Creating New Market Space

It is critical when analysing your industry that you understand not only your competitors, but also what space you are competing in. Most companies focus on what their competitors are doing and attempt to beat them on these aspects, with strategies tending to converge on the same dimensions of competition. An alternative is to ‘create new market space’. Not only is this useful for strategy, but it can lead to thoughts as to how they can innovate their product or service offering.

How does a company do this? To do so, it is necessary for companies to look at:

- across substitute industries – look at companies in other sectors which produce substitute products and services (think butter and margarine);
- across strategic groups within industries – understand what factors determine buyers’ decisions to trade up or down from one group to another (tend to be structured on the price-performance axes);
- across buyer groups – look not only at customers, but users and influencers as well, they may have different definitions of value;
- across complementary product and service offerings – understand the total solution buyers seek when they chooses a product or service;
- across the functional-emotional orientation of an industry – some offerings appeal purely on a functional-price metric, others compete on feelings;
- across time – look at the external trends which impact on your business.

Reviewing the above bullet points, it is possible to compare traditional, head-to-head competition with a strategy to create new market space.

The Conventional Boundaries of Competition	Head-to-Head	Creating New Market Space
Industry	Focuses on rivals within its industry	Looks across substitute industries
Strategic group	Focuses on competitive position within strategic	Looks across strategic groups within its industry

	group	
Buyer group	Focuses on better serving the buyer group	Redefines the buyer group of the industry
Scope of product and service offerings	Focuses on maximising the value of product and service offerings within the bounds of its industry	Looks across to complementary product and service offerings that go beyond the bounds of its industry
Functional-emotional orientation of an industry	Focuses on improving price-performance in line with the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

Having looked at these different aspects, companies can plot their offerings against different aspects on a value curve. Having plotted their own position, they should plot their competitors. From such a plot, companies need to identify a new value curve. The key to discovering a new value curve lies in four easy, basic questions:

1. What factors should be reduced well below the industry standard?
2. What factors should be eliminated that the industry has taken for granted?
3. What factors should be created that the industry has never offered?
4. What factors should be raised well beyond the industry standard?

Sounds easy, doesn't it? The reality is that it is a difficult to assess existing value curves, but there is no need to be to accurate. The general picture is often sufficient to guide the thought process along.

It would be interesting to know of any examples you have done, so please respond with your comments.