

After the firm identifies the Segments in which it will compete, it must then determine HOW it will compete, and WITH WHAT RIVALS. It has its SCOPE, its SEGMENT. A great deal will depend upon the firm's internal capabilities and how its competencies **fit** with the competitive requirements of each segment.

STRATEGIC GROUP ANALYSIS identifies the set or sets of rivals competing in the industry and/or segments, using the same or similar strategies, along specific strategic dimensions. Strategic Group Analysis provides information to the firm along **the five structural components of the Porter Model**.

### 1) **Strategic dimensions or strategic options available**

These include specialization, brand identification, push vs. pull distribution strategy, choice of distribution channel, degree of product innovation, degree of technological leadership, degree of vertical integration, cost position of rivals, level of emphasis on service, pricing policies and strategies, financial leverage among rivals, operating leverage among rivals, relationships with parent firms, relationships with host nations

These dimensions are plotted on a two-dimension matrix, hi to lo, depending upon which are the most significant in determining competitive advantage OR influence the five force structure of the industry. The five forces will have different impact on different strategic groups. Size of the circles indicate the share of the market each strategic group commands. The size of each group is also an indication of the strength of competition within each group.

### 2) **Mobility Barriers**

Mobility barriers are **barriers to entry** specific to each strategic group. These are factors which deter movement of firms from one strategic position to another. The higher the mobility barriers, the greater the profit potential; the easier it is to limit or reduce imitation.

3) **Bargaining Power of Buyers and Suppliers in each group**

4) **Relative Position of each Group vis-a-vis Substitute Products**

5) **Nature of Interfirm Rivalry**

Strategic Groups tend to employ similar strategies and play "off of each other". The variables to be addressed are: the degree of market interdependence and overlap; the degree of product differentiation among the groups; the number of strategic groups and their relative size in proportion to the entire market; the strategic distance among the groups, or their divergence.

Strategic Group Analysis can also determine the firm's **strategic posture**. Should it be on the offense, defense, expansive, take initiative, innovate, retaliate, wait and see, be a predator, take an entrepreneurial stance, etc. Analysis of strategic groups provides a "roadmap" for where to shift competition, take advantage of lesser rivals in more focused segments, race to integrate supplier, etc.

All of the industry analysis assists the firm in **positioning** itself relative to the existing competition. In a First Mover advantage, the firm sets the rules. Otherwise, it must understand the rules in each segment and group in which it competes. All of which is irrelevant if the firm is not managed to take advantage of competitive opportunities, and ward off threats. That is where internal capability and resource analysis is **critical**.