Visualizing Innovation & Growth

Three visual methods to identify opportunities in the competitive space
#1 Competitive Space Analysis
Think of an Industry as an Arena

• Decide on important ways to characterize each dimension:
A few ways to characterize each dimension

Customer
- Govt./Business/Retail
- Volume
- Demographic
- Geographical
- Benefit
- Psychographic

Product
- Pricing
- Product features
- Product mix
- Customization
- Complexity
- Timing
- Location
- Reputation
- Service & support
Technology...the Third Dimension
How do we characterize it?

• Technology can be translated literally to mean the latest technology (dated as opposed to current or advanced)

• But TECHNOLOGY can include any part of the process (the how) that surrounds and supports the delivery of the product (the what) to the customer (the who)

• Definition is flexible, but sometimes it is difficult to distinguish the technology from the product
A few ways in which to characterize the technology dimension

• Manufacturing & operations processes
• Type of consumer marketing/promotional mix
• Distribution channels used
• Incentive packages
• Human resource management techniques
• Sources of financing
• Links with other firms
Assumptions & Recommendations

• Growth opportunities & new rivals tend to enter into the unoccupied competitive space that is created by new technologies, new products or changes in customer needs

• The greatest growth opportunities exist where a new product responds to changing customer needs and uses a new technology or process

• Each successful innovation serves as an island or beachhead from which you can launch further innovations
Assumptions & Recommendations (cont)

• Encourage a culture of innovation not imitation
• Encourage owners, managers, employees to think like outsiders
• Acknowledge that success is temporary unless your owners, managers, and employees consider and even anticipate the future through active processes
#2 Charting Factors of Competition

• Two-dimensional visual representation of a firm’s strategic profile
Examples of Factors of Competition

• Airline industry
  – Price, meals, lounges, seating choices, hub connectivity, friendly service, speed, frequent departures

• Financial services industry
  – Price, relationship management, account executives, corporate dealers, ease of use, security, accuracy, speed, market commentary, confirmation, tracking
The Process for Charting Factors of Competition

• Identification
• Investigation
• Illustrating the charts with iterative feedback loops
• Finalization of the “before” and “after” charts
• Communication of these charts
• Only invest in projects and changes in operations that allow your firm to move closer to realizing the refined strategy depicted in the “after” chart
#3 Multidimensional Scaling

- A technique for analyzing the perceived similarity of a set of services or products
Conclusions

• Visualization techniques (VTs) can be used to compare your products and services to your competitors’ products and services

• VTs allow you the flexibility to see a holistic picture of your competitive space, or to narrow your focus to just a couple important factors of competition

• VTs can facilitate innovation and growth by revealing important “empty spaces” or “holes” in the competitive space, by suggesting a unique combination of customer, product, and technology dimensions
The following six slides describe the process of using the competitive space analysis to discover important ways of thinking about your competitive space and your competitors.

It is a brainstorming-type process that forces unique combinations (3x3x3=27). Should you have any questions, please feel free to contact Dale Tuttle, 734.474.0550, btuttle@umich.edu
The first step in Competitive Space Analysis

- Decide on three different ways to anchor each dimension:

  - **Who (Customer)**
  - **What (Product or Service)**
  - **How (Technology)**
Second step: create a master “Possibilities” Cube representing all combinations
Third step: choose two or three of the competitive space “blocks” thought to be important to differentiating among firms.
Step four: position the industry’s firms within the confines of each “block” or model chosen.

In this example we see one fairly large firm with a broad focus and a couple strategic groups, serving different customers differentiated products, using different technologies or processes.
In creating the Possibilities Cube in step #2, be sure to ask yourself:

• Does the relative position within our model have performance implications?
• Have firms recently migrated within the competitive space, in what way(s)?
• Is this competitive space, as currently conceived, likely to change?
• What kind of change – which dimension(s) is (are) most critical?
• Where should a firm’s top management position the firm to increase the likelihood of sustaining competitive advantage?
Other important considerations

- The “Possibilities” Cube may only have one or two meaningful (blocks) ways to understand how firms differ in the competitive space.
- This success of this analysis depends on how you anchor the three dimensions.
- Dimensions can be anchored using categorical or continuous variables. For instance the customer could be anchored by male-woman, age, (institutional, government, retail), geographic region, economic status, and many other ways that may be meaningful within your industry. Technology (the How dimension) concerns all the processes used by and embedded within the organization’s operation…includes but is not limited to alliances, all functional area processes, organizational culture, leadership techniques, research and development, etc.
- Finally, don’t forget to imagine innovations that could expand the boundaries of the existing space….this is often where the most successful innovations and new entrants may first appear... “off-the-radar”.