cama™ - COMPETITIVE ADVANTAGE/MARKET ATTRACTIVENESS

Introduction

It is our belief that business owners should identify their Unique Competitive Advantage, or UCA, as a basis for developing strategy. While this is unquestionably good advice, following it can be a real challenge.

Many firms, including many that have been successful for years, are a bit like locomotives running along a track, the drivers focused on what is ahead of them, keeping the machine running as efficiently as possible while the scenery flashes past almost faster than they can take it in. It quickly becomes difficult, in such a situation, to entertain the idea that there might be other tracks that the business could be running down.

Conversely, other firms may be exactly the opposite – faced with a great variety of choices, so many that working out the best commercial choice ends up being a 'bet' or a 'flip of the coin' with very little rigour underpinning the rationale for decision selection.

In either case, the methodology outlined in this paper can provide a helpful approach both to identify new opportunities and to make choices between available options – all displayed on one page.

Whilst much of the technical material presented here would not be altogether new to the strategy department of any large corporation, we have taken an approach that makes the model more understandable, we believe, for managers and leaders to apply, which quickly aligns marketing strategies with Management's operational objectives.

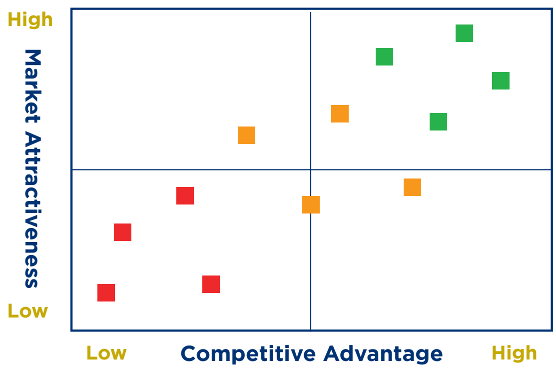
The cama™ Idea in Brief

What we have called the **cama™** methodology is built on the fundamental idea that truly unique competitive positioning accrues from examining the interaction between Competitive Advantage and Market Attractiveness (**cama™**).

Evaluating the firm's intrinsic competitive strengths (we are the best in the business at making our widgets) is not sufficient by itself to determine what is the firm's unique positioning. To do that, competitive strength must be tested against the attractiveness of the market or markets in which the company is operating, or wishes to operate.

This is a fairly obvious idea, when you think about it – there have been many firms that have been competitive titans in markets that have shrunk over time to nothing, and equally there are many examples of companies that were operating in a rapidly growing, profitable market environment, but failed to take advantage of this opportunity.

The cama™ concept is most simply represented through a diagram:



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Each of the squares in this chart represents a market segment of some kind for a product/service, each of which has had their respective relative competitive advantage and market attractiveness calculated. Those segments where the market is highly attractive and the firm has a strong competitive position (upper right quadrant) are more attractive to the firm whilst the converse is true for weakly competitive segments or products in poor markets (bottom left quadrant).

How cama™ Works – a Five Step Process

The application of the **cama™** concept is best illustrated through a case study based on a client.

The company believed that it had a narrow range of options available to it, and that its strategic alternatives were relatively few. This was exacerbated by the potential relocation of a major customer in the aluminium industry to the Middle East.

1. Identifying the Alternatives

The first step in the process was to set up a workshop in which the company's management and directors brainstormed all of the markets in which the firm could operate – not only current markets (which were well understood) but also markets where they had operated in the past but had left for various reasons, together with those that might be tackled in the future. At the time the firm were competing in just 7 markets; this open-aperture exercise (to the surprise of the participants) identified a total of 17 possible market segments!

2. Identifying Sources of Competitive Advantage

The next step in the process was to evaluate those factors that are *most important to customers* when they make their buying decision. The key here is to see the company's product(s) through the eyes of the customer (not something that is easy to achieve without some facilitation as unbiased self-diagnosis is difficult).

Once a list of possible key buying factors have been identified it is essential to carry out a validation exercise by using a simple phone survey to test the proposition with a selection of customers. Typically, customers are asked to rate each factor across a range of importance (from 1 being not important at all through to 5 being very important) for the category as a whole, regardless of who supplies it. Any score of 3 is a neutral score, being "as good" as competition and means there is *no* Competitive Advantage.

