

STRATEGIC GROUP ANALYSIS



Strategic Group Analysis (SGA) aims to explain the differences in profitability among competing firms based on their strategic position.

SGA extends the structural concepts of Five Force Analysis for a deeper focus on competitors *within* the industry. It aims to explain why some competitors are consistently more profitable than others and how this relates to their strategic position. It also provides a measure of protection to the firm by detecting competitors' moves and intentions early on to avoid blind spots that could lead to inevitable surprises.

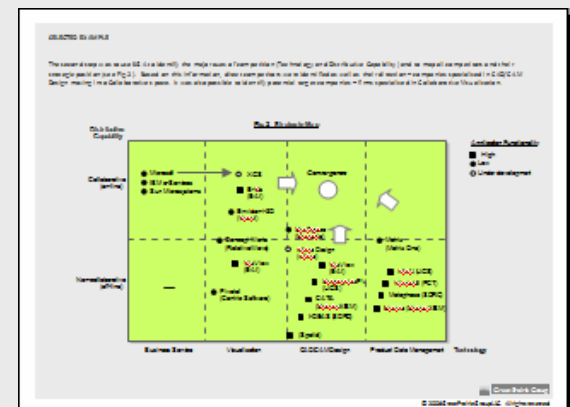
For a deeper insight into patterns of competition, firms are grouped in strategic groups: firms in the industry who follow similar strategies or compete on similar bases. These groups are mapped against strategic dimensions that capture the differences among possible strategic choices. Formulating strategy in an industry can then be viewed as the choice of which strategic group to compete in.

Purpose: The objective of SGA is to identify strategic groups and how they compete to explain differences in competitors' profitability. SGA provides several important elements of intelligence:

- Identification of the major axes of competition and competitive-changing trends
- Comprehensive mapping of all competitive relationships, direct and indirect
- Insight into who the most direct competitors are and on what basis they compete
- Systematic identification of a firm's key strengths and weaknesses relative to its competitors
- Early detection of strategic threats or opportunities

Use:

- Guide the formulation of strategy by matching the firm's strengths to its environment
- Identify key mobility barriers to build or overcome
- Predict strategic movement of firms and direct competitors



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