The information contained in the two sections of the Competitive Intelligence Report for each geographic region is of the highest importance in helping you and your co-managers make competitively astute decisions for the upcoming period.

You will, almost certainly, spend more time working with information on the Competitive Intelligence Reports than on the screens/printouts of any other reports.

The Two Sections of the Competitive Intelligence Report

There are two menu items that provide competitive intelligence: (1) a 1-page “Market Snapshot” for each geographic region showing the competitive efforts of all companies for a particular year, strategic group maps, and lists of your company’s competitive strengths and weaknesses and (2) a Company Analysis breakout showing the competitive efforts for any company of interest for all years to date and graphs of its footwear prices.

- **MARKET SNAPSHOT of Competitive Efforts of All Companies for a Geographic Region (available for any year).** The Market Snapshot data shows the competitive efforts of each company in each of the four geographic markets for a particular year — you can readily switch from region to region and year to year by using the menus on the left of the screen and choosing what region and year you want to view. Normally, you will want to see the data for the most recent year, but you can review the Market Snapshots showing competitive efforts for prior years at any time it is useful.

  While you are primarily interested in how your company’s competitive effort compares against the industry average (to see whether you enjoy a competitive advantage or are at a disadvantage) on each factor that determines unit sales and market share, you have the capability to see how every company stacks up against the industry averages (the data in the far right column) by clicking on the Company Letter in top right corner of the screen to change the company being compared from A to B to C to D and so on.

- **COMPANY ANALYSIS: Decision Trends for Any Rival Company of Interest.** The second competitive intelligence menu item provides any company’s complete competitive effort (prices, S/Q ratings, models, advertising, rebates, etc.) in any geographic market for all years to date, including trend-line graphs of its wholesale prices and S/Q ratings. You’ll find this screen/report very handy in anticipating or “guestimating” the moves your most important or closest competitors are likely to make in the upcoming year.

Becoming a shrewd “power-user” of the Market Snapshot and Company Analysis information can help you and your co-managers out-manage and out-compete rival companies (especially those companies whose co-managers gloss over this information). It is well worth spending a few minutes to explore the powerful capabilities that have been programmed into the Market Snapshot (for each geographic region) and the Company Analysis page for any company of interest (and most especially for close competitors).

The MARKET SNAPSHOT for a Geographic Region

**The Internet Segment.** This section shows all of the market variables that impact internet demand and market share: retail price, S/Q rating, number of models offered, whether or not free shipping is offered, advertising budget, and celebrity appeal -- customer loyalty is also one of the factors impacting internet segment demand and market share, but since customer loyalty is not measurable or reportable in numeric terms there is no listing for it on the Market Snapshot page.

The resulting online orders, pairs sold, and market share percentages are then listed at the bottom of this section. For accounting purposes, internet orders are filled from the warehouse first (before any wholesale orders), so the online orders and pairs sold lines will always show identical numbers unless a company does not have sufficient finished goods inventory to supply internet orders (which also means that the company would not be able to supply any wholesale orders).

**The Wholesale Segment.** This section shows all of the market variables that impact wholesale demand and market share: wholesale price, S/Q rating, model availability, advertising budget, rebate offer, retail outlets utilized, retailer support expenditures, delivery time, and celebrity appeal -- customer loyalty is also one of the factors impacting wholesale segment demand and market share, but since customer loyalty is not measurable or reportable in numeric terms there is no listing for it on the Market Snapshot page.

The resulting retailer demand generated by each company’s marketing efforts is then shown on the next line. Each company’s relative marketing effort generates a retailer demand (number of pairs) for their brand, but the number of
pairs each company actually sells can be higher or lower than initial retailer demand because of Sales Gains / Losses (due to out-of-stock conditions).

A company experiences lost sales when it does not have sufficient finished goods inventory in the regional warehouse to satisfy total retailer demand in the region. When a company runs out of stock, pairs sold in the region will be lower than the retail demand generated by its marketing effort. Lost sales (due to inventory shortfall) will show on the Sales Gains/Losses line as a negative number.

If one or more companies experience lost sales due to inventory shortfall, then it is possible for one or more companies to gain additional sales (if there is inventory available in the regional warehouse after fulfilling initial retailer demand). Sales gains (due to out-of-stock conditions experienced by other companies) will show on the Sales Gains/Losses line as a positive number, but can occur only if one or more companies runs out of stock.

Strategic Group Maps. In addition, this report contains strategic group maps indicating how each company has positioned itself in the two branded market segments (internet and wholesale).

Competitive Strengths / Weaknesses. There is a list of your company’s competitive strengths and weaknesses shown at the bottom of the report page. You may also generate a list of competitive strengths and weaknesses for any rival company (particularly those companies you consider to be your closest competitors) by clicking on the company letter button at the top of the page.

Using the MARKET SNAPSHOT for a Geographic Region

Step 1: Make sure that your company is the one whose competitive effort is compared against the industry averages in the last column on the right (if your company letter is not showing in the column head for the last column head on the top right of the boxed data, then click on the designated area in the upper right corner until your company letter appears). Later, you can change the company being compared and check the competitive effort of any rival company of interest versus the industry averages.

