CREATING A COMPETITIVE ADVANTAGE FOR THE COMMERCIAL REAL ESTATE MANAGEMENT COMPANY ON THE BASIS OF COMPETITOR ANALYSIS

Case Study “Spektr”

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ABSTRACT

The actual thesis derives from the mini-thesis research conducted by the author for the commissioning company Spektr on the topic “Improving Competitiveness through Competitor Analysis”. Being one of the oldest players in the market Spektr operates in the field of the commercial real estate management in Moscow and in the past it has successfully proved to be capable to outlive the darkest periods of Russian history. The previous paper proved the absence of and the need in a competitive advantage for the commissioning company where Spektr appeared to occupy the unattractive “stuck-in-the-middle” position. Hence, the actual thesis aims to solve this problem of the commissioning company and provide it with the most appealing competitive advantage and the consistent, ironclad strategy to implement the competitive advantage.

In order to achieve the desirable result and navigate the company in the times of yet another economy crisis, the solid theoretical framework of the secondary data was developed consisting from the studies of the world-famous marketers such as Michael Porter, Philip Kotler, et al. on the topics of competitive strategies, competitor analysis, and competitive advantage. The qualitative competitor analysis was tailored for Spektr comprising from the industry scenarios method and the strategic group mapping in order to deliver the accurate recommendations for the company.

Following on from the results of the conducted research, the author has concluded a sustainable model of the commercial real estate future. The industry scenarios and competitor group maps are concluded to be sufficient tools for the company to safely navigate in the industry in the next five years. Moreover, as a result the strategic action plan for the company was developed by the author in the recommendations section which is estimated to be the most effective and cost-efficient strategy for the company to gain a stable and profitable position in the market.

Keywords

Competitive advantage, Group mapping, Industry scenarios.

Pages

58 p. + appendices 2 p.
Appendix 1 The sample competitor profiling on Spektr’s competitors
Creating competitive advantage on the basis of competitor analysis

1 INTRODUCTION

‘Competition is at the core of the success or failure of firms’, and competitive advantage is a crucial part of it, as concluded by famous Michael Porter. As the author of the actual research found out in the previous paper dedicated to the case company, Spektr lacks the cornerstone of market performance success – the competitive advantage, and since it remains a problem until the day the actual thesis was conducted, the author found it a duty and responsibility to help the company out. Therefore, the topic of the thesis derives upon the existing problem and is a logical continuation of the paper 'Improving Competitiveness through Competitor Analysis’ conducted by the author and is, in fact, a suggestion mentioned in the recommendations part of that paper. The topic is Creating a competitive advantage for the commercial real estate management company on the basis of competitor analysis and it aims at answering the research question: 'What would be an optimal competitive advantage strategy for Spektr based on the competitor analysis quantitative research?' As it was in the previous academic mini-thesis paper written by the author 'Improving Competitiveness through Competitor Analysis’; this thesis is also dedicated to the company Spektr.

The author of the actual thesis has been familiar with commissioning company for several years, has attended several corporative events and personally knows several employees. Therefore, the author takes seriously the company’s concerns about its position in the Moscow commercial real estate management market and its will to make its position more sustainable.

The actual research is to be done through reaching five, in contrast to usual four, objectives. The first objective is to provide a theory based on the areas of competition, competitive advantage, competitor and industry analysis and competitive strategies for further deeper studies of the subject and for assistance in the research process. The majority of the theory sources are the books of Michael E. Porter “Competitive advantage: creating and sustaining superior performance” and “Competitive strategy: techniques for analysing industries and competitors” along with Craig S. Fleisher and Babbette E. Bensoussan’s “Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition” and additional books and articles, which are mentioned in the Sources chapter.

The second objective is to bring up the results of the competitor analysis conducted by the author of the paper in spring 2015, and to conduct new research on Spektr’s competitors in the Moscow region market of commercial real estate management in order to confirm prior results. This is done through gathering open source information from various media sources by media scanning (Internet, newspaper and magazine publishing, etc.), personal observation, interviews of the tenants of Spektr as well as through gaining information on the competitors in the field from the commissioner. After the information is gathered, the competitor strategic
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group mapping and industry scenario analyses will be done as the methods of competitor analysis.

The third objective is to analyse the conducted research. The cause-and-effect relationship between different factors and the organizations are provided and logical sequences with conclusions are shown in the form of charts, graphics, and diagrams.

The fourth objective is to create an effective competitive advantage for the case company based on the analysis of the results of competitor analysis, and the final objective is to develop a strategy for implementation of collected knowledge into practice. After the research and the analysis are completed, the author gives recommendations to the commissioning company. The commissioner is most interested in the strategies of creating and sustaining its competitive advantage that are relatively not costly.

The scope of the thesis is that it is limited to a certain geographic area: only Moscow and the Moscow region will be analyzed. The author is concerned that several limitations might occur which might affect the actual mini thesis. One of limitations is the unavailability of financial information on Spektr’s competitors. Financial records are not stated in the media sources, however, this knowledge is crucial for competitor analysis. In case this limitation appears, the author will use facilities rent prices and information on competitors’ customers as major knowledge for orientation in companies’ financials.

1.1 Company Overview

![Spektr logo](image)

Figure 1  Spektr logo. English version

Spektr is closely held corporation and non-governmental organization established in Moscow, Russia, in 1989. It has 120 employees and several affiliated firms all over Moscow region. The company operates in the field of commercial real estate management, including projecting, construction, and repair works. To demonstrate further, Spektr acquires land in Moscow and the Moscow region, then it is involved in building business quarters and office centers there, afterwards the offices are leased to Spektr’s clients. Among the completed projects there are two business quarters in
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Moscow, a business hotel in Moscow, and a cottage village in Bodrum, Turkey. Moreover, there is a future project warehouse in Moscow region. Spektr’s major clients are Oriflame, American Express Bank, International Medical Corps, Volga-Dnepr Airlines, Kaldewei. In addition, the company hosts corporative events for Spektr employees and Spektr’s partners at least two times per year.

Spektr started with the decision of the State Planning Committee of the USSR on the 6th of May in 1964. On the basis of the Metallurgy Institute of the USSR the Research and Development Institute of Introscopy was founded. It had eighty employees who had to start the institute from scratch. War veterans and highly respectable scientists were invited to the project. Eleven years later in 1975 the state organization Spektr was created that was an intermediary between the Institute and the factories it was working with in Russia, Belarus, Kazakhstan, Kabardino-Balkariya, Moldova as well as United Kingdom, France, Germany, USA, etc. It was formed on the order of the instrumentation, automation facilities and control systems minister of the USSR. In 1989 RDII and Spektr were acquired from the state and became independent equity joint enterprises. In 2001 RDII created the association Spektr-Group which included 25 leading Moscow companies and organizations of scientific purpose. Several times after its creation Spektr’s organization structure and purpose were changed. Nowadays it is the closely held corporation and non-governmental organization operating in the commercial real estate management in Moscow and Moscow region.

Figure 2 Spektr logo. Russian version

Spektr operates in B and B+ offices segment. There are four office categories A, B, C, D where A is considered to be the highest class and D – the lowest. It directly affects the price of the rent, and in order to belong to a certain category the certain quality requirements shall be met. The factors that influence the class of the office are: location, building type, year of construction, construction decisions, windows, interior and planning, engineering systems, air conditioning systems, telecommunications, parking spot, elevators, security system, and infrastructure. In B class offices there are several subcategories: B+, B1, B2. Often foreign companies’ repre-
sentative firms, Russian banks, and publishing companies rent B class offices for their needs.

1.2 Current Situation

In 2008 the general meeting of directors reelected the new CEO of Spektr. They confirmed Vladimir Kliuyev as the CEO and it is the position he holds until this day. Vladimir Kliuyev is the son of the previous CEO and most employees did not expect his government to be too different from his father’s. In spite the expectations, Vladimir reformed Spektr a lot changing and replacing the key company roles with new younger people. So he lead his own reformation.

There are both the positive changes and the downsides of his rule. The organization of companies in Russia implicates the high power distance dimension by Geert Hostede which means that the key figures have the highest authority and nobody is recommended to question their decisions unless they wish to damage their relationship with the company or even get fired. In general, the company’s structure is very authoritative and the executive management is unreachable for the usual employees. Replacement of old and experienced employees with young and motivated ones might have been not the best decision in the current situation since the choice was guided by favoritism rather than the personal merit of the people involved. Young and motivated employees were not protected from making mistakes, thus, the situation the company is in nowadays appeared.

Spektr surely stands out of the general commercial real estate Moscow market. Its only marketer claims that Spektr is following low cost marketing strategy path while the figures the author has studied in the mini-thesis ‘Improving Competitiveness through Competitor Analysis’ tell otherwise. Obtaining new customers in the current market situation appears to be highly challenging while retaining the old loyal customers that have always remained key elements of Spektr’s strategy is turning harder every year. Old customers are not satisfied with the fact that they do not get to work with the same people that they used to just a few years ago since establishing a personal connection cannot be underestimated while conducting any business in Russia. These salespeople that they used to communicate and negotiate with were downgraded or fired, and the new employees in their roles did not appear so professional and certain about what they were doing. The rental pricing level grew significantly in comparison with what the loyal customers used to pay (and it was a higher percentage growth than Spektr’s competitors) and it appeared very hard for the new employees to explain the current situation to the loyal customers because the exclamation “The country is in crisis!” does not justify everything by default. Therefore, the loyal companies started to look for the offices in other places. Gaining new customers in the situation of the decreased financial and corporate activity remains resource-consuming and inefficient for Spektr since the customers always have better options in the tense competitive environment the commercial real estate management industry is revolving in. Thus, the actual purpose of this thesis is to solve the loss
of the existing clients’ problem in the long term and to develop the company’s marketing to the level that the new customers would be easier to obtain and retain.
2 THEORY FRAMEWORK

This chapter contains the solid theoretical background for the conducted study. All aspects of the competition and the relevant areas such as competitive advantage, competitive strategies, value proposition, marketing and market intelligence, are analysed. The secondary sources used in the actual chapter are the studies of marketing gurus such as Michael Porter and Philip Kotler.

2.1 Competition

Understanding the industry and competition within it is essential in order to successfully define the profitability of the business, the key players within the industry, evaluate them correctly and, finally, outsmart the industry leaders. Generally, competition is rivalry in which every seller providing similar goods or services participates and tries to get what others are seeking at the same time. (BusinessDictionary.com 2016.) In order to be on top of this neverending rivalry the companies implement various competitive strategies. However, the competitive strategies’ design and creation cannot happen without the deep understanding of the rules of the competition. The ideal goal of the competitive strategy is to cope with and change these rules in the firm’s favor. As identified by Michael Porter, “in any industry, whether it is domestic or international or produces a product or a service, the rules of competition are embodied in five competitive forces: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors”. (Porter 1985.)

![Diagram of the Five Competitive Forces](image)

Figure 3 The Five Competitive Forces that Determine Industry Profitability

The Five Competitive Forces table is the framework for studying the industry structure, which is "the underlying economic and technical
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characteristics of an industry”. Understanding the five forces better than competitors gives a firm the advantage in choosing the right competitive strategy and implementing it successfully. Michael Porter provides his Elements of Industry Structure that serve as the framework for identifying key industry elements, and as he points out, "the five-forces framework allows a firm to see through the complexity and pinpoint those factors that are critical to competition in its industry, as well as to identify those strategic innovations that would most improve industry’s – an its own – profitability". The limitation to the five-forces framework is that it is still necessary to be creative and innovative while being a part of the competition rivalry and by all means, the framework is not the only and single tool that shall be implemented while identifying and shaping the key characteristics of the industry. (Porter 1985.)

To understand the competition better, marketers identify three competitor types. Direct competitors (also called category competitors or brand competitors) are all companies which provide similar products to their consumers. Indirect competitors are the companies whose products are different but satisfy the same customer need. Products that those competitors provide are called substitutes. Budget competitors are companies which provide products which are not considered to be the firm’s competitors unless certain conditions occur. In the actual report only the direct competitors are considered and researched, since in the commercial real estate management field it is unlikely the customers will prefer indirect competitor’s product. (Burstein 2012.)

2.2 Competitive advantage

Competitive advantage is at the heart of a firm’s performance in the competitive markets. After several decades of the vigorous expansion and prosperity, however, many firms lost sight of competitive advantage in their scramble for growth and the pursuit of diversification. (Porter 1985.) In fact, many companies tend to underestimate or forget about the necessity of the competitive advantage and the competitor screening. Instead, many enterprises operate on what is called “informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives.” As a result, the fact that the firms don’t keep track of their competitors and competitors’ strategies places many companies at risk of a competitor’s offensive strike. (Fleisher & Bensoussan 2007.) Therefore, paying attention to the marketing strategy of the company, creating and sustaining the competitive advantage is of the utmost importance even for the company which operates in the field as narrow as Spektr’s.

