



HIGH-DEFINITION NEWS

When a Big Player Moves, You Must Too

By Clark Crowdus

Attention shoppers! Google is entering the payments business.

The search behemoth recently acknowledged publicly that it is testing and will soon launch an Internet-payment service called GBuy. A major competitor, PayPal, a subsidiary of eBay and the largest Internet-payment company with 24% of US online payments, found out a while back and immediately perceived GBuy as a competitive threat.

When confronted with the news last May that Google was in the process of building its own Internet-payment service, *The Wall Street Journal* relates that PayPal President Jeff Jordan redoubled competitive intelligence efforts to find out much more about Google's plans. Jordan's reaction was correct and he benefited from previous competitive intelligence that allowed his company to find out about the Google product early and hopefully in time to be able to counter the threat.

Google is one of a handful of companies that have achieved the "Grand Trifecta" of business: power, money, and technology. Microsoft and Wal-Mart are also in this tier of companies along with a few others. And when these companies, which apparently operate in one market, move decisively into *another business category*, everything shifts and everyone else must react. For example:

- Wal-Mart has been trying to obtain a banking license for some time and whether or not it gets the right to offer banking to consumers, all financial services companies should be preparing for that possibility.
- Carmakers General Motors and Ford are teaming with energy companies to offer ethanol at a number of gas stations in the Midwest. The energy companies that didn't get on this bandwagon need a strategy.
- Microsoft, which started essentially as a software company has moved into home electronics and entertainment with its X-Box, presenting a huge threat to consumer electronics companies that make VCRs, DVD players, even televisions.

Regardless of your market space, you have to ask yourself: what would happen if Google, or Wal-Mart, or Microsoft, or GM entered your business? Or, for that matter, what if a far smaller, but more nimbler competitor began to encroach on 'your territory'? How would you react? How would you fortify your company or product against that day? Following are a few tips to consider as you anticipate the next initiative of the market-movers:

Keep competitive intelligence attuned - Jeff Jordan already had good intelligence because he was able to find out about Google's new product more than six months ahead of its launch date. This is the key to CI, namely, finding out about the activities of market-movers long before they launch.

Understand the intent of the market-mover - Then create a strategic answer to the intrusion or marketplace opening. If you have time, you may consider a new strategic alliance. If the threat is overwhelming, you might develop an exit strategy or other financial survival tactic. The range of possibilities is without limit, but the main thing is, whatever you do, it must make sense in the context of your company's business model, competitive category, culture, financial condition, and prospects for the future.

Strengthen your value propositions - Make sure your value propositions still work in the context of a competitive change. Sharpen whatever points you need to differentiate yourself, or ride the tailwinds of the market-mover. Launch a campaign to communicate or re-communicate your differentiators to key audiences.

Sharpen your operational edge - If a price-cutter is moving in on your territory, make sure everything is optimized from your value chain to your IT systems. Continuously review your cost structure and work to quickly reduce your cost of goods sold to keep margins intact.

Marketing should lead the charge - In competitive intelligence or in the crafting of your value propositions and communications, the marketing team should be leading the way and supporting management in terms of competitive knowledge and in designing the strategic answer to the market-mover.

Google, Wal-Mart, eBay, Microsoft, Apple, Exxon Mobil and other household names have one major disadvantage: they are at the top of their food chains, which makes them both targets and bellweathers for everyone else. That's a powerful motivator for them to maintain their positions and apply tremendous financial resources and brainpower to the task.

Every move they make changes the environment in which every enterprise operates. But, if you keep a weather eye on the big dogs, you're not as likely to be bitten—or eaten.

Your feedback is welcomed and should be directed to Clark Crowdus, Principal, High-Definition Consulting Group at clark@high-def.biz.

Resources:

The following resources are recommended by High-Definition Consulting Group:

Book: "Managing Frontiers in Competitive Intelligence" <http://books.google.com/books?id=zZRJ4BT70EgC&dq=Competitive+intelligence&oi=print&pg=PR5&sig=DdTEdUwWxkU7itBpkbPNDCdQ1z0>

Harvard Business Course: "Building Competitive Advantage Through Operations"
<http://www.exed.hbs.edu/programs/bcao/>

Web Magazine: "Optimize"
<http://www.optimizemag.com/?jsessionid=OQ5KDRHVGIWNOQSNDBCCKH0CJUMKJVN>

Article: "Beyond Reactive" Training & Development Magazine
http://www.astdcascadia.org/conference/2005/pdf_documents/Webster_Article_2.pdf

Web site: MarketingProfs.com (online publishing company)
<http://www.marketingprofs.com/about/index.asp>

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