Step 2: Make printouts of this page — and then print out a page for the other 3 geographic regions, using the menu on the left to switch from region to region. Just viewing the information on the screen is generally not convenient, since having a printout in front of you to refer to you make decisions regarding your company’s competitive effort for the upcoming year will prove far more convenient.

• Observe that you have data showing your company’s competitiveness in all three market segments — the Internet segment, the Wholesale segment, and the Private-Label segment.

Step 3: It is strongly recommended that you go down the list of competitive factors in each segment (Internet, Wholesale, and Private-Label) item-by-item to see exactly where your competitive pluses and minus were and whether each plus/minus was tiny, sizable, or substantial. Start with the Internet segment and examine the size of the specific competitive advantage/disadvantage your company had in the past year regarding price, S/Q rating, models offered, free shipping, advertising, and celebrity appeal index.

• Keep in mind here that being above/below the industry average by 20% carries a much bigger impact than being above/below the average by 5% or less. For example, if your company’s wholesale price in a region was $55 versus an industry average of $50, then your company's competitive disadvantage on price is greater than if you had a price of $52 versus an industry average of $50. Or, if your company spent $5 million on advertising (shown on the report as 5,000) and the industry average was $4 million (or 4,000), then your company’s competitive advantage on advertising would be significantly greater than if your company spent $5 million and the industry average was $4.9 million. The sizes of each competitive advantage/disadvantage on each determinant of sales and market share therefore matter.

• The combined impact of how your company’s competitive effort compares against all the industry averages determines online orders and pairs sold.

• Market share is calculated on the basis of pairs sold.

• If your company has the biggest market share, then your company had the strongest overall competitive effort vis-à-vis rivals.

• If your company had the lowest market share, then your company’s overall competitive effort was the weakest among all companies competing in that geographic region during the year.

• Companies with close to an average market share have close to an average overall competitive effort, all factors considered.
• If your company’s market share was not the highest, see if you can pinpoint which factors were most responsible for why pairs sold and market share were not higher in the Internet segment in this region. Which specific competitive factors appear to have been most responsible in your being out-competed by rival companies with larger market shares? **Careful analysis of the various companies regarding what size competitive advantages/disadvantages result in what size market shares will provide solid clues as to which competitive factors count most and which count least in the Internet segment.**

• Examine the two “strategic group maps” showing how your company is positioned vis-à-vis rivals based on price and S/Q rating (the vertical axis) and the product line breadth (the horizontal axis) in the Internet segment. The sizes of the circles are drawn proportional to each company’s market share in the geographic region. Your company’s position on the strategic group maps may vary from region to region, as well as being different in the Internet and Wholesale segments (depending on your company’s strategy and the strategies of rivals).

  o Those company circles that are closest together signify “strong” or “close” competitors; those farthest apart are “weak” competitors.

  o Companies that are more isolated, in the sense of not having many other company circles close to their positions, face somewhat weaker head-to-head competition; companies whose circles are adjacent to the circles of many other rivals face tougher competition and may find it more profitable to shift to a more isolated, less competitive part of the market-space.

• Look at the bottom of the screen/page and take note of your company’s competitive strengths and weaknesses in the Internet segment. Your company’s list of competitive strengths in the Internet segment show up to 7 competitive factors where your company’s advantage versus the industry average was meaningful. Your company’s list of competitive weaknesses show up to 7 competitive factors where your company’s effort in the Internet segment was meaningfully weaker than the industry-average effort.

• Draw conclusions about what changes in strategy and competitive effort you may need to make to improve your company’s competitiveness vis-à-vis rivals in the Internet segment in order to improve unit sales, market share, and profitability.

• Generally, it makes good sense to begin any effort to improve your company’s Internet sales and market share in a region by upping your competitive effort and narrowing the gap on those competitive effort measures **where you are farthest below the industry average.** But market share gains can be made by upping your effort on any and all competitive measures (assuming that rivals do not out-strategize you by upping their competitive efforts by equal or larger amounts so as to preserve or enhance their own sales volumes and market shares). Keep in mind here that **BSG Online** is a competition-based exercise, where **your company’s Internet sales and market share in each geographic region depend entirely on how your company’s overall competitive effort in the region (as measured by the combined impact of all the competitive factors) stacks up against the combined competitive efforts of rivals.**

• **Also, be alert to the fact that increasing profitability is more important than increasing market share. Some market share gains can be costly and actually reduce profitability. There is seldom any glory in capturing unprofitable market share.**

• **Repeat the analysis for the other three regions.**

**Step 4:** Next turn your attention to the sizes of the competitive advantages/disadvantages your company had last year in the Wholesale segment regarding price, S/Q rating, model availability, advertising, rebate offers, retail outlets utilized, retailer support, delivery time, and celebrity appeal index.

