

Identifying Your Competitive Set

For this exercise, you need to identify the competitive set for a manufacturer of instant coffee (such as Nestle's many brands of coffee, sold via retailers). The aim of this activity is to think beyond just like-competitors (that is, other manufacturers of coffee).

We need to consider what types of products and offerings would form their indirect competition (often offering substitute products) and then determine the impact of these competitors.

Your Role as a Coffee Product Manager

In many countries, total consumption of coffee is increasing, but perhaps surprisingly, sales of instant coffee (jars and cans of coffee sold via retailers) are flat or steady. This indicates that the increase in coffee consumption is being driven primarily by sales of ready-to-drink coffee (most probably from a food-service retailer, such as a café or a restaurant).

Let's assume that you work as the product manager for a major coffee manufacturer. However, as sales of jars of coffee have actually been flat in recent years, you have decided to identify a broader competitive set to see if you can find opportunities to increase sales. (Note: We will also assume that we already know the main like-competitors of instant coffee, so we don't need to list/identify them by name.) Therefore, we need to consider:

- What other types of beverages (either hot or cold), would consumers use at home/work (as an alternative to coffee)?
- What food and non-beverage options are there for consumers (again, as an alternative to coffee)?
- What types of retailers offer ready-to-drink coffee for purchase? (You can include vending machine solutions here as well.)

(Hint: For these points, think about what core need that coffee satisfies for consumers; that is, you should consider the reasons people drink coffee and what benefits that they derive.)

Student Discussion Questions

1. What did you identify as the core need of coffee and what benefits does it provide for consumers?
2. What is the list of competitors have you identified for the coffee manufacturer?
3. Which of those competitors, do you think, have been particularly successful in winning a greater share of coffee purchases (at your firm's expense)?
4. Given your competitive set, identify the opportunities and threats of this broader competitive landscape.
5. What would be dangers to a firm of defining their competitive set too narrowly (that is, focusing on like-competitors only)?