Hypercompetition

- Increased Levels of Competition
- Rapid Erosion of Competitive Advantages
- Industry Transformation

The Four Arenas of Hypercompetition

- Cost/Quality
- Timing and Know-How
- Strongholds
- Deep Pockets

Strategic Interactions in the Cost/Quality Arena

- Price Wars
- Quality and Price Positioning

Within-Segment Positioning

<table>
<thead>
<tr>
<th>Price</th>
<th>Perceived Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Luxury Segment</td>
</tr>
<tr>
<td></td>
<td>Stance</td>
</tr>
<tr>
<td></td>
<td>Goldilocks</td>
</tr>
<tr>
<td></td>
<td>Economy Segment</td>
</tr>
</tbody>
</table>

Between-Segment Positioning

<table>
<thead>
<tr>
<th>Price</th>
<th>Perceived Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Luxury Segment</td>
</tr>
<tr>
<td></td>
<td>Stance</td>
</tr>
<tr>
<td></td>
<td>Goldilocks</td>
</tr>
<tr>
<td></td>
<td>Economy Segment</td>
</tr>
</tbody>
</table>

Generic Strategies Evolve
Strategic Interactions in the Cost/Quality Arena

- Price Wars
- Quality and Price Positioning
  - The Middle Path
    * Being in the Middle
    * Stuck in the Middle
- Cover All Niches
- Outflanking and Niching

Strategic Interactions in the Cost/Quality Arena

- Price Wars
- Quality and Price Positioning
  - The Middle Path
    * Being in the Middle
    * Stuck in the Middle
- Outflanking and Niching
  - The Move Toward Ultimate Value

Strategic Interactions in the Timing and Know-how Arena

- First Mover Advantages
  - Response Lags
  - Economies of Scale
  - Reputation/Brand Loyalty
  - Switching Costs
  - Advertising and Distribution Channels
  - Network Externalities
- First Mover
  - DuPont (Teflon)
  - GD Searle (Nutrasweet)
  - IBM (PC)
  - Matsushita (VCR)
- Follower
  - RC Cola (Diet Cola)
  - EMI (CAT scan)
  - Digital (PC)
  - Kodak (Instant Photographs)
Strategic Interactions in the Timing and Know-how Arena
- First Mover Advantages
- Imitation and Improvement
- Impediments to Imitation
- Overcoming Impediments
- Transformation or Leapfrogging
- Downstream Vertical Integration

Strategic Interactions in the Strongholds Arena
- Building Entry Barriers
- Forays into Competitor Stronghold
- Short-Run Counterresponses
- Incumbent’s Delayed Reaction
- Overcoming the Barriers
- Long-Run Counterresponses
- Slow Learners and Reactions to Entrants Who Don’t Get the Message
- Unstable Standoffs

Strategic Interactions in the Deep Pockets Arena
- Drive ‘Em Out
- Using the Courts or Congress
- Thwarting Antitrust Suits
- Small Firms Neutralize Advantage
- Rise of a Countervailing Power

Coke versus Pepsi in the Cost/Quality Arena
- The Early Years
- The 1930s
- The 1970s
Coke versus Pepsi in the Cost/Quality Arena

- The Early Years
- The 1930s
- The 1970s
- Quality Wars
- Price Wars

The Pepsi Challenge

Price

Perceived Quality

Coke
Pepsi
The Pepsi Challenge

The New 7-S’s

Vision for Disruption
- Stakeholder Satisfaction
- Strategic Soothsaying

Capability for Disruption
- Speed
- Surprise

Tactics for Disruption
- Shifting the Rules
- Simultaneous and Sequential Strategic Thrusts
- Signaling

Using the 7-S’s in 4 Arena Analysis

<table>
<thead>
<tr>
<th>Arena</th>
<th>Key Success Factors</th>
<th>Critical New 7-S’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost/Quality</td>
<td>Understanding customer needs, Cost reduction</td>
<td>S-1 Stakeholder Satisfaction, S-3 Speed</td>
</tr>
<tr>
<td>Timing/Knowhow</td>
<td>Fast market penetration, Innovation</td>
<td>S-4 Surprise, S-2 Soothsaying</td>
</tr>
<tr>
<td>Strongholds</td>
<td>Deterence, Aggression</td>
<td>S-6 Signaling, S-7 Strategic Thrusts</td>
</tr>
<tr>
<td>Deep Pockets</td>
<td>Brute force, Outmaneuvering</td>
<td>S-5 Shifting the Rules, S-7 Strategic Thrusts</td>
</tr>
</tbody>
</table>

Generics and RC

New Coke

Coke’s Advertising War

New Coke (Actual)

New Coke (Hypothetical)