This discourse brings the reader to a question: what is exactly competitive advantage? According to Philip Kotler et al. in the Principles of Marketing, the competitive advantage is an advantage over competitors gained by offering greater customer value, either by having lower prices or providing more benefits that justify higher prices. The core principle of the competitive advantage concept is the absence of the gap between what the firm offers and what it delivers. If company uses the differentiation strategy and
positions its product as the best quality and service item in that category, it shall not merely shout the slogans for the purpose of promotion, but also bring those slogans to life. Otherwise, it is considered that there is no competitive advantage of the actual firm. (Armstrong & Kotler 1999.) Considering the example of Spektr, they decided to choose the cost leadership strategy, but did not put it in action due to the lack of the environmental analysis, thus, they do not currently possess any competitive advantage being placed into “Stuck in the middle” category. (Porter 1985.)

In the actual report the author provides the findings on the competitive strategies developed by Michael Porter and Philip Kotler.

2.3 Identifying value differences

According to the Principles of Marketing written by the distinguished researchers of marketing familiar to most apprentices of this field Philip Kotler, Gary Armstrong, Lloyd C. Harris, and Nigel Piercy, the competitive advantage is gained primarily through differentiation and there are certain specific ways a firm can differentiate from its competitors defined as product, services, channels, people and image differentiation. (Armstrong & Kotler 1999.)

The product differentiation is the strategy of distinguishing the firm’s product from its competitors through differentiating on features, performance, or style and design of the product. Due to certain factors, this strategy fits primarily goods sector while commercial real estate management field is most likely good and service combined because its tangible features are not precisely clear. Thus, the product differentiation is probably not the best strategy for Spektr and it will be considered only in relation with other more successful choices. On the other hand, the service differentiation is already a component of Spektr’s positioning. In Principles of Marketing the service differentiation is positioning the firm’s product through enhancing the services that accompany the product. In Spektr’s case it is provision of the developed internal business infrastructure. Another useful technique is the image differentiation that is when the firm or brand shall differentiate through promoting a product’s distinctive benefits and positioning. (Armstrong & Kotler 1999.)

Two remaining differentiation techniques that least suit Spektr field specificity are the channel and people differentiation. The channel differentiation is gaining the competitive advantage through the way a firm designs its channels’ coverage, expertise and performance. Renting an office space is high involvement process, and the channels for that are mainly standardized. Finally, the people differentiation is standing out of the competition by hiring and training more professional and efficient employees than those of competitors. The reason for this strategy to be put aside is that it is so major and costly that the commissioning company might not be content with the proposition. Both of the mentioned strategies might be partially put in action, although. (Armstrong & Kotler 1999.)
2.3.1 Overall positioning strategy

In order to understand the principle of the general positioning strategy the authors introduced the term of the brand’s value proposition which is “the full mix of benefits on which a brand is differentiated and positioned”. As the authors of Principles of Marketing state, value proposition is how the firm answers the question ‘Why should customers buy your brand?’ In order to give a full answer to how to create a value proposition, the figure 4 is provided. In this table green cells reflect winning value propositions that help a firm gain competitive advantage while red ones are the ones that shall be avoided at all costs. The yellow cell represents a mediocre proposition. (Armstrong & Kotler 1999.)

<table>
<thead>
<tr>
<th>Price</th>
<th>More</th>
<th>The same</th>
<th>Less</th>
</tr>
</thead>
<tbody>
<tr>
<td>More</td>
<td>More for more</td>
<td>More for the same</td>
<td>More for less</td>
</tr>
<tr>
<td>The same</td>
<td>The same</td>
<td></td>
<td>The same for less</td>
</tr>
<tr>
<td>Less</td>
<td>Less</td>
<td></td>
<td>Less for much less</td>
</tr>
</tbody>
</table>

Figure 4 Possible value propositions (Armstrong & Kotler 1999 p. 225.)

The winning value propositions are: more for more, more for the same, more for less, the same for less, less for much less. In Spektr’s management perception the firm takes position ‘the same for less’ while in reality they provide ‘the same for more’, which is a losing strategy. (Armstrong & Kotler 1999.)

‘More for more’ strategy is suitable for the high class companies that provide egalitarian products. It means charging a higher price for a higher quality product. The products with such value proposition are viewed by the customers as ‘the best’ in their category coming along with the better services and, therefore, they cost more. A lot of market sectors already have their ‘more for more’ product, however, companies shall be seeking for realistic opportunities to introduce a ‘more for more’ brand in any underdeveloped product or service category, as the authors of Principles of Marketing advise. ‘More for the same’ is a strategy for attacking ‘more for more’ companies by introducing a product of the same quality but for a lower price. ‘The same for less’ offer is a good bargain in the eyes of customers. They get the same mainstream product for a lesser price which is viewed as favorable. ‘Less for much less’ is the cheapest product category. The low price is the main benefit the customers get purchasing this product. In many product categories this might be the best strategy for the majority of people. ‘More for less’ strategy is considered the best value proposition of all the mentioned ones, however, it is incredibly hard to achieve and sustain it. There is a danger of losing the customers to more focused
competitors that are not trying to deliver everything at the same time. (Armstrong & Kotler 1999.)

By choosing the value proposition a firm also chooses its target market and the overall strategy, therefore, it is one of the major choices the company’s top management has to make. (Armstrong & Kotler 1999.)

2.4 Michael Porter’s generic competitive strategies

Generic competitive strategies by Michael Porter serve to determine the firm’s relative position within its industry and, consequently, rule the firm’s profitability rate. The key lead to successful ‘on top of the market’ performance is the sustainable competitive advantage. It is not enough to jump in the right generic strategies sector, the main struggle is to stay within the appropriate and profitable cell for a long period of time. As Michael Porter notices, all strengths and weaknesses of a firm ultimately end up in two main advantages a firm can possess: low cost or differentiation, and these two advantages take their origin from the industry structure. From this point of view, approach of Michael Porter is much more narrow than that the one observes in Principles of Marketing, the marketer combines value differences and value proposition into one package in his ‘Competitive Advantage’. Michael Porter writes: ‘The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus,’ and it can be called the definition of the three generic strategies provided in the next chapters. In order to introduce the strategies and explain the next figure, the author mentions that a firm always has to make a choice whether it wants to use the cost leadership strategy or the differentiation strategy and next step is to choose on which market scope to implement this strategy. Therefore, the focus strategies target a narrow market segment. (Porter 1985.)

**THREE GENERIC STRATEGIES**

**COMPETITIVE ADVANTAGE**

<table>
<thead>
<tr>
<th>COMPETITIVE SCOPE</th>
<th>LOWER COST</th>
<th>DIFFERENTIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Target</td>
<td>1. Cost Leadership</td>
<td>2. Differentiation</td>
</tr>
<tr>
<td>Narrow Target</td>
<td>3A. Cost Focus</td>
<td>3B. Differentiation Focus</td>
</tr>
</tbody>
</table>

Figure 5 Three Generic Strategies adapted from Porter 1985: p.12

There are specific requirements for the successful adaptation of one of the generic strategies as implementing a different strategy requires different organizational resources and skills. Apart from that, the generic strategies
might require different leadership styles, and the main implications for successful implementation of the generic strategies adapted from Michael Porter’s major work Competitive Strategy are as follows: (Porter, Competitive Strategy)

<table>
<thead>
<tr>
<th>Generic Strategy</th>
<th>Commonly Required Skills and Resources</th>
<th>Common Organizational Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Cost Leadership</td>
<td>Substained capital investment and access to capital</td>
<td>Tight cost control</td>
</tr>
<tr>
<td></td>
<td>Process engineering skills</td>
<td>Frequent, detailed control reports</td>
</tr>
<tr>
<td></td>
<td>Intense supervision of labor</td>
<td>Structured organization and responsibilities</td>
</tr>
<tr>
<td></td>
<td>Products designed for ease in manufacture</td>
<td>Incentives based on meeting strict quantitative targets</td>
</tr>
<tr>
<td></td>
<td>Low-cost distribution system</td>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td>Strong marketing abilities</td>
<td>Strong coordination among functions in R&amp;D, product development, and marketing</td>
</tr>
<tr>
<td></td>
<td>Product engineering</td>
<td>Subjective measurement and incentives instead of quantitative measures</td>
</tr>
<tr>
<td></td>
<td>Creative flair</td>
<td>Amenity to attract highly skilled labor, scientists, or creative people</td>
</tr>
<tr>
<td></td>
<td>Strong capability in basic research</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate reputation for quality or technological leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long tradition in the industry or unique combination of skills drawn from other businesses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strong cooperation channels</td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td>Combination of the above policies directed at the particular strategic target</td>
<td>Combination of the above policies directed at the particular strategic target</td>
</tr>
</tbody>
</table>

2.4.1 Cost Leadership

Cost Leadership strategy is the most apparent and clear of all the strategies. A firm that follows it aims to become the low-cost producer in its industry. The firm operates in the large market and might even serve in several related markets. The reason for low costs are different for every business and vary depending on the industry. As Michael Porter underlines, ‘a low-cost producer must find and exploit all sources fo cost advantage’. Low-cost firms usually sell just the product itself without any additions or services. (Porter 1985.)

If the firm is successful in this strategy and can sustain its superior performance, it is able to dictate prices at or near the industry average. However, the low-cost firm always has to keep an eye on the competition, since if the differentiation followers’ products are superior to the low-cost one and the low-cost company’s product is not acceptable by the buyers, it
will have to significantly and dramatically drop the prices to gain sales, thus, it will turn their competitive advantage to be not profitable. To avoid this problem a firm’s product must achieve parity or proximity so that its product is identical to the competitors or equally preferred by customers. The ideal situation for the firm pursuing this strategy is to be the cost leader, not one of the several companies competing within its segment. Finally, the rivalry in this segment tends to be especially tense as every point of market share is viewed as crucial. (Porter 1985.)

This strategy carries within some certain implicit risks, however, and they include, first, a possible technological change or innovation that destroys the past researches and investments; imitation or implementation of the company’s low-cost strategy by market rivals; highly concentrated attention on cost that clouds the sight of the required product or market change; inflation in costs that minimizes a possibility for the firm to keep the pricing distance from competitors. (Porter 1998.)

2.4.2 Differentiation

‘In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers’, according to Michael Porter’s definition. The key for achieving a competitive advantage is the selection of one or more attributes that are viewed by the customers as desirable, and positioning the product as unique according to specific customers’ needs. This unique positioning usually goes hand in hand with the premium pricing. (Porter 1985.)

The differentiating factor can largely vary from a company to a company. For some it is a product feature, for others – services that satellite this product or a unique marketing channel. If the firm’s premium pricing efficiently covers high costs associated with the uniqueness of the product and the sales do not drop and it is operating in this regime for a significant amount of time, it is considered to be an above-average performer in the area. Therefore, the price premium must always be greater than the costs of the unique feature provided for differentiating. As Michael Porter points out, ‘a differentiator thus aims at cost parity or proximity relative to its competitors, by reducing cost in all areas that do not affect differentiation’. The attributes that are chosen by a firm-differentiator must be different than those of the competitors so that the company shall fill in a specific unique niche in its industry and in the hearts and minds of the consumers. A firm must be unique or perceived as unique. (Porter 1985.)

As the low-cost strategy, the differentiation approach also possesses specific threats and risks. First, the low-cost competitors’ and the firm’s price gap might be so huge that the customers would be willing to switch to the low-cost brands. Secondly, the customers might grow to be more sophisticated, thus, customer’s desire for differentiated brand will decline. Finally, among the risks studied by Michael Porter there is the risk of the competitors that imitate the firm’s product. (Porter 1998.)
2.4.3 Focus

The focus strategy’s essence is choosing a narrow competitive scope within the industry. The follower excludes all other market segments except its target choice and serves it only. By choosing this competitive strategy a firm does not possess any overall competitive advantage but has it only within the chosen market segment. (Porter 1985.)

Apart from choosing the focus strategy, the firm also has to choose whether it wants to pursue the cost focus or the differentiation focus strategy within its target market. Both of these substrategies, however, concentrate on the differences between a firm’s target market segment and the whole industry. The author of 'Competitive Advantage' advises: 'The target segments must either have buyers with unusual needs or else the production and delivery system that best best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments’. The chance for taking the focus strategy takes place when the competitors that chose the cost leadership or the differentiation strategy for a broad category serve the buyers with the special needs somewhat poorly. The competitive advantage in this case is gained by the firm that dedicates itself entirely to this ignored market segment. The competitors within the segment might be either underperforming or overperforming, and a firm takes advantage of them. (Porter 1985.)

The risks associated with focus strategy are: the broadening price gap between the broad and narrow approaching firms, therefore, customers switch to more price-friendly companies; the disappearing difference between the narrow-segmented and broader products; outfocusing the focuser by the competitors that find subsegments within the chosen segment. (Porter 1998.)

