

# The Competitor's Soft Underbelly

**Kenneth A. Sawka**

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## COMPETING AGAINST A RIVAL'S STRENGTHS

is a common, but flawed, strategy. Still, many companies choose to go after a competitor's core strengths instead of exploiting its vulnerabilities. Wouldn't it make more sense to marshal a company's strengths and attack competitors where they are weak?

H-P would answer yes, according to a recent article in *The Wall Street Journal* ("Hard Drive: How H-P Reclaimed its PC Lead Over Dell," June 4, 2007 page A1). In less than two years, H-P bested Dell to become the world's personal computer sales leader. It did so not by copying Dell's highly successful direct sales model, but instead by leveraging its strengths in the retail channel and attacking a core Dell weakness.

Dell was the top PC maker in 2005, when H-P Chief Executive Mark Hurd hired Todd Bradley to run the company's PC business. At the time, H-P's PC operations were barely turning a profit, and some investors were pressing H-P to get out of the PC business altogether. Today, H-P enjoys a global PC market share leadership of 17.6% for the first quarter, up from 14.9% a year ago, while Dell's share slipped to 13.9% from 16.4%, according to market research firm Gartner, Inc.

According to *The Wall Street Journal*, Bradley realized that H-P was fighting Dell where Dell was strong, in direct sales over the Internet and phone. Instead, H-P should focus on its strength, retail stores, where Dell had no presence whatsoever. H-P was ignoring that advantage, Bradley determined. Bradley fixed logistical problems and built relationships with retailers, helping H-P surpass Dell in worldwide sales late last year for the first time since 2003.

Dell is now attempting to counter H-P. How? By attacking its strengths. Last month, Dell signed its first major deal to sell through a retailer – WalMart – since the company pulled out of stores in 1993, according to press reports, and said that the deal was just the first step of a broader retail push. What do you think of its chances for success?

To be sure, H-P's success at besting Dell didn't rely solely on attacking a core Dell vulnerability. Bradley also spotted and assessed important market trends that further contributed to his competitive strategy. His improvements to H-P's retail presence came at a time when the growth in PC industry sales was moving from corporate desktops to personal laptops, which consumers like to test in person.

H-P also found ways to help retailers be more competitive against their rivals, seeking to gain competitive advantage for H-P by helping industry partners attack their competition. H-P designed exclusive PCs for specific retailers to help stores differentiate the products they sell from those of their competitors, the *Journal* reports. Last year, H-P design engineers began working closely with Best Buy to create a white-and-silver notebook computer

aimed at female customers. Best Buy featured the \$1,100 machine on the cover of its Sunday newspaper inserts, and says it became one of its best-selling notebooks priced above \$1,000 during the 2006 holiday season, *The Wall Street Journal* reports.

How can your company avoid the siren song of copying a competitor's strengths and instead exploit its weaknesses? Three specific approaches come to mind:

1. *Competitor analysis tools that go beyond basic Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis.* Michael Porter's Four-Corners analysis, for instance, is a model well designed to help company strategists assess a competitor's intent and objectives, and the strengths it is using to achieve them. From there, you can identify a competitive strategy that maneuvers around the rival's objectives and strengths, and that plays to your company's capabilities.
2. *Early Warning analysis that helps spot and assess industry trends and facilitates a discussion of future contingency plans.* This way, strategists spend less time trying to figure out what to do in light of industry developments, and more time executing pre-conceived plans. This is especially helpful in fast moving industries such as information technology and retail, where fast competitive execution is crucial.
3. *Broad industry analysis techniques like scenario analysis that help spot relationships along a company's value chain that can aid competitive strategy.* Just like H-P strengthened Best Buy's competitive strategy to bolster its own, scenario analysis can uncover present and future alliances that create win-win strategies for partners and further weaken competitors.

According to Michael Porter, "If all you're trying to do is essentially the same thing as your rivals, then it's unlikely that you'll be very successful." What is your company's strategic focus, to emulate a rival's strengths, or to exploit its weaknesses?

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