a company offering much lower prices for a seemingly similar product. The vast majority of such low-end competitors are defined by the functionality of product and the convenience of purchase. Some companies, for instance Big Cola in Latin American market, typically enter a market with a narrow range of product line at low price. Industry leaders have significant advantages for combating low-end competition, but they often hesitate because they are afraid that their actions might adversely affect their current profit margins.

The discussions in this book are divided into nine chapters. The concept of Darwinism in business is discussed in Chapter 1 in reference to cannibalisation and competition in the global marketplace. Most successful global companies have set the example of their evolution in the market over a long period by sustaining in various conflicting situations. The discussions in this chapter delineate the survival of the fittest and struggle for the existence of companies that belong to various taxonomies. At the bottom of the

pyramid, local market competition is targeted towards the customers, and the competitors strive to win the customer, temporarily or permanently. However, in business-to-business process, competition turns more tactical and strategic in order to outperform rivals firms. In this way competition can be seen as a regulated struggle. Academic insights on learning market competition, competitive strategy, technology and competitive advantage, defensive growth process of firms, and process of strategy implementation in the competitive marketplace are discussed in Chapter 2. The competitive advantage that firms can derive through the convergence of factors that determine the nature of competition, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products have been discussed in Chapter 3. The following chapter on competition matrix addresses marketplace strategy and capabilities and competencies of the firm. The marketplace strategy has been devised as a way of providing a structure to achieve the key elements of our marketplace policy, and is best understood in conjunction with that document. The discussions in Chapter 4 are built around the context of assumptions, networks, alliances, capabilities and competencies, culture, competitor activities, and customer value chain. Chapter 5 examines the shifts in the philosophy of competition versus cooperation among the firms competing in the global marketplace. The arguments in the chapter are built around sociological, economical, and human behavioural paradigms and analytically discuss the strategic fit of competition and cooperation maxims intended towards the growth of business in a firm. The forecasting and modelling techniques that support development of market-oriented competitive strategy are discussed in Chapter 6. This chapter discusses how many competing firms develop new strategies to shift from traditional management to network orchestration by changing the focus to customer-managed relationships (CMR). Chapter 7 presents decision-making approaches for firms to sustain the competitive threats in the marketplace. The discussions in the chapter intend to offer a framework for assessing the effectiveness of the managerial decision-making process. Discussions in this chapter view decision making as a tool for getting preferred solutions and making the firm stand against competitors. The following chapter deliberates on customer-centric management by retailing firms and suggests strategies towards delivering the complete experience to real customers. Accordingly, Chapter 8 presents information on best practices and customer support policies to develop higher-quality customer-centric retail management in the competitive marketplace. Finally, the last chapter lays arguments on the challenges that emerging companies may face in future.

This book reviews categorically the theories of competition and previous researches and analyses the competitive practices of multinational companies towards strategic and tactical stewardship in business. The book discusses new concepts related to efficiency and effectiveness of competitive strategies required for firms to survive in the global marketplace.

The discussions in this book bring multiple perspectives on making strategic and tactical decisions and present analytical models that managers should understand in determining the business move in a competitive marketplace. This book has a novel feature of building competitive framework models based on systems thinking and delineating insights analysing the extensive survey of literature. The best practices followed by multinational companies have been illustrated throughout the book to support the authors' argument and the suggested managerial paradigms. All concepts are presented in a simple and easily accessible graphic format. The book provides an in-depth analysis of a broad spectrum of important topics on competitive strategies and tactics that are not covered in standard text books for students. Throughout the book, the focus is laid on providing implementable concepts and metrics for managers that help in improving marketing skills in a competitive marketplace. This book significantly contributes to the existing literature and serves as a learning post and a think tank for students, researchers, and business managers.

In view of the extent of knowledge that this book shares, I am confident that it would serve as a principal reference book in undergraduate and graduate courses. Besides serving students, this book would also prove to be inspiring for managers, market analysts, and business consultants to explore various solutions related to product management.

This book has emerged as a result of several brainstorming sessions with peer researchers on convergence of technology and business. Such discussions led to develop insights on market competition and developing appropriate strategies for firms to sustain market uncertainties. Initially, I worked out a research agenda on cannibalisation in market competition and published some working papers based on conceptual frameworks. Some of my research papers on competition among the emerging firms were presented in the international conferences that had driven new insights on the subject. Such refined work has been presented in this book endorsed with applied illustrations and updated research on product management. I am thankful to various anonymous referees of my research works on globalisation and market competition, that helped in looking deeper into the conceptual gaps and improve the quality considering their valuable comments. I sincerely thank my colleagues at EGADE Business School and students for their cooperation in gathering literature on the subject. Finally, I express my deep gratitude to Arati Rajagopal who has been instrumental in completing this book. I acknowledge her help throughout in preparing the manuscript and for staying in touch till the final proofs were cross-checked.

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Mexico City, March 2012

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