2.4.4 Stuck in the middle

There is also the category or companies that try to use each generic strategy but fail to succeed at any of them, or those that are not willing to make a choice between the strategies. They are called 'stuck in the middle’. Such companies have no competitive advantage. They also have a very little chance of survival, because in each of their strategies there are better performing competitors. Stuck in the middle firm can be in favor only if its competitors are also stuck in the middle, or if its industry structure is highly favourable. Michael Porter highlights that typically in an industry there are several competitors that are stuck in the middle. It happens not only to relatively new and unstable firms but also for those successful ones that decide to implement more than one strategy for the sake of growth or prestige or switch to another strategy unsuccessfully. (Porter 1985.)
2.5 Competitor analysis and Competitive strategies

While formulating a business strategy, the competitors’ strategies and positions have to be considered in order to be on top of the competition. Therefore, the competitor analysis is a vital part of the strategic planning process. It has two main components: gaining knowledge about important competitors and using obtained information to predict the competitor behavior and to formulate competitive strategy. The major purpose of the competitor analysis is to know which competitors to compete with, what are competitors’ strategies and plans, what are the competitors’ reactions to the external factors, how to influence the competitor behaviour. In this subchapter the information on the Marketing Intelligence area is provided and several techniques of the competitor analysis are considered as a potential tool for the research.

2.6 Marketing and Market Intelligence

Marketing intelligence is an essential component while creating the added value to the company. It is intended to assist in the decision-making and its purpose, as defined by Pierre-Louis Dubois, Alain Jolibert and Hans Mühlbacher in their book ‘Marketing Management’, is ‘to obtain, analyse and interpret data, in a formal and scientific way, in order to provide the decision maker with useful information’. There is a wide range of activities that comprise the marketing intelligence area and the concept might be applicable for the multiple purposes such as diagnosing and analyzing an issue or solving a problem. The key for the effective marketing intelligence is the reliability of the information gathered, otherwise it would affect decision-making negatively. The marketing intelligence is a fairly formal process which relies upon specific scientific structured patterns of research, therefore, it is supposed to be accurate and formally organized. Various methods are used in the marketing intelligence research such as profiling, mapping of competitors, conducting surveys, etc. (Marketing Management)

The whole concept of the marketing intelligence derives upon its practicality and relies heavily on the research process and outcomes. The research process consists of four consequential steps. First, a firm management has to identify a problem or an opportunity where the marketing intelligence might be implemented to find a resolution and, consequently, the firm starts the research process. The crucial process milestone is composing a realistic research plan when a firm identifies methods and audience it wants to study. Next, the research shall be executed and the plan shall be corrected according to the obstacles met in the process. Finally, the research is analyzed and research reports are presented for developing the further strategies and solutions. In this process marketers shall take equal care of all four stages, as noticed by the authors of Marketing Management, otherwise, the plan is doomed to failure. The information for the marketing intelligence is obtained through secondary and primary sources. Secondary sources information is relatively easy to acquire either through internal company channels or external data bases. However, there are drawbacks and limitations to it as it might be outdated or not adequate for
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a particular business area. Primary information is gained through three means: observation, experimentation or survey/interview. (Marketing Management)

![Diagram of Types of Intelligence in a Company](image)

In their book Market Intelligence Per V. Jenster and Klaus Solberg Søilen use a similar term ‘market intelligence’ as a broader scope of the marketing intelligence with a similar definition. According to them, there are several types of intelligence in a company which are all closely related, interconnected and are, in fact, a part of one large concept of the market intelligence, however, the author of the actual report is mainly concentrating on the competitor intelligence as highlighted in the figure 7. Competitor analysis in relation to marketing intelligence is a continued part of it. According to information presented in Market Intelligence of Per V. Jenster and Klaus Solberg Søilen, the most effective competitor intelligence tools are SWOT analysis, competitor profiling, and financial analysis. The competitor profiling has already been used by the author of the thesis in the previous mini-thesis paper, therefore, other methods will be primarily implemented. (Jenster & Søilen 2009.)

2.7 Competitor analysis

The cornerstone for formulating a competitive strategy is a reflective and adequate competitor analysis conducted in order to distinguish it effectively from the competitors. The answers that a competitor analysis effectively responds to are such as follows: “Who should we pick a fight with in the market, and with what sequence of moves?” “What is the meaning of that competitor’s strategic move and how seriously should we take it?” and “What areas should we avoid because he competitor’s response will be emotional or desperate?” (Porter 1998.)

2.7.1 Competitor analysis framework

The sophisticated competitor analysis is the required basis for concluding a strategy, nevertheless, it is not always properly conducted in companies whether periodical or not and sometimes it remains carried out in the thought but not in practice. According to Michael Porter’s introduction to
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the competitor analysis framework in his book 'Competitive Strategy’, a company cannot assume that it knows everything about its competitors neither it can effectively predict the competitors’ actions without a systematic analysis. The components to the competitor analysis that Michael Porter has introduced are: future goals, current strategy, assumptions, and capabilities. In order to predict the future behavior and responses of a competitor, it is vital to have a good grasp on the competitor’s assumptions about itself and the industry it operates within and on its future goals which is the cornerstone for understanding the competitor’s behavior drivers. On the contrary, most companies have a general image of its competitors’ strengths and weaknesses and do not know what lies underneath them, what is important in the competitors’ eyes. (Porter 1998.)

The competitor analysis framework presented by Michael Porter is also going to be applied to the case company itself wherefore it is an accurate tool for learning about how the competitors see and evaluate the case company. (Porter 1998.)

The future goals diagnosis is one of the key components of the competitor’s response profile for the following reasons: it is an efficient tool that assists in prediction whether the competitor is satisfied with its current position and financial outcomes as well as the probability of it changing its current strategy. Future goals are not limited by the financial gains, they may also include certain strategic achievements such as technological position, market leadership, social performance, etc. There is a certain question set deducted by Michael Porter that assists in identifying competitor’s present and future goals that are divided into business unit goals questions and corporate parent goals questions that are provided in his book and that are used for the proper competitors’ positioning identification. The questions provide the understanding of the current competitor’s position as well as its future objectives both on the business unit level and on the parent level considering their correlation and interconnectedness. The value of future goals analysis is that it helps a company to not intrude into the
key areas of its stronger competitors and to fluently navigate in the market which allows it to find its own position as well as identify its defenses against the rivals. (Porter 1998.)

Examining a competitor’s assumptions about itself and about the industry and the other companies in it is also a crucial step in effective competitor analysis. The company’s assumptions about itself dictate its behavior and reactions within the industry (e.g. the low-cost producer would try to control the market’s lower threshold if it feels that its position is threatened). The competitor’s assumptions may be correct or not, and if it is not, it opens a set of prospective opportunities for a company to make a move and take advantage of the wrongly aware competitor. Therefore, assumptions identification reveals the competitors’ biases and blind spots which would help in planning the strategic moves with the longest response time by competitors. Michael Porter also concluded questions for learning about the competitors’ assumptions that would identify both realistic and incongruent with reality perceptions of competitors that are provided in his study of the year 1998. Existing history of the competitor’s reactions is an asset when examining the competitor’s assumptions. Comparing past and present competitor’s state a company is able to predict what would be its major goal within the industry. Learning the managerial background of competitors’ is also essential to forecast what would be their future decisions and what competences they personally have that would assist them. (Porter 1998.)

Current strategy is another component that has to be known to create a fully comprehensive competitor profile. The strategy is either explicit or implicit and the generic strategies are covered in Michael Porter’s generic strategies section of the thesis. (Porter 1998.)

One of the ultimate goals of the competitor analysis is getting a realistic and thorough understanding about competitors’ capabilities, strengths and weaknesses and abilities to react to tactical moves of its rivals within the industry. The capabilities can be determined using the five competitive forces or the SWOT analysis performed on the competitor profile. (Porter 1998.)

Successful combination of the four components provides a general picture for a competitor response profile that allows a company to predict its future positions and statements. (Porter 1998.)

2.7.2 Competitor group mapping

The competitor mapping is a technique that belongs to the group of the structural analysis of competitors within the industry. Opposed to the five competitor forces that are covering the industry as a whole, structural analysis is implemented for studying the industry more elaborately. One of the greatest advantages of the structural analysis is that it considers the players within the industry as thorough as the industry environment itself. It provides a clear explanation why some companies are outperforming others despite their size and why larger companies are underperforming, in
that sense structural analysis is a great gift of knowledge available to and benefiting the one who can implement it properly. It is a great tool that can be applied quickly in the fast-changing environment of industries that heavily rely on technology and innovation as well as be an asset to the firms that operate in a relatively stable industry. (D’Aveni 2007.)

Michael Porter differentiates a few strategic dimensions that assist in identifying the strategic approach and the choice of a company that it is implementing in the specific industry: specialization, brand identification, push versus pull attitude, channel selection, product quality, technological leadership, vertical integration, cost position, service approach, price policy, leverage, relationship with parent company, relationship to home and host government. These dimensions provide an overall picture. Each of these strategical dimensions are explained by Michael Porter and are advised to be carefully considered when placing the competitors on the map. In addition, they are interrelated and normally a firm implies a number of these interrelated strategic dimensions though not all of them. (Porter 1998.)

After assigning the appropriate characteristics to all competitors within the industry in the current structural analysis the company shall divide them into strategic groups. By definition provided by Michael Porter in ‘Competitive Strategy’ ‘a strategic group is the group of firms in an industry following the same or a similar strategy along the strategic dimensions’. There might be multiple amount of the strategic groups or only one within the industry depending on the market. In some cases, each firm follows its own strategy, therefore, there is only one firm in each strategic group, however, this situation is quite extreme. More often there are a few distinctive groups that have several firms within their strategic borders. Sometimes the groups are distinguished by the firms’ product or marketing, however, in some cases in certain industries the product can be identical and it is logistics, cost approach, production approach that differ. Michael Porter underlines that strategic groups do not equal market segments; instead they are identified on a larger scope of positioning and strategic attributes. Firms within one strategic group have a tendency to resemble each other and to make the same competitive strategic moves. (Porter 1998.)

The purpose of the map in the structural analysis is to display the strategic groups in an intuitively understandable and visual way that eases interpretation and allows deciding on the future competitive moves relatively easier just as if there was an actual geographical map. It is an analytical tool that concentrates on the vital differences between the firms while considering that each company is ultimately unique. Conclusively, the less strategic groups are in the industry the easier the analysis of the industry is and vice versa. The five competitive forces ultimately influence not only the industry as a whole but also each strategic group dictating ease of entry barriers, shifting to another group barriers, the degree of bargaining power of buyers and suppliers, the threat of competition and the degree of rivalry between the strategic groups and between the firms. The strategic group map is an instrument that focuses on the strategic space opposite to
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traditional approaches of comparing the price and market volume. (Porter 1998.)

Strategic group map is highly customizable and is in absolute control of the analyst. Axes are determined by the analyst, however, there are a few principles that should be considered when choosing the variables. The analyst shall determine the key mobility barriers, shall not choose axes variables that move together, is not limited to choosing the axes that are continuous or monotonic variables, lastly, he or she can map an industry several times to consider all angles to view competition. There are also several recommended steps that make mapping process more structured. First step is identifying mobility barriers that protect the strategic groups from attacks of other groups. This step is assisting in predicting possible threats and changes to current company position. Second step is identifying marginal groups that are defined as ‘groups whose position is tenuous or marginal’. They are more likely to exit the market or try to change their group. Third step is charting the directions of the strategic movement from the industry point of view. It is displayed by arrows that point to the direction in which the group or a company is shifting or might shift. It might show that firms are converging or diverging on the map that makes rivalry more tense or more stable. Fourth step is analyzing trends and the final step is predicting reactions which is very vital from a strategical point of view. Firms in the same group have a similar reaction to an event or happening. (Porter 1998.)

2.7.3 Industry scenarios and Uncertainty

The industry context is rarely stable and the future uncertainty is an important factor to consider when formulating a strategy for the firm. Scenarios is a tool that addresses the problem of the future ambiguity and is defined by Michael Porter as ‘an internally consistent view of what the future might turn out to be’. The uncertainty consequences are systematically analyzed and the more matching strategy can be chosen. As Michael Porter defines the macroscenarios are ‘scenarios traditionally used in the strategic planning’ that assign high value to the macroeconomic and macropolitical criteria. Macrosenarios used to be a somewhat popular planning tool among the natural resources companies, however, they have some significant drawbacks. They are too general and subjective and cannot be implemented for the strategy development within particular industry. However, the scenarios in general remain a powerful tool that allows to see beyond the limitations of a particular company and much farther than present point of time. Therefore, after the macrosenarios came the industry senarios. As Michael Porter points out, they ‘allow a firm to translate uncertainty into its strategic implication for a particular industry’. The industry senarios analyze all current and future aspects of the industry itself as well as its external influence factors and one of its most significant advantages is that it also considers the competitor behavior which is itself a very large factor for the uncertainty. (Porter 1985.)