In this case, the process generated 6 specific customer purchasing criteria that, in their view, contribute to competitive advantage because they influence their purchasing decision:

- Market share
- Relationships
- Industry Experience
- Technical Expertise
- Pricing
- Reputation

Each of these factors was assigned a weighting, based on a combination of the results of the survey and the judgement of the sales and marketing staff.

3. Relative Competitive Advantage

Competitive Advantage is not an absolute – by definition. In competitive markets any one firm's competitive advantage is relative to the other competitors. It may be that all firms fare poorly in the customer's eyes, so a "bad" supplier might well be seen as being better than its even-worse competitors – the best of a 'bad bunch'. Conversely, a firm that may see itself as an excellent provider but could be up against a number of competitors who deliver even better results. The point is that *customers don't think in absolutes – they just choose from the options that are available to them.*

4. Understanding & Identifying Market Attractiveness

It is all very well to say that the company has a strong relative competitive advantage in the markets identified above but what if those markets are growing slowly or even declining? What if they are expensive to access? Or if price competition is intense?

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The first step is to determine what makes a market attractive to any business. Typically this will be a combination of five factors:

- Market Size – Is this a large or small market in absolute terms?
- Market Growth – Is the market exhibiting fast or slow growth?
- Profit Margins – Does the market allow sufficient gross margins to be made?
- Competitive Intensity – Are there many competitors in the market, or few? Is competition based on price?
- Location – Is this market easy or difficult to access and serve? Is it adjacent to existing geographic markets?

The usefulness of this analysis is not just that it ranks the various segments but it also allows us to see why a particular sector ranks well or poorly. For example, the Aluminium Smelting segment, in which our client has considerable competitive advantage, is actually relatively unattractive (although not the least attractive) because although it is a large market it is expected to grow very slowly as both participants and capacity are fixed and this is not expected to change in the near term.

5. Putting it all together

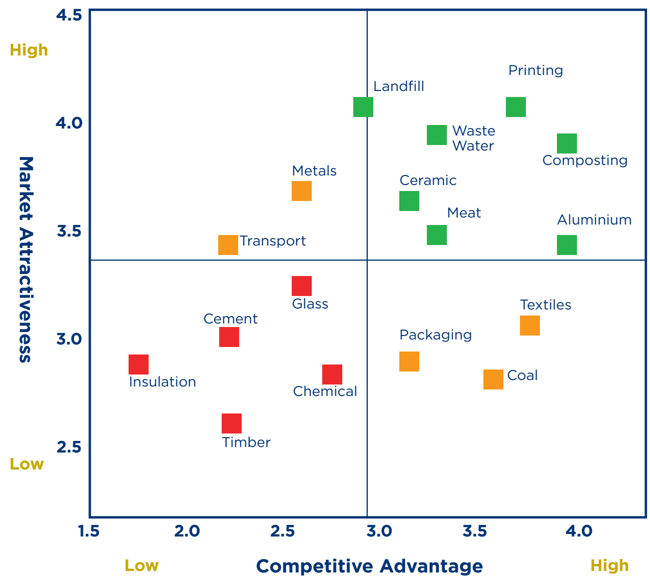
This matrix shows every market segment that was evaluated. Each quadrant has different strategic implications & choices. For example, bottom left quadrant indicates relatively low Competitive Advantage and low Market Attractiveness (not a good quadrant to be in, so the answer may be to develop exit strategies).

On the other hand, the top right hand quadrant - the preferred cluster of market segments that show both high Competitive Advantage and Market Attractiveness. A separate action plan to undertake business development activities is then developed for each of these 'preferred' market segments.

Conclusions

The **cama™** graphical matrix can provide a unique one-page insight into the dynamic combination of markets and competitive positioning and can thereby enable a much clearer and robust set of strategic choices to be developed.

The **cama™** approach is equally applicable to a professional services firm as it is to a manufacturer, exporter or importer. It can be used for either product, service, market or customer strategy selection.



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