• Again, bear in mind that being above/below the industry average by a small percent does not carry the same impact as being above/below the average by a large percent — **the sizes of each competitive advantage/disadvantage matter.**

• The combined impact of how your company’s competitive effort compares against all the industry averages determines retailer demand.

• **If your company did not have sufficient pairs available to satisfy retailer demand and still meet the minimum inventory requirements, then there will be a negative number indicating the amount of Lost Sales.**

  • **The amount of sales lost by all the various companies then end up as Sales Gains for other companies because retailers shift their orders to other brands.**

• Retailer demand less adjustments for Lost Sales and Sales Gains result in pairs sold.

• Market share is calculated on the basis of pairs sold.
• If your company has the biggest retailer demand, then your company had the strongest overall competitive effort vis-à-vis rivals.

• If your company had the lowest retailer demand, then your company’s overall competitive effort was the weakest among all companies competing in that geographic region during the year.

• Companies with close to an average retailer demand have close to an average overall competitive effort, all factors considered.

• In assessing each company’s market share, remember that allowances must always be made for any Sales Gains or Lost Sales, especially if the amounts are large, because the market shares for such companies would have been lower/higher in the absence of these sales gains/losses.

• If your company’s Retailer Demand/market share was not the highest, see if you can pinpoint which factors were most responsible for why retailer demand was not higher in the Wholesale segment in this region. Which specific competitive factors appear to have been most responsible in your being out-competed by rival companies with larger market shares? Careful analysis of the various companies regarding what size competitive advantages/disadvantages result in what size market shares will provide solid clues as to which competitive factors count most and which count least in the Internet segment.

• Examine the “strategic group map” showing how your company is positioned vis-à-vis rivals based on price and S/Q rating (the vertical axis) and the product line breadth (the horizontal axis) in the Wholesale segment. The sizes of the circles are drawn proportional to each company’s market share in the geographic region. Your company’s position on the strategic group maps is likely to vary from region to region.
  o Those company circles that are closest together signify “strong” or “close” competitors; those farthest apart are “weak” competitors.
  o Companies that are more isolated, in the sense of not having many other company circles close to their positions, face somewhat weaker head-to-head competition; companies whose circles are adjacent to the circles of many other rivals face tougher competition and may find it more profitable to shift to a more isolated, less competitive part of the market-space.

• Look at the bottom of the screen/page and take note of your company’s competitive strengths and weaknesses in the Wholesale segment. Your company’s lists of competitive strengths/weaknesses in the Wholesale segment show up to 7 competitive factors where your company’s advantage/disadvantage versus the industry average was meaningful.

• Draw conclusions about what changes in competitive effort you may need to make to improve your company’s competitiveness vis-à-vis rivals in the Wholesale segment in order to improve unit sales, market share, and profitability.

• Generally, it makes good sense to begin any effort to improve your company’s Wholesale sales and market share in a region by upping your competitive effort and narrowing the gap on those competitive effort measures where you are farthest below the industry average. But market share gains can be made by upping your effort on any and all competitive measures (assuming that rivals do not out-strategize you by upping their competitive efforts by equal or larger amounts so as to preserve or enhance their own sales volumes and market shares).

  Remember that going after bigger sales and market share is not nearly as important as increasing profitability. Some market share gains can be costly and actually reduce profitability.

  Repeat the analysis for the other three regions.

Step 5: Now turn your attention to the competitiveness of your company’s price bids in this region’s Private-Label segment. You can readily see what price each company bid, how many pairs each rival offered for sale (a clear indication of what sales volume they were going after), and how many pairs they sold. Companies that offered pairs for sale but sold nothing lost out in the competitive bidding to lower-priced bidders. A company that sold only part of the pairs offered was the last company to have their bid accepted, but the remaining demand at that point was insufficient to allow the company to sell all it offered.

• The price bids by rivals in this region, along with their price bids in the other regions, provide good clues as to what bid it may take in the upcoming year to be a winning bidder.

• Another clue is the Global Supply/Demand information on page 4 of the Footwear Industry Report. Generally speaking, the more oversupplied the market in the upcoming year, the fiercer the competitive bidding will be to win private-label sales.

• If one or two companies seem to be trying to dominate the private-label market in one or more regions, go to the Company Analysis section of the Competitive Intelligence reports to view the price bids of each company over all
years to date—this may provide better clues as to their bids in the upcoming year. You might also find looking at the price bids of some other companies to be helpful.

- Again, you will need to repeat this analysis for all the regions.

**Step 6 (optional):** Consider studying the competitive efforts of close competitors more intensely (close competitors are those companies closest to your circles on the strategic group maps). Specifically, click on the company letter link in the top right part of the screen that allows you to change the company being measured against the industry average. Check out the sizes of a close competitor’s competitive advantages/disadvantages against the industry averages and view its competitive strengths and weaknesses on the bottom part of the screen/page. Do the same for other geographic regions. This assessment of close competitors may help you decide what actions your company needs to take in the upcoming year.