As Michael Porter points out, ‘industry scenario is not a forecast but one possible future structure’. Consequently, it is effective to use multiple in-
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Industry scenarios that are well selected to maximize credibility of the analysis by covering several future structures. It is a possible approach for designing a competitive strategy with the time frame depending on the most vital investment decisions. In order to construct the most effective future scenarios, it is critical to select those uncertainties that carry the most important influence on the industry structure. Another milestone is taking into account external factors such as the state of the economy, the political influence, and the seasonal change. (Porter 1985.)

Figure 9  The Process of Constructing Industry Scenarios

The first step in creating an industry scenario is the analysis of current industry structure and most influential uncertainties identification. Competitor behavior is not considered as an uncertainty factor in the scheme being left for the final step of the construction even though it might largely affect the whole process. In this case, uncertainty about competitor behavior may develop into additional scenarios. It is important to understand what uncertainties are supposed to be taken into account. There are generally three types of elements in the industry structure: constant, predetermined and uncertain. Constant elements are those that are stable and unlikely to change. Predetermined elements are the ones that are likely to change, however, the trends are highly predictable. (Godet 2000.) Finally, uncertain elements of the industry structure are those factors that depend on unresolvable uncertainties, and it is they who are the source for different industry scenarios. These uncertainties shall be independent of other elements of the industry structure and can originate either from outside or inside the industry. (Porter 1985.)

Once the scenario variables are identified constructing industry scenarios is relatively easy especially if there was only one scenario variable. Sce-
nario variables serve as a cornerstone for the development of the whole set of scenarios and it cannot be over-emphasized how important this step is for the whole analysis to be plausible. It is also important, however, not to take too many variables into account concentrating on the most important ones, otherwise the analyst can easily get lost in the continuum of possible scenarios. (Porter 1985.)

The next crucial step in constructing industry scenarios is determining the various assumptions about to be made about each scenario variable. Assumptions selection shall be made upon the following factors according to Michael Porter: the need to bound the uncertainty, regularity of the impact on structure, manager’s beliefs, and practicality. The assumptions must be internally consistent as the whole industry scenario method is based upon internally consistent view of future. After the assumptions are made, the next important step is analyzing scenarios. According to Michael Porter it involves the following: determining future industry structure under the scenario, developing the implications of the scenario for industry structural attractiveness, identifying the implications of the scenario for the sources of competitive advantage. A vital part of analysis is understanding the moment when the particular scenario has come to pass. A scenario might escalate quickly or over a few years. (Porter 1985.)

The final step is adding the competitor behavior factor into the scenario. Often competitor behavior is very difficult to predict. An important tool that assists in analysing competitor behavior is strategic mapping of competitors that is described in Competitor group mapping in the actual thesis. It allows the ‘simultaneous display of all competitor’s expected behavior under a scenario’ and assists in analysing the interaction between competitors within the industry. (Porter 1985.)

2.8 Competitive strategies

When the industry structure is well known, it is time for a firm to decide which strategy it wants to implement to resist the five competitive forces of Michael Porter. Ideally its strategy has to give a clear defence against each of them by taking offensive or defensive actions. There are three generalized approaches to formulate an adequate response to the competitive forces: ‘positioning the firm so that its capabilities provide the best defense against the existing array of competitive forces; influencing the balance of forces through strategic moves, thereby improving the firm’s relative position; or anticipating shifts in the factors underlying the forces and responding to them, thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognize it’, according to Michael Porter’s chapter on the Structural Analysis of Industries in his book ‘Competitive Strategy’. Hereunder the two major approaches to formulating a competitive strategy – offensive and defensive – will be provided. (Porter 1998.)
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2.8.1 Offensive strategy

According to Michael Porter, offensive strategy takes form of attacking a market leader when it’s most vulnerable. The major circumstance for success is attacking a leader with a well-prepared and analyzed strategy regardless of the challenger’s (a firm who attempts to attack a leader is called ‘challenger’ by Michael Porter) capacities and resources. A challenger has to meet several criteria to ensure the success of this risky endeavor. First, it must have and sustain a clear competitive advantage. It must be in a superior condition and position than a market leader and, therefore, dominate on it. Second, it must have proximity in other activities in order to surpass a leader’s capabilities in areas distant from the trade itself; otherwise, a leader will use its proximity to neutralize a challenger’s aggressive move. Third, a challenger must have some impediment to leader retaliation which means that a challenger must possess enough resources to blunt a market leader and prevent it from successful defensive response that might drain a challenger’s resources. (Porter 1985.) With all these circumstances taken into consideration, it was concluded from the previous paper conducted by the author that Spektr does not meet the criteria of possessing and maintaining a sustainable competitive advantage, therefore, it would have to first take a defensive strategy against the competitors.

2.8.2 Defensive strategy

Defensive strategy is more important in some way than offensive one, although every company is vulnerable to an attack, every company is a potential target of it, and market attacks might significantly shake a firm’s position, the single successful defensive response from a company with a sustainable competitive advantage is able to neutralize it. Defensive strategy also gives a firm an opportunity to prevent an attack and its goal is to affect a challenger’s expectations of the return from entry or repositioning which is leading to a challenger giving up on its moves and decisions. There are three types of defensive tactics that are at the core of any defensive strategy: raising structural barriers, increasing expected retaliation, and lowering the inducement for attack. (Porter 1985.)

Raising structural barriers leads to a challenger’s perception of attack attractiveness decreasing and a challenger’s expected profit from a move also decreases. Structural barriers to entry are the natural or tactical barriers that arise in a market preventing new entrants. Raising structural barriers tactic filling product or positioning gaps. Such moves force a challenger to take the defense head-on instead of being able to gain market share unopposed. Block channel access is another method of raising structural barriers. When an organization makes it more difficult for a challenger to gain access to distribution channels it raises a major structural barrier. Defensive strategy should be directed not only toward the channels of the organization but also toward blocking access to other channels that may be a substitute channel or a springboard for the challenger’s entry in the organization’s channels. Next, there is a method to raise buyer switching costs. The organization can raise barriers by raising the switching cost of buyers.
Low-cost training of buyer personnel, participation in joint product development with buyers or ownership of on-premise storage facilities on the location of buyers is some examples of raising this barrier. Another way is defensively increasing scale economies. Barriers increase if economies of scale grow. It is often possible to increase scale economies in areas such as advertising and technology development, where scale thresholds are competitively determined. The organization can increase scale economies most effectively in value activities where minimum scale if determined by technology. Often this implies differentiating in ways where the organization has a cost advantage in differentiation. The last strategy is forming a coalition to raise barriers. Coalitions with other organizations can raise barriers in many ways such as foreclosing alternative technologies or filling product gaps. Similarly coalitions with likely challengers may be a way to convert a threat into an opportunity. (Porter 1985.)

Increasing expected retaliation is an action that increases the threat of retaliation perceived by challengers. Signaling a firm’s commitment to defend its position is one of the ways to follow this tactic. The organization increases retaliation if it consistently signals its intention to defend its position by announcing intentions by management to defend market share in the industry; corporate pronouncements of the importance of a business unit to the organization; announced intention to build adequate capacity ahead of demand. Other way is signaling incipient barriers. Most tactics that raise effective structural barriers require the organization to make a significant investment. However, an organization may sometimes be able to achieve the same effect through market signaling or partial investment. This increases the expected retaliation by the organization in the future. Such market signaling can cause challengers to postpone future commitments until more information can be gained to learn if the signals are credible. A firm can also match guarantees. The organization raises the expectation of retaliation if it commits itself to match or better prices or other terms offered by competitors. A public stance that it will do so often deters challengers from attempting to gain position through discounting, particularly if an organization backs its claim once or twice in a publicized way. Finally, a firm can establish a defensive coalition. It may provide blocking positions or retaliatory resources that organization itself does not have. (Porter 1985.)

Lowering the inducement for attack is actions that lower the inducement for attack instead of raising its cost. Broadly, profit serves as the inducement for a challenger to attack an organization. The profits expected by a challenger if it succeeds are a function of an organization’s own profit targets as well as the assumptions held by potential challengers about future market conditions. There are two ways of lowering the inducement for attack: reducing profit targets and managing competitor assumptions. First, the reducing profit targets can be considered. The profits earned by an organization are a highly visible indication of the attractiveness of its position. An essential part of any defensive strategy is to decide what current price and profit levels are sustainable. There must remain a balance between the structural entry/mobility barriers and the threat of retaliation versus the organization’s profitability. Managing competitor assumptions
is another technique considered. The assumptions of the challenger about future industry prospects may lead it to attack another organization. If challengers believe that an industry possesses explosive growth potential, they may attack an organization despite high barriers. While an organization cannot credibly cause potential competitors to dismiss realistic assumptions about the industry, defensive strategy should attempt to make the assumptions of the potential challengers more realistic. (Porter 1985.)
3 RESEARCH ON SPEKTR’S COMPETITORS

The research part for the actual thesis consists from two parts: analysing the results received in spring 2015 during competitor profiling research and conducting an independent study on competitor behaviour using competitor strategic group mapping and industry scenarios methods. Bringing up prior results received during Global Marketing Project at HAMK University of Applied Sciences by the author aims at reviewing the current situation on commercial real estate market in Moscow while the recent research’s goal is to prove or correct previous conclusions and add new valuable insight in the industry for the commissioner company. After the research is done, the competitive advantage for the company is created and the main strategic vectors are determined.

3.1 Prior results

The results received through competitor profiling technique revealed several crucial statements that can be made about current Spektr’s position in the market. First conclusion refers to the analysis of rental prices within cost leadership group that Spektr has chosen as its marketing strategy. The author is concerned in the paper ‘Improving Competitiveness Through Competitor Analysis’ that general level of rental pricing in cost leadership category is RUB5,000-10,000 for one square meter per year. At the same time Spektr that aims to be in the same marketing strategy category has price level of RUB21,000-RUB32,700 m²/year which is two to three times more than other competitors. It is mainly related to the location fact since Spekt offices are located in the central area of Moscow where the rent price levels are significantly higher. Therefore, this interrelation goes in close connection with the next one which analyses rental costs within Moscow central area group. (Katasonova 2015.)

The author points out that competitors that use differentiation strategy are located primarily in Moscow Centre area. The bottom price for those are below RUB20,000 m²/year which is considered to be quite mild since at least one of them has outstanding historical building where offices are located and they have objective reasons to raise rent. Spektr price level is at most 1.5-2 times higher than of those companies following differentiation strategy in Moscow Centre. (Katasonova 2015.)

The final note concerns the role of various additional services provided to tenants by various marketing strategy groups. It is logical that the additional services are very similar within the same marketing strategy groups. They all have parking lots, cafés, banks. Usually there are supermarkets located within 100 meters range. However, not all of those additional services are owned by landlords and they generally do not provide any benefits or special offers to the leaseholders. In Spektr, on the other hand, it is guaranteed that leaseholders’ employees get discounts in beauty salon, while using hotel and travel agencies services, in addition, they get free medical insurance from the clinic which is also one of
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Spektr’s affiliated companies. This detail brings Spektr much closer to the companies following differentiation strategy. (Katasonova 2015.)

3.1.1 Practical implications and recommendations

Based on the short analysis provided hereinbefore the author came to conclusion that Spektr was following the chosen low cost strategy either without knowing what it actually implies or without a due diligence attention to the market trends. This situation creates a very uncertain position for Spektr when its loyal customers are willing to switch to more reasonable companies and new customers are not so interested in privileges provided by the company. The rental price level corresponds neither with the general price level of cost leadership group nor with the price level of Moscow Centre area. It is given that Spektr has already risen its rent price after 2014 rouble crisis, although competitors also did the same. From how it looks in the competitor profiling, Spektr falls much better in differentiation category, however, its core competences are still to be identified. (Katasonova 2015.)

Therefore, several practical recommendations were given to the case company regarding its current state and future actions. It appeared to be obvious that competitor analysis was necessary and vital for the company at that stage. Following wrong marketing strategy may lead to paralysis of business operations and inability to compete within the chosen group. It is clear that one of the routes of the developed misunderstanding comes from the fact that the company has no marketing head, it was only one person who was bearing the responsibilities of the marketer. Thus, the biggest recommendation which was given was to pay higher attention to the marketing and marketing strategy of the company. Spektr’s marketing strategy was recommended to be revised and changed. Increased effort of marketing specialist in cooperation with Spektr’s head figures had to answer the demand of deciding on its new course of promotion. Whether marketing strategy would remain cost leadership, the rent costs were to be reconsidered. And if it was changed into differentiation, the core unique feature of Spektr had to be developed (one of suggestions was to use its optional services as uniqueness for the given strategy). After it was accomplished, the whole perception of Spektr had to be changed in the eyes of the customers and competitors. (Katasonova 2015.)

