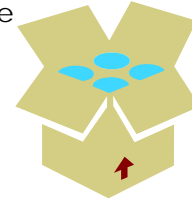


Product/Service Description

Competitive Assessment

Section Outline

- Whole Product Description
- Pricing
- Competitive Assessment
- Competitive Edge



Product/Service Description

Product/Service Description

- Whole Product Concept
- Everything Needed/Delivered to Customer
 - Product
 - Product Options
 - Packaging
 - Accessories
 - Consumables
 - Replacement Parts
 - Training
 - Manuals
 - Support



Product/Service Description

Pricing Approaches

- Market Pricing
- Cost Plus
- Value Pricing
- Premium
- Penetration
- Psychological



Product/Service Description

Pricing

- Market Pricing
 - Meet Competition
 - Most Common
- Generally doesn't alter Market Dynamics



Product/Service Description

Pricing

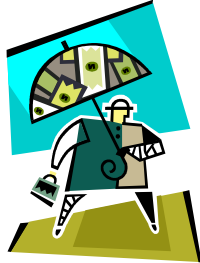
- Cost Plus Pricing
 - Determine total cost
 - Include "overhead"
 - Add mark-up
 - Profit



Product/Service Description

Pricing

- Value Pricing
 - Based on Value to Customer
 - Theoretically most Perfect
 - Difficult to Establish



Product/Service Description

Pricing

- Skimming/Premium
 - Only Game in Town
 - Undeniably Best
 - Objective
 - Established Position
 - Subjective



Product/Service Description

Pricing

- Penetration/Discount
 - Getting Foot into Market
 - Careful
 - Competitive Response
 - Sets new Market Price



Product/Service Description

Pricing

- Psychological
 - Odd figure \$.69
 - Threshold <\$10
 - Impulse purchase



Product/Service Description

Pricing

- Variations
 - Volume Discounts
 - Wholesale vs Retail
 - Rebates
 - Coupons
 - Buy X, Get Y free
 - Loyalty Programs
 - Work Balancing Discounts/Premiums



Product/Service Description

Pricing

- Job
 - Contract Price/Completed Job
 - Must be good at estimating
- Per Hour
 - Hourly rate
 - Customer absorbs risk



Product/Service Description

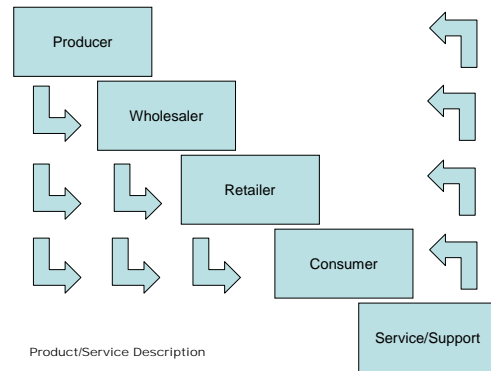
Pricing

- Points to Consider when Pricing
 - Price affects Product Perception
 - Too low = "Cheap"
 - Small Increments Should be Avoided
 - Lots of small changes = confusion
 - Psychological Differences Important
 - \$99 vs \$100
 - Be aware of Break Points
 - Research shows that <\$400 purchases can be "impulse"
 - >\$400 require "approval" from spouse
 - Law of Consumer Inertia
 - May have to offer More for Same to get New Customer
 - Existing Customers rarely Want to Change Suppliers



Product/Service Description

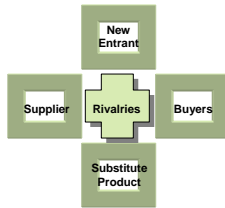
Competitive Assessment



Product/Service Description

Competitive Assessment

- Five Forces Impact Ability to Compete



- Analyze each of the Forces

Product/Service Description

Competitive Assessment

- Threat of New Entrants



- Restricted by Barriers to Entry

Economies of Scale	Distribution Channels
Product Differentiation	Government Policy
Capital Requirements	Expected Retaliation
Switching Costs	Patent or Technology License

Product/Service Description

Competitive Assessment

- Threat from Buyer Bargaining Power



- Threats to business from Buyers

Few Buyers, Large Sales	Buyers Industry Low Profits
Undifferentiated Products	Backward Integration Threat
Low Switching Cost	Full Information

Product/Service Description

Competitive Assessment

- Threat from Supplier Power



- Threats to business from Suppliers

No/Few Alternatives	Reliance on Input
No/Few Substitute Products	Switching Cost
You're not Important	Forward Integration

Product/Service Description

Competitive Assessment

- Threat from Substitute Products



- Threats to business from Substitute Products
 - Eg. Electronic security systems rather than security guards
 - Eg. Fax/Email rather than mail

Product/Service Description

Competitive Assessment

- Rivalry Amongst Existing Competitors



- Likely when...

Numerous Participants
Equally balanced
Slow Industry Growth
High Fixed Costs

High Storage Costs
Little Differentiation
Low Switching Cost

Product/Service Description

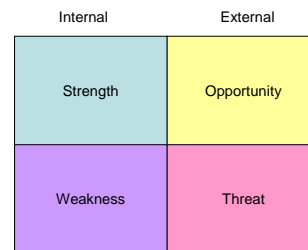
Competitive Assessment

- Competitive Intelligence
 - Act as customer
 - Customer Surveys
 - Product Analysis
 - Public Information
- SWOT Analysis
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats



Product/Service Description

SWOT Analysis



Product/Service Description

SWOT Analysis

- Internal Assessment
 - Identify assets, resources, skills, and processes that represent either a strength or weakness
- External Assessment
 - Identify those aspects representing an opportunity or threat



Product/Service Description

Competitive Edge

- Sustaining a Competitive Edge is Essential to Staying in Business
- Basic Competitive Strategies
 - Lowest Price
 - Operational Excellence
 - Customer Intimacy
 - Product/Service Leadership
- Small Businesses often more Effective due to Customer Intimacy

Product/Service Description

Competitive Edge

- Revisit (and re-write) your Value Proposition
 - What (Product/Service)
 - For Whom (Target Customer)
 - Why (Competitive Edge)



Product/Service Description

Section Outline

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Product/Service Description