Another important meaning of the research was that it revealed the necessity for the company to pay close attention to its industry even though it was relatively stable and predictable market. One of the biggest mistakes the marketer can make is confusing competitive advantage with “what you’re good at”. In case of Spektr it was confusing the price which it thought to be low with the average market level of prices. The company was advised to look outwards and analyse its competitors in order to avoid overestimating of its own strength. It might have perceived its price as its strong area, however, there were competitors which were even better than Spektr. This fact automatically eliminated its perceived strength as such, since customers always compared one given company with its competitors. (Katasonova 2015.)
Another reason why Spektr strategy failed was that it may have had confused price level with actual profit. It is one of the simplest and most common mistakes when the directors assume that the higher the price would be the bigger profit they will get. However, it would be a totally wrong assumption if Spektr had no core unique competence to justify the high price. The suggestion the author gave was to put acquired profit above price and concentrate rather on the business development and gaining new customers than on making the existing customers pay more. In the given circumstances this question seriously questioned the adequacy of Spektr’s management and was one of the top most important issues to be resolved before the company could move further. (Katasonova 2015.)

The final suggestion for Spektr was to steadily shift its positioning of B and B+ class office facility to A or A- class. It would be the most difficult option for Spektr that would allow it to improve its position since reaching the necessary qualification for A class facility carries a lot of requirements and implications within. Several of those conditions had already been accomplished at the moment of the research such as receptions, negotiation and conference rooms, air conditioning system, company’s own security services. However, many more steps had to be made to reach A level class which in the best case scenario would take years. (Katasonova 2015.)

3.2 Process

The actual research conducted for the thesis included two stages: developing a full and comprehensive industry scenario that would allow the case company to vector its further development and understand its current position and drawing the strategic group map of competitors for the commissioner to be one step ahead of competition once the current matters are settled.

The industry scenario uncertainty aspect was chosen by reviewing the numerous trends in commercial real estate market in Moscow researched by other professionals and selecting those that would affect the case company the most. It has been complicated for the author since it is generally hard to predict what trends will turn out to be relevant in the future and what will stay as a suggestion, therefore, the analysis of uncertainties affecting the commercial real estate market has required a lot of concentration and research in itself. The information on industry shifts and development was taken from three analytical websites Shopolog, RBC and Gazeta. The limitation of using such services is that the experts are not able to predict the future farther than couple of years and the situation might change dramatically in the meanwhile. The main complication that there is in Moscow commercial real estate management market is the current crisis of the currency which drags a lot of industries down. It is not a matter of a single commercial real estate industry, therefore, it is affecting the whole country. Predictions made on such global scale are rarely reliable. This is partly the reason why experts are not willing to share their concerns with the public: they don’t want to overwhelm the society with negative and
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gloomy forecasts and at the same time they don’t have a lot of positive prognoses to share. (Onuchina 2016.)

By the end of 2015 one of the main trends in commercial real estate management market in Moscow has been revealed: it is the reduction of rates and the changes in rental contract terms. This situation was caused by the ruble fall and by a rapid growth in supply while the demand in the crisis situation steadily falls. The rates fell 20-30% in dollar terms which is equal to the situation in 2008 as was calculated by CBRE. The rent rate for A class offices went up almost 10% and the rental rate for B class offices grew 12% more in the most optimistic estimation. If the situation will progress in the same direction, it is expected that the rates will grow 10% more in 2016 and 2017. It is clear that the worst moment when it suddenly hit Russian economy and crushed it like a house of cards is already behind, however, the recovery phase is never easy. Shopolog confirms that the rates will keep falling and underlines a few other meaningful trends. Most of these trends are already happening, for example, Shopolog suggests that the investments activity will continue to downgrade which especially concerns foreign investments. It concludes that the majority of investors would be the group of “hunters” who would purchase equity with significantly lower prices as the owners would have no other option but to sell them. Another important tendency is reprofiling office buildings. It is expected that already built and still constructing office buildings will be partly reprofiled into apartments. Full reprofiling is restricted by government. (SHOPOLOG.RU 2015.) Prospective office buildings that are still in project, however, are likely to be reprofiled fully into apartment buildings. This information was also confirmed by the government. ‘It is possible, however, that commercial real estate management companies of B+ class will keep developing if they continue pursuing an adequate price policy, says Denis Kolokolnikov, the chairman of the executive board in RRG, to the opposite of the general office market situation, however, it will be only professional real estate players who will survive in this crisis’. (ZDANIE.RU 2016.)

All of these trends could not have been taken into account while constructing an adequate scenario. However, the reduction of rates trend was considered as well as the reduction of competition that was demonstrated this year due to fall of the demand and reprofiling of office building projects and construction. The main questions the author of the actual thesis concluded in order to construct the industry scenarios were: “Will the rental pricing continue to grow in the commercial real estate management market? Will the competitors follow this trend? Will the demand decrease even more due to the rising prices? Will there be less competition in the commercial real estate market in years 2016 and 2017 in comparison to 2014 and 2015?” After these questions were formulated, the further process was relatively clear as the possible scenarios grow upon these questions. These calculations left twelve possible scenarios which was too big of a number. Some of the scenarios were highly unlikely from the first look, for example, the scenario when the general office rent price level goes down, the demand for office renting grows and the competition level decreases seemed to be highly unlikely. Therefore, some of the variants
were eliminated which led to four options considered to be viable enough to be included in the actual thesis. They were presented to the case company and all further assumptions were made upon them.

After the industry scenarios were constructed, the competitive strategic group map was drawn. In reality it was several maps that reflect different points of view on how the competitors would react to Spektr’s moves as well as how they would interact between each other and which strategical directions would different groups of competitors shift. The maps were drawn based on the probable reaction of competitors on the industry trends and they serve mostly as a useful tool for the company management to understand and be able to influence industry dynamics. Therefore, it is used on the last and final step of industry scenario method as it was originally suggested by Michael Porter in his book ‘Competitive Advantage’.

3.3 Results

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<tr>
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<th>Competition grows</th>
<th>Competition decreases or remains stable</th>
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<tbody>
<tr>
<td>Rental price rises</td>
<td>Very likely</td>
<td>Average probability</td>
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<tr>
<td>Rental price reduces</td>
<td>Average probability</td>
<td>Quite unlikely</td>
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Figure 10  The comparative table on possible industry scenarios

The actual table above represents the probability of each scenario that might happen in 2016-2017 period in commercial real estate management market in Moscow. Each situation operated under a set of factors: low investment rate, decreasing or stably low demand rate. Two casual factors actually affect the scenarios outcomes: competition rates and the development of rental pricing. Therefore, four options are available at the end to the commissioner. These options vary a lot and it is expected that the competitor behavior will be completely different under each set of causal factors. The challenge is to create a comprehensive competitive advantage under each scenario path and to select the most useful, most beneficial one that would be applicable and most beneficial under each scenario without hurting company’s potential. Another complication for the author was not to get too concentrated on the industry still keeping in mind the case company itself.

While the research was conducted, the recent analytical study displayed on the website Zdanie.info confirmed that the free office space is growing in 2016, therefore, the situation with competitor reduction is much less likely and almost impossible. The situation is still considered by the researcher in case the future practical implications of the described situation might arise.

Next step is group mapping of competitors in order to learn about their behavior in the context of industry scenarios. Obviously, not all competitors could be taken into account for the research since there is too many of
those. Only a few sample competitors were considered as they were the most expressive and distinctive in terms of competitor specificity. On the maps the competitor bubbles reflect their current position, while the arrows display how it is likely to move in the view of the industry changes. The actual competitor names are not stated, however, the following analytics of the competitors is provided for the reader.

Among hundred competitor companies analyzed, the majority was following low cost leadership strategy being 45% of all the companies. The companies following differentiation strategy constituted 41%, and focus companies counted 14% of all analysis. The focus-oriented companies mainly followed focus cost leadership strategy and the typical orientation and preferences of those were specialized industries, e.g. medicine equipment.

The presented maps reflect the position of Spektr in terms of specialization and price policy within the industry as well as brand identification criteria and the attitude towards additional services provided for tenants. It is clear that Spektr is closest to the group C in every map drawn. The groups have their distinctive characteristics. Group A companies are highly specialized, pursue focus cost leadership strategy, have tight relationship with parent organization and acquired a relatively stable market position, this is the reason why they generally remain stable on the maps. Group B companies are characterized by low or no specialization, low cost strategy, they have tight relationship with parent organization, their market position is not clear and they experience high financial pressure. Group C companies do not specialize, they pursue differentiation strategy, have independent or loose relationship with the parent company, experience high financial leverage and are marked by possessing highly developed infrastructure for their customers.
Creating competitive advantage on the basis of competitor analysis

Figure 11 Competitor strategic group mapping under rental price growth, increased competition situation
Creating competitive advantage on the basis of competitor analysis

Figure 12  Competitor strategic group mapping under rental price reduction, increased competition situation
Creating competitive advantage on the basis of competitor analysis

Figure 13 Competitor strategic group mapping under rental price growth, decreased competition
Creating competitive advantage on the basis of competitor analysis

Figure 14 Competitor strategic group mapping under rental price reduction, decreased competition
4 RESEARCH ANALYSIS

The actual chapter is dedicated to the analysis of the thesis research and it thoroughly considers all aspects of the study that has been made. The study concerned the strategic competitor group mapping under the industry scenarios. Finally, there are eight possible competitor maps each with the three competitor groups within where these competitor groups indicate moving to the certain market direction under the scenarios influence.

Hundred competitors in total were analysed, among them 45% pursued the low cost competitive strategy, 41% chose differentiation strategy and 14% preferred the gap focus strategy with one of the substrategies: low cost or differentiation. There are more than a thousand leasing companies in general in the Moscow commercial real estate market, therefore, the sample is estimated to amount 10% of the whole industry. It is the sufficient number for the competitor analysis in the actual thesis and it is sure to distribute the numbers of the picked companies evenly on the graph in the accordance with the real situation on the market. In general, all the companies that follow the same strategy resemble one another, therefore, there is no need to have more strategic groups than the ones in the maps determined by the strategic choice of the companies. Additionally, the focus companies follow the low cost strategy, this is the reason why there is only one competitor group of the focus strategy. Thus, the three strategic groups reflect the real position of the companies and this is the sufficient scope of data for the full research.

Figure 15 The allocation of the competitors according to their competitive advantage strategies
The limitation of the actual research is the assumption that the competitors would take decisions rationally and in accordance with their own competitor analysis which is not guaranteed due to the specificity of Russian market and economy.

According to the scenario classification, the case when the competition level remains the same or decreases and the rental prices drop is very unlikely, therefore, it would be wise to set it aside to be considered the last (case number 4). The other three cases are more likely when the competition rises and the rental price level rises (case number 1); the competition rises and the prices drop (case number 2); the competition level remains the same or declines and the price level rises (case number 3). The author analyzed all the cases and the thorough structural scenario analysis is presented in the subtitles of this chapter.

4.1 Case number 1

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<th>The industry scenario number 1</th>
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In the case number 1 the researcher considers the scenario when the number of the direct competitor is rising and the general pricing policy of the companies also grows in the commercial real estate industry. There is a high possibility of such outcome for the next ~2 years due to the current tendencies and trends in the market and the forecasts of the analysts mentioned in the chapter “Research on Spektr’s competitors”.

The competitor strategic group A (also called in the thesis “low cost focus” group), which is characterized by high specialization, low cost focus strategy, tight relationship with parent organization, and stable market position, tends to strive for more brand identification in the situation of this scenario. The situation is favorable for the existing low cost focus companies whether they follow the tendencies or not. Their position and the earned reputation within the niche serves as a shield or a barrier against new competitors that want to penetrate the market, while the growing rental price level trend would not affect their own policy if they wish the pricing to remain the same. In case they choose to favor and follow the tendency carefully, they face relatively low risks of losing clients because of the specialized area they operate in. There is a chance, however, that in case the price gap between the focus company and the low cost company grows too big, the clients will be willing to switch to the company with the more favorable pricing policy, however, since the tendency is applied market-wise and the prices would grow in low-cost companies too and given that the focus companies from the group A also follow the low-cost substrategy, the clients would stick with their original choice.

It gives the group A companies additional resources for making strategic choices. On the map axes they are allowed to stay in their current position of high specialization, average services provision and brand identification,
Creating competitive advantage on the basis of competitor analysis

and close to the lowest price policy. The extra resources allow the low-cost focus companies to dedicate more financial and human capital to work on the offensive competitive strategies and the brand identification to attract new customers and potentially become focus differentiation companies in the future or have the chance to charge more for the brand. Therefore, a small arrow is drawn on the map showing how group A market behavior might change in the nearest future.

On the other hand, the competitor strategic group B (also called “low cost group”) which can be described with the following features: low cost strategy, tight relationship with the parent organization, unclear market position, high or average leverage, despite following the same low cost strategy as group A, does not have the advantage of the loyal customers. The clients in this segment are willing to choose the competitor if it offers lower price, therefore, all the companies in the group B have almost the same pricing for their facilities. Currently on the map it is visible that the low cost strategy group has no specialization, the lowest market price compared to the other groups, low brand identification and the lowest amount of services it provides for the customers to justify the low price and cut the costs. It is in the position when it provides “less for much less” according to Philip Kotler.

This segment does not face the problem of losing the customers because the product they provide is not changing because of the trends and there are no competitors with the lower prices. It is a very tricky segment though, because all the companies within the group are supposed to make the decision about the pricing change simultaneously. If they do not, the ones that decided to stick with the old prices will gain an advantage for attracting new customers fixating their value proposition of “less for much less” while the competitors who decided to raise prices would lose it compared to the other companies. The ones that decided to raise the price, therefore, would strive for more brand identification and for strengthening the relationship with the tenants, they are expected also to provide more services for the tenants with the extra income they get. There is also the possibility of these companies to desire to secure their position in the market considering the increased competition, and the easiest way for them to do it is to penetrate the group A and switch to the niche market specializing on the customer segment that they already have. The companies that decide to not change their price level or raise it slightly, will therefore not change their current position.

Group C (also called “differentiation group”) possesses the following characteristics: no specialization, differentiation strategy, independent or loose relationship with the parent organization, high financial leverage, developed infrastructure. In the current state of affairs, it is allocated as having the highest brand identification, market price and services provision, low specialization. It is also the closest to Spektr’s “stuck-in-the-middle” bubble. This group is not as price-conscious as the group B because their clients choose them for the other benefits they receive such as additional services, more prestigious building, more recognizable brand or a better location. The increased competition comes to the group C, apart
The differentiation group can follow the trend and raise the pricing at will, so there is a slight tendency of this group to raise the prices shown on the maps. Consequently, in the increased competition situation the group C would strive to overcompete its rivals by putting more effort and resources into the brand identification, and it also might want to protect its own position by choosing to be identified with the certain industry or industries, moving higher on the specialization axe.

Spektr, as it has already been said, does not belong to any of these groups because it does not share similar features with the other groups, however, on all the maps it is located close to the group C except its price policy position tends to be much higher at the moment. Spektr does not have any arrows on the maps because it is the hardest to predict the actions of the company which is stuck in the middle. It does possess some specialization, however, and has extremely tight relationship with the parent organization, while its strategy remains unclear. In the situation of rising pricing policies it would be a huge mistake for Spektr to raise its own pricing, since it is already highly above the average. It also remains vulnerable to the new competitors which might follow aggressive strategy and, once the weak link is spotted, contact Spektr’s own clients and persuade them to change the landlord. In this situation it would be good for Spektr to save the current price level or reduce it slightly to smoothly blend in with the group C. The specialization then might act as the restrain for the competitors against the direct attack. Spektr can also reserve to better brand identification and rebuilding once tight relationship with its tenant companies in order to secure its position.

4.2 Case number 2

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In the case number 2 the author of the thesis is analyzing the scenario when the number of the direct competitor is rising and the general pricing policy of the companies drops in the Moscow commercial real estate industry. The chance of this outcome is almost as high as of the industry scenario number 1. It can be considered the plausible prediction for the next couple of years and the chance of its realization mainly depends on the governmental economic policies: whether the government will decide to stabilize the ruble currency coercively or not. The deeper reasons for this scenario to be considered possible are mentioned in the thesis under the title “Process”.

Under the industry scenario number 2 the strategic competitor group A (low cost focus group: high specialization, low cost focus strategy, tight
relationship with parent organization, stable market position) is still very much protected by its special position of the niche group from the new competitors penetrating the market and from big financial losses due to the economy crisis. If the government decides that the direct intervention in the market is the only possible solution to solve the ruble puzzle, the change in the commercial real estate pricing level is going to be smooth most likely and it is going to be adjusted the latest. The low cost focus group, therefore, does not have to do anything in order to minimize the negative impact, except gradually drop their pricing policy according with the market level changes which proves that there is a lot of advantages in the nicher position, but it requires skill and intelligence to find the appropriate niche.

The group B (low cost strategy group: low cost strategy, tight relationship with the parent organization, unclear market position, high or average leverage) is again not that immune from the changes, and it has to adapt in order to survive and generate profit. In fact, the situation of dropping pricing is the least favorable for this group as the companies’ costs would most likely remain the same while the income would be significantly cut. It is the structural changes which requires a lot of work on the behalf of the group B rivals. It is possible that as a result after a few years a lot of competitors would drop out of the segment or of the market itself. The situation is especially complicated since the number of competitors is rising in this scenario.

The group B rivals would split in two groups as in the industry scenario 1. One group is predicted to act from despair in order to drab as many sales as possible and follow trend at the same time: it would move towards the corner of the map dropping any specialization attempts and reducing the prices, at the same time it would cut all the necessary and unnecessary costs on the services it provides and stop investing money in brand development. The other group would, on the contrary, strive to specialize and to find new niches in order to satisfy the customers that are left out by the other segments, at the same time it would also reduce the prices out of the fear of losing the current customers.

The group C’s position (differentiation group: no specialization, differentiation strategy, independent or loose relationship with the parent organization, high financial leverage, developed infrastructure) is not as risky and desperate as group B’s. Even under the pressure to reduce the general price level its income remains higher than average due to the possibility to charge more. It would have to reduce the prices gradually, otherwise, the clients would complain about it being aware of the market situation, however, the process for the differentiation competitor group is going to be much smoother. Some companies might be willing to reject the services they used to provide or justify the higher price through these services, other companies within this group might strive for more specialization and segmentation in order to charge more money.
Creating competitive advantage on the basis of competitor analysis

The only plausible strategy for Spektr’s survival in this point is to try to reach group C’s pricing level as soon as possible. The industry scenario’s situation is the least favorable for Spektr because it increases the gap between Spektr and all other groups. The company should be willing to lose a lot in the short-run in order to revive its advantage. One potential variant would be to drop half the pricing gap at once from its pricing, and then gradually drop pricing in the smaller portions every month or every few months until it reaches group C. Another variant is to drop monthly small, but significant part of the price until the equilibrium is reached. The choice depends on the customers’ reaction as in this situation the synergy between the company and its customers is vital.

4.3 Case number 3

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The case number 3 is the industry scenario under which the strategic groups are influenced by the following market conditions: the same or reduced number of the direct competitors and the rise of the pricing of the offices. The number of the competitors might drop according to the market situation as the demand for the commercial real estate facilities is dropping. It is caused by the reduced economic and entrepreneurial activity of the population and investors. There has been the tendency for the existing commercial real estate companies to shut down, therefore, with no “fresh blood” the industry would enter the decline phase where the existing companies have larger market shares and power.

The group A’s (low cost focus group: high specialization, low cost focus strategy, tight relationship with parent organization, stable market position) position in the industry competitor scenario number 3 is very favorable. The competitor level declines which does not affect the low cost focus companies in any negative way as well as the positive impact is not very noticeable. The rising pricing level also does not affect this competitor segment too much because its costs are also rising, therefore, the medium price increase is expected. In the situation of this industry scenario the low cost focus strategy companies are likely to remain in their advantageous stable position and continue to prosper investing more in brand identification as in the case number 1.

The group B (low cost strategy group: low cost strategy, tight relationship with the parent organization, unclear market position, high or average leverage), on the other hand, despite the expected increased profit due to the rising pricing would choose to save the capital by rejecting the idea of investment in the new services or supplement and satellite products. This situation is very favorable for the low cost sector: they are placed in the lucky spot because they are not required to struggle for survival or prospering. The competitor decrease level would mean that some of the customers also stop conducting their business, however, it is not expected to
Creating competitive advantage on the basis of competitor analysis

affect this business’ segment a lot. Therefore, there is only one movement of this group on the maps: the one to the higher price range. The possibility exists, however, that the low cost strategy group would come so close to the differentiation group that it would split into two: one would invest in brand identification and services and, therefore, change its value proposition to “more for more” and become the differentiation strategy group. And the second part of the split group would remain the low cost competitive strategy and decrease its pricing. This is possible only when the group B’s and group C’s pricing gap is so small that there is almost no entry barrier.

The given industry scenario number 3 is also very promising for the group C (differentiation group: no specialization, differentiation strategy, independent or loose relationship with the parent organization, high financial leverage, developed infrastructure). The dropping number of competitors makes the need for the specialization in order to survive disappear as the companies are willing to grab any client that was left without a rented office and give it a shelter. Therefore, the differentiation group bubble moves downwards on the specialization axes. The scope of rising pricing is unpredictable, it can be a smooth increase or the rapid rise. In the actual research the suggestion that the pricing rise would be smooth is standing.

The group C is moving upper on the services provision axe to enhance the unique experience of its existing customers. Redirecting the gained financial resources to the services investment is the best option for the companies from the differentiation group C to gain new customers after the share of the competitors leaves considering the fact that the companies in this segment would have larger profit.

Spektr’s position in this scenario is slightly better than in the previous one. It does not have to rush to catch up with the differentiation group company. It only has to move slightly to the pricing of the differentiation group until they reach equilibrium and Spektr becomes the member of the group C. On the other hand, this situation is especially tricky: Spektr might just become one of those companies that drop out of the market because of the bankruptcy. It has to be very cautious, therefore, for the other companies not to consider it the “dead fish” which can be thrown off the pool. It has to demonstrate its strong position and the intention to stay in the market.

4.4 Case number 4

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The scenario number 4 is the least likely of all. It is assumed that both competition level and the pricing level would drop simultaneously. The competition level is possible to decrease since a lot of the new construction sites that were reorganized for another purpose according to the market trends. It is considered as possible, however, there is not much atten-
tion and caution needed to be delegated to this scenario. Both circumstances are possible and probable, though the probability level is much less. This variant is considered just to be prepared for this scenario and to study its effects on the competitor groups’ behavior.

In the industry scenario of the reducing competition and the decrease of the renting prices the competitor strategic group A (low cost focus group: high specialization, low cost focus strategy, tight relationship with parent organization, stable market position) loses its previous advantage. This situation is highly unlikely, however, if it does come to life, the group A’s only viable strategy would be to drop its already low pricing level out of the fear that the low cost strategy group would take its existing clients, and try to compensate this loss by also reducing the costs on services. This group can keep reaching for the brand identification for the sake of the future gains, however, it is not necessary. On the bright side, the competition level reduces and there is more freedom for the low cost focus companies to grab the additional market share from the clients that lost their landlords from the low cost or the low cost focus group.

The position and the prospective of the group B (low cost strategy group: low cost strategy, tight relationship with the parent organization, unclear market position, high or average leverage) are no better than group A’s. The low cost strategy follower might not be willing to drop the prices especially considering that it would not happen for the sake of beating the competition.

Therefore, the companies from the group B will perhaps decide to as well grab their slice of the pie taking the place of the competitors that quit the game. The low cost strategy group would strive for the differentiation in order not to have to drop the prices and to keep generating profit: the costs would not drop as fast as the rental prices. It will, thus, stay on the same position regarding the provided services and brand identification, but will try to seek the ways to differentiate itself.

On the other hand, the state of affairs the group C (differentiation group: no specialization, differentiation strategy, independent or loose relationship with the parent organization, high financial leverage, developed infrastructure) would be in is going to be acceptable. The differentiation group in this industry scenario under the circumstances of both decreased competitor number and the prices is not going to suffer from the consequences. This group does not have to move on the map regarding the services provision or brand identification especially concerning the decreased price as there is no unused resources to allocate to these areas.

On the opposite, the differentiation strategy group C in the industry scenario number 4 is going to move slightly left on the price policy axes as they can afford it and at the same time they might realize the need for the specialization due to the decreased competition. Even though this situation is unlikely, it is one of the desirable outcomes for the group C as it would have more possibilities to find a way to differentiate from the market even
building its own differentiation strategy on the government’s or market’s pricing policy.

Spektr’s position would be almost identical to the one in the case industry scenario number 2, except for the difference because of the decreased competition. At the same time the company would bear the same risks as in the industry scenario number 3 being the candidate which is likely to sink. It is the worst scenario concerning the company’s future, and the best survival strategy in this case would be combining the solutions on the case 2 and 3 into one mix. Finally, the company would have to reach the differentiation’s group pricing point as soon as possible while maintaining a strong yet not provocative market presence and position.
5 RECOMMENDATIONS

This chapter is concluding the actual research and the analysis of the research conducted in this thesis. The author proposes the most suitable recommendations based on the data by using analytical approach that would benefit the commissioning company the most, in the case of the actual research, the author is proposing the best strategic approach the company Spektr shall implement in order to gain and sustain its competitive advantage. The strategy for Spektr is built upon three elements: the choice of the right competitive advantage based on how easy the entry barriers in one of the groups are and how much finance should be put in order to gain it; the reaction of Spektr and its strategic response to the industry scenarios; and the strategy of implementation of the chosen competitive advantage under the industry scenario approach influence.

Figure 16 The process of building the competitive advantage for Spektr in regards to the reactive strategy towards the future in the commercial real estate industry

Thus, the company is expected to get its respect and influence in the market back and, moreover, have a vast marketing plan and the general strategy for the next few years. The latter advantage of the actual research is invaluable because Spektr would be able to navigate in the commercial real estate industry fluently and have a sight over its competitors for several years in the future. In addition, the company is having its strategic competitor map which is going to remain useful in the future no matter what course it would take. On these maps the top management of the company can graphically see how Spektr’s position would be changed overtime if
Creating competitive advantage on the basis of competitor analysis

they add the actual figures in the Price Policy axes and how big the gap between the company and other strategic competitor groups is.

5.1 Choosing the competitive advantage

The main tool used by the author in the process of identifying the right competitive advantage for the commissioning company and designing the shortest and the least costly path to achieve it is the competitor group strategic map. The reader can quickly navigate his or her way through the Moscow commercial real estate market and see the position of Spektr on the competitor strategic map.

Ultimately, just like in the real map, the easiest competitive advantage to gain for Spektr is the one that it has the least distance with. Now, the group C (differentiation group: no specialization, differentiation strategy, independent or loose relationship with the parent organization, high financial leverage, developed infrastructure) is the one that fulfills this requirement in the best manner, while the group A (low cost focus group: high specialization, low cost focus strategy, tight relationship with parent organization, stable market position) also seems approachable. Both groups possess a competitive advantage unlike Spektr. In the meanwhile, it is vital to bring up the company’s requirement at this moment: the competitive advantage has to be fast to achieve, not expensive in the short-run, and it has to be aligned with the overall strategy of the company.

Therefore, in spite the fact that both group A and Spektr share similar characteristics: tight relationship with the parent organization, some degree of specialization, the cost leadership focus strategy is not suitable for Spektr. It is when the map might trick the reader as it seems that the company should choose the competitive advantage of a group it has most common characteristics with, though in the reality the map reader should use the axes as the guidelines as they determine the actual position of the company in the market. The similar traits of the companies should be useful when integrating a company into the new competitor group, however, they do not determine this group. Thus, focusing solely on a particular customer segment would be the wrong step for the company that used to operate well by being semi-specialized in the situation when the whole possibility for the specialization largely depends on the variable of the competitor level increasing or decreasing. The group B, on the other hand, is too far away, so Spektr is left with group C, the differentiation group, that it should join as a full member.

Assimilating with the differentiation group is the best strategic choice Spektr can make. But how to act upon this decision? Should the company demonstrate aggressive (offensive) strategy or try to minimize the visibility of its actions? The offensive strategy can be exercised only by strong companies that do not have weak spots or whose weak spots would not damage the company if hurting. Spektr does not have such a certain position in the market, consequently, Spektr has to pursue the differentiation competitive advantage with caution and the best way for it would be choosing the strongly defensive approach, trying to stay in the shadows.
while switching to the winning competitive approach. Among the defensive techniques that Spektr can use are two possible variants implemented solitary or combined: granting guarantees to the existing or potential customers while maintaining a strong and confident future strategy for the company, and managing the competitors’ assumptions about the company that can be misleading. The industry in this case is on Spektr’s side as the competitors in the commercial real estate market are usually ego-centric and do not pay a lot of attention to their rivals. Ensuring the customers, therefore, that the pricing will get better and introducing them to the new marketing strategy of the company that involves reduced rental prices in a few months’ time shall become the key focus area of Spektr.

After choosing the differentiation strategy the company has to identify how it can differentiate from the competition. The commissioning company has to start offering “more for more” or “more for the same”. The company possesses a long history, a developed internal infrastructure and loyal clients with a big name. The author’s suggestion would be to differentiate upon these criteria. The developed infrastructure of cafes, security system, shopping mole and beauty salon in one building’s reach shall serve the basis of the differentiation as even differentiators cannot boast about an internal ecosystem of such consistency. The trustworthy image of Spektr as a long and well living with a lot of experience in handling tough situations and surviving and prospering through the hardest time shall serve as the aureole of the company. Finally, the company’s efforts to financially support and morally reward their own employees and tenants in starting off new businesses on the company’s territory should be known to the customers without causing the controversy: those who want to contribute to the home ecosystem of services of Spektr get a discount in the few first years of them renting the space.

5.2 Defining Spektr’s strategic approach to the industry scenarios

The industry scenarios are build and the best strategy of how to act for Spektr is defined in the research chapter four. However, the company cannot be torn apart by all the different ways it can move to since there are four industry scenarios the commissioning company shall consider. There are several approaches to solving this issue: betting on the most probable scenario, betting on the “best” scenario, hedging (trying to match every industry scenario), preserving the company’s flexibility, and influencing the industry.

By definition Spektr is stuck in the middle at the edge of being thrown out of the market, therefore, it cannot be considered an influencer and it cannot affect the industry to enforce and bring to life one scenario it deems the best for itself. In this case the competitor forces are much more powerful. Finally, Spektr has to make a choice among the other possible options. Hedging, in its turn, is an extremely risky strategy to choose too: it involves the company bending its strategy in such a way that it would be satisfactory under any scenario. Unfortunately, even though it may sound good, the risks are very high: most often the company that chooses hedging does not succeed in any industry scenario. Betting on the “best” sce-
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Scenario, which means designing the competitive strategy in a way that would maximize the advantage of the company in the scenario that it considers the best for its future, is also not an option for Spektr. The commissioning company is not in position to choose the “best” scenario, its hopes and aspirations should be directed towards simple goals like survival and profit generation.

![Diagram of Approaches to reacting to the industry scenarios]

Figure 17 The graphical interpretation of choosing the strategic approach towards the industry scenarios

At this point the company Spektr is left with two possible approaches of designing the strategy for the industry scenarios: betting on the most probable scenario and preserving the company’s flexibility. It is clear from the research that the most probable scenarios are the first, the second and the third case. Still, the conditions of these industry scenarios are very extreme. At the same time, the Russian market in general is an unpredictable and phenomenal occurrence up to the point that the analysts do not wish to share their predictions with the public. In this capricious environment the competitor companies tend to prefer flexibility over other traits at all costs. Based on all these facts, the author’s recommendation to the commissioning company is to use two of these approaches combined.

Finally, the company shall be armed and prepared for the most probable and the “worst” industry scenario of rising competition in the market and rising rental prices while trying to preserve flexibility and being ready to switch its strategy. The commissioning company shall not overlook that since the prices are rising it can remain on the same price level: the gap between Spektr and its competitors differentiation group C is huge despite what it might seem on the map. The company has to start declining its pricing immediately in order to catch up with the mean of the differentia-
tion group C, while being prepared for the market to take an unexpected turn (declining pricing) and being ready to get rid of a large sum of its income. The clients have to become the strong foundation for the company Spektr being aware of its moves and approving it.

5.3 Developing the strategy for building the competitive advantage under the influence of the industry scenarios

The actual section of the chapter is the combination and conclusion of the two previous ones. The author’s recommendations in the chapter “Choosing the competitive advantage” are: assimilating with the differentiation group, receiving the necessary support from the existing clients, using misleading techniques to draw competitors’ attention away from the company, creating the differentiation competitive advantage. The suggestions from the chapter “Defining Spektr’s strategic approach to the industry scenarios” are: picking the “betting on the most probable scenario” and “preserving flexibility” reaction mix as the response to the industry scenarios and the basis of the strategy for the next three to four years, starting declining the pricing.

The author aims to define the general outline of the commissioning company’s strategy for the next several years which could be implemented in the reality after consulting with the top management of the company and their approval. For this purpose, the logical set of strategic steps is developed which is presented in the actual chapter:

1. Carefully planning and selecting the features that shall remain in the company no matter the circumstances and that will comprise its competitive advantage. It shall be a clear and helpful overall strategy that the commissioning company could always use as the main guideline in its future decisions. The author proposes the following differentiation strategy mix build in the form of a pyramid: the strategic competitive advantage shall be built upon the solid basis of the highly developed “city in itself” internal infrastructure of a large network of cafés, beauty salons, shopping malls, a hospital, close location to the subway station, and the safe guarded territory with the advanced security system. The second layer shall be the good and trustworthy image of Spektr: it is a company that survived the revolution, it is diverse and has a lot of affiliated company of the different purpose. Spektr shall appear as a company that clients would be willing to choose and stay with despite slightly higher pricing. The existing customers can be used as a bait while introducing Spektr too: good references of Oriflame and Kaldewei will definitely add to the trust points. The last layer shall be the company’s novel attitude to its employees who want to start their own company under Spektr’s roof. The final touch is the aura of loyal and warm attitude that shall surround Spektr on all levels; a strong bond built with its clients. The affect of the personal connection is, as it has already been mentioned, invaluable in Russian business and overlooking it would be a mistake. Strong connection to the customers and solid trust between the tenant and the leaser would benefit the commissioning company a lot in the future as the tenant would always
prefer to stay with the landlord that adds just enough of personal touch to the business. Therefore, the following Differentiation Package is developed for the company:

![Figure 18 The Competitive Advantage Package of Spektr based on the Differentiation competitive advantage theory](image)

2. After the competitive advantage is developed it is crucial to start moving in the direction of the desirable result. First step is making the existing customers aware of the fact that the rental rates will start declining in the nearest future despite or due to the trend in the commercial real estate market, strengthening the relationship ties with the clients and making sure that they support what is about to come to the company. It is when the new competitive advantage is being implemented: the new website materials created, new and bright information brochures for the potential and loyal customers explaining what is going to happen in the company in the next five years’ period. It will be a five-year plan like in the Soviet Union which the company will, without a doubt, try to perform in four years. It is important to note that the customers should also be informed that the plan might move rapidly and correct its course depending on whether the other scenarios would come into life or not (preserving flexibility). Simultaneously the plan should be set to be implemented at that point because it is not the long-term prognosis, the situation might change and the company should act “now and here”: the rental stakes shall start dropping slightly according to the most probable scenario case.

3. On the third stage the competitive advantage creation shall be completed. It has to be distinctive and easy to catch without looking too deep in the company. The information about the five-year plan of dropping the stakes until meeting the differentiation group norm, how-
ever, should not be announced publicly existing only in the personal communication channel between the company and the clients: it would be beneficial if the competitors did not know what plans Spektr had in mind. At this point the company has to provide guarantees to the clients that would ensure that they are not going to escape to the competitors. The countdown to the end of the five-year plan has already started, and the company is ready to adjust if the general market prices start declining.

4. The final step: assimilation with the differentiation competitor group. Through the entire process the company has to bear in mind the competitor group map with the numerical scales in the Price Policy axes to see when it enters the point of the same or similar pricing as group C. It can even stop lowering the pricing a little earlier that reaching the equilibrium in order to wait if the industry trend of the pricing will continue to rise. Then, after reaching the group that chose the differentiation strategy be it in five years or less Spektr can switch its strategy to the one that prevails in the industry according to the competitor group maps and the industry scenarios. The company would still have a comprehensive view on the competition at that point and at the future of the Moscow commercial real estate industry.

The author of the thesis calculated that the company would gain a stable and profitable position in the market if it follows this plan in maximum five years period. The actual timing of the phases is loose since it has to be confirmed with the company. The key is keeping in mind, implementing and acting upon the suggested competitive advantage throughout these five years without changing the course and reminding the top management of the actual position of the company in the Moscow commercial real estate market.
6 CONCLUSION

Being acknowledged with the basics of marketing is crucial in leading the organization. Possessing a sustainable competitive advantage is the basic element in generating the sufficient profit even in the economy crisis period. The actual thesis and the studies behind it are the illustrative and applicative proof of how the absence of a competitive advantage can bring a once successful company with a long history to the edge of bankruptcy in a few years’ time. Hiring qualified professionals and paying careful attention to the marketing program is still vital after decades of existence.

The commissioning company Spektr was established in Moscow in 1989 as it is now. In reality its history goes back to 1960ies when the State Planning Committee made a decision to establish a scientific institution. The company’s affiliates still operate and fulfil their scientific research purpose, however, Spektr itself became a big player in the commercial real estate market in Moscow in 1990ies. It was the toughest time of Russian history since the Second World War and the company managed to survive and grow in the times of common robbery, corrupt officials and business mafia. In 2008 the company’s Board of Directors elected the new CEO Vladimir Klyuev, the son of the previous CEO.

Nowadays the company is a closely held corporation and non-governmental organization which main business is building or buying the commercial office business quarters, reinventing them into B-class offices and leasing them to the companies that need high quality office space. Spektr’s main clients are the representatives of foreign multinational enterprises in Russia and banks. Spektr has more than 120 employees and a new project under construction in mind which is a warehouse in Moscow region. The author’s family is closely connected to the commissioning company, which is the reason why the top management trusted the author with internal intel and completing the project.

The need in the actual research was defined by the current state of affairs in the commissioning company. The executives found that over the past few years acquiring new clientele became very rough if not to say impossible and retaining the old loyal clients, whose relationship with Spektr can be counted by decades, also grew harder: the arguments about the pricing became a very often occurrence during business negotiations. Top it off, the old experiences in the field employees who used to lead negotiations were demoted or fired, and the preference was given to the fresh workers who either have not dealt in the commercial real estate industry before or did not have the sufficient skills for the leading roles they were occupying.

The previous study conducted in the mini-thesis “Improving Competitiveness through Competitor Analysis” that, despite the fact that the company’s marketers were certain that Spektr was possessing the Cost Leadership competitive advantage, the pricing gap between the actual cost leaders and the case company was so vast that is could only be put in the
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“stuck-in-the-middle” category. Thus, the actual thesis purpose was to show Spektr the path out of this undesirable position to the new profitable and sustainable competitive advantage. The secondary objective was to provide the necessary tool to the company to be able to observe the commercial real estate market at any time and graphically see itself within the industry and competitors.

In order to solve this problem, the author chose two research methods as opposed to typical one: competitor group mapping and the industry scenarios, and developed a solid theoretic framework that consisted of secondary data of such marketing gurus as Michael Porter and Philip Kotler. In addition, the latest trustworthy industry trends were observed and the analytics for the years 2017-2018 in the Moscow commercial real estate industry. The opinions and forecasts of the famous market analysts, that work in the commercial real estate field, Onuchina, Kolokolnikov, et al., were considered in order to comprise the full picture to conduct the research within.

The major topics that were covered in the theoretical framework were competition, competitive advantage, competitive strategies and marketing intelligence. In addition, the theory behind the competitor group mapping and the industry scenarios was analyzed and all advantages and disadvantages were considered.

It was established that in the actual research only the direct competitors were considered, thus, the definition of the direct competition was accepted as “all companies which provide similar products to their consumers”. In the actual thesis those companies are the commercial real estate companies that lease offices of B or B+ category. Moreover, the Porter’s five competitive forces were analysed to assist further in the actual research. Nevertheless, the main topic that became the vital cornerstone of the actual research and the analysis was competitive advantage. It was the most significant piece of theoretical knowledge as the full and comprehensive understanding of the competitive advantage would determine the value and effect of the actual research. Philip Kotler’s framework of value proposition was considered for the actual research helping to identify Spektr company as the one whose value proposition is “the same for more” while the management perceived it to be “the same for less”. Moreover, Michael Porter’s generic competitive strategies were put in the foundation of the research as it had been in the previous mini-thesis paper. All four generic strategies were described, their pros and cons considered and the fifth non-existent generic strategy “stuck-in-the-middle” was also included to provide a better understanding of the company’s current position.

Next, the general competitor analysis framework by Michael Porter was included to illustrate the basic origins of the competitor analysis and the importance of it. The four elements of the competitor analysis framework were described: future goals of the competitors, their assumptions, current strategy, and capabilities, and all the elements were ranked on the significance and easiness of obtaining the information criteria. In the connection
with the previous topic, the market intelligence issue was raised. The ways of gathering and obtaining the competitor information were evaluated, leading to the better navigation in the field practical condition.

Finally, the research methods theory was provided. The main advantages of the competitor group mapping were the clarity of it and the thorough overview it provided on the aspect of the industry. The competitor group mapping is the structural analysis that considers the specific competitor categories and provides the overview of the industry as a whole. It is a very universal tool that has many variations. In the thesis the author chose to identify competitor groups by their competitive advantage. The main characteristic of the competitor groups is that the companies within the competitor groups resemble one another a lot which makes it easier for the researcher to forecast their strategic move. The competitor group maps are a highly customizable tool which is in full control of the analyst. There are a lot of variations of the maps depending on what the analyst decides to take as the axes and how he decides to sort the groups.

The industry scenarios are another research method that provides the overview of the competitor reaction through the timeline. The researcher picks few industry variables and by combining them concludes several potential scenarios that might or might not happen in the future. Next, he or she identifies how likely these scenarios are to occur and predicts the actions of the chosen competitors within the chosen scenarios based on the data of their previous strategic moves or on the logical conclusions. This method was chosen and combined with the strategic group mapping by the author which resulted in a full and comprehensive picture of the future, the competitors in the future and the competitors’ moves in the future to the benefit of the commissioning company.

The research was based on studying the large scope of the competitor companies. A hundred competitors were analyzed, labeled and sorted into one of three competitor groups: Differentiation group, Cost Leadership group and Focus strategy group. Hundred competitors are constituting about 10% of the whole industry regarding the amount of the office spaces. Next, the variables for the axes were chosen to be the Price Policy (the main variable), Specialization, Brand Identification, and Services Provision. They were the most distractive variables and the clearest to identify.

The variables were chosen also for the industry scenarios through a comprehensive analysis of the industry prognoses by the leading specialists: the rental price and the competition level. Depending on whether they would increase or decrease, the four future industry scenarios were constructed where one was labelled as unlikely to happen, two as the ones with average probability of coming to life and one was considered the most probable scenario. Next, the maps with the competitor groups were draws with the thorough reflection of how the groups are most likely to move under the certain sets of the scenario conditions. In total there were eight maps.
The next logical step in the thesis process was the analysis of the conducted research. In the case of this thesis, the analysis was the thorough explanation of the graphs and explaining the logic behind the competitor moves under each set of scenarios since the advantages and disadvantages of the research methods were already considered in the previous chapters. In the actual thesis that analysis resembles more the extended research. The in-depth explanation is the necessity for the actual research in order to present it to the commissioning company. The major benefit of it is not only the explanation of the competitors’ reaction, but also the discussion of the commissioning company’s potential moves in the industry under the scenario circumstances in order to improve its position.

After concluding the analysis, the set of the recommendations was developed. The author fully committed to the goal of the research and provided the recommendations on each layer of the potential competitive strategy: the competitive advantage, the strategic approach towards the industry scenarios, and the combination of both. As a result, the following overall strategy was presented in order to be implemented in the next five years’ period:

- **Planning.** Creating the competitive advantage for the company. It is necessary to be approved by the top management of the company and be followed in all times. The author developed the competitive advantage pyramidal model based on the differentiation generic strategy since one of the findings confirmed that it would be most beneficial for Spektr to penetrate the differentiation competitor group. The base layer of the competitive advantage was the developed infrastructure within the business quarters of Spektr, the second layer was the trustworthy reputation it shall create, the last layer was the company’s novel entrepreneurial spirit and, finally, the model was surrounded by the aura of the warm and loyal relationship between the company and its clientele.

- **Implementation.** On the second stage, the company shall start producing the online and physical marketing materials (e.g. brochures) for the customers and start extensively creating the competitive advantage. At the same time, it shall receive the necessary trust of the loyal clients and their support while warning them that the company has to be able to preserve flexibility in regards to the future scenarios. The rent prices should start dropping.

- **Process.** The commissioning company should complete creating its competitive advantage at this stage. No information should leak to make competitors aware of how close Spektr is to joining differentiation group; and the customers should receive the necessary official guarantees to continue collaborating with Spektr: it would be the defensive techniques implemented by Spektr.

- **Assimilation.** At this stage, the company has successfully entered the differentiation market segment and from henceforth it follows the typical industry course.
In the research the author assumed that the most possible scenario would come to life. However, if it would be any other scenario the company should be ready for more rapid actions: if the rental prices would start to drop, for example, Spektr should be ready to intensify its actions in the same direction.

In conclusion, the author supposes that the actual thesis presents valuable findings to the case company and efficiently solves the “stuck-in-the-middle” problem it currently has. It completely fulfils the original goal, answers the research question and, moreover, provides the commissioning company with the useful tool of competitor group maps that it could implement in the future to its benefit.
REFERENCES


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### THE SAMPLE COMPETITOR PROFILING ON SPEKTR’S COMPETITORS

Hereunder the competitor analysis sample for Spektr is provided for the purpose of further comparison with its competitors.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Spektr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation year</td>
<td>1989</td>
</tr>
<tr>
<td>Online presence</td>
<td><a href="http://www.spektr-bc.ru/">http://www.spektr-bc.ru/</a></td>
</tr>
<tr>
<td>Location</td>
<td>Sportivnaya, Moscow Centre</td>
</tr>
<tr>
<td>Gross lease area</td>
<td>35,000 m² + 8,300 m²</td>
</tr>
<tr>
<td>Rental cost m²/year</td>
<td>RUB21,000-RUB32,700 m²/year</td>
</tr>
<tr>
<td>Additional services</td>
<td>Services located in the buildings: restaurant, conference room, negotiation rooms, parking lots, banks, supermarket, notary officer, beauty salon, private hospital, business hotel, travel agencies. All the services provide special offers for leaseholders.</td>
</tr>
<tr>
<td>Key customers</td>
<td>Oriflame, American Express Bank, International Medical Corps, Volga-Dnepr Airlines, Kaldewei</td>
</tr>
<tr>
<td>Competitive strategy</td>
<td>Cost Leadership</td>
</tr>
</tbody>
</table>

Hereunder the competitor analysis is conducted among those direct competitors who offer B and B+ class commercial buildings. The chosen competitors are: West Park, Solutions Fasa (buildings I, II, III), Vympel, Grand Setun Plaza, Trekhgornaya Manufaktura, ARMA. The location includes Metro station which is the closest to the chosen facility and the area of Moscow where the competitor is located.

<table>
<thead>
<tr>
<th>Company name</th>
<th>West Park</th>
<th>Solutions Fasa I,II,III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Online presence</td>
<td><a href="http://westparkplaza.ru/">http://westparkplaza.ru/</a></td>
<td>–</td>
</tr>
<tr>
<td>Location</td>
<td>Kunstevskaya, Moscow South West</td>
<td>Ulitsa Akademika Yangelya, Moscow South</td>
</tr>
<tr>
<td>Gross lease area</td>
<td>38,220 m²</td>
<td>17,700+14,400+14,400 m²</td>
</tr>
<tr>
<td>Rental cost m²/year</td>
<td>RUB5,500-10,000 m²/year</td>
<td>RUB6,125 m²/year</td>
</tr>
<tr>
<td>Additional services</td>
<td>Restaurant, coffee bar, bank, beauty salon, parking lots, negotiation rooms, fitness club.</td>
<td>Cafè, canteen, bank, parking lots, supermarkets. Utility charges not included in the rent.</td>
</tr>
<tr>
<td>Competitive strategy</td>
<td>Cost Leadership</td>
<td>Cost Focus (Medical equipment, toy business)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company name</th>
<th>Vympel</th>
<th>Grand Setun’ Plaza</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation year</td>
<td>–</td>
<td>2012</td>
</tr>
<tr>
<td>Online presence</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Location</td>
<td>Dinamo, Moscow North</td>
<td>Molodyozhnaya, Moscow West</td>
</tr>
<tr>
<td>Gross lease area</td>
<td>24,390 m²</td>
<td>58,221 m²</td>
</tr>
</tbody>
</table>
Creating competitive advantage on the basis of competitor analysis

<table>
<thead>
<tr>
<th>Rental cost m²/year</th>
<th>Additional services</th>
<th>Key customers</th>
<th>Competitive strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB7,000 m²/year</td>
<td>Supermarkets, dry-cleaning, beauty salon, café, restaurant, bank, parking lots.</td>
<td>Stolplit, publishing house Komsomolskaya Pravda, Svet-Trade, Healthy Product, Good Mood shop</td>
<td>Cost Leadership</td>
</tr>
<tr>
<td>RUB9,000 m²/year</td>
<td>Restaurant, café bar, parking lots, negotiation rooms, supermarket.</td>
<td>Korolevskiye telesystems, Inter-Flex, Proekt-Beton</td>
<td>Cost Leadership</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company name</th>
<th>Foundation year</th>
<th>Online presence</th>
<th>Location</th>
<th>Gross lease area</th>
<th>Rental cost m²/year</th>
<th>Additional services</th>
<th>Key customers</th>
<th>Competitive strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trekhgornaya Manufaktura</td>
<td>1799</td>
<td><a href="http://www.trekhgorka.ru/">http://www.trekhgorka.ru/</a></td>
<td>Ulitsa 1905 goda, Moscow Centre</td>
<td>100,000 m²</td>
<td>RUB12,000-25,000 m²/year</td>
<td>Café, parking lots, shops, auto services, banks.</td>
<td>Sauce, ScreenSpice, restaurant Manon, Confidery Advisory Group, advocacies</td>
<td>Differentiation (Historical building)</td>
</tr>
<tr>
<td>ARMA</td>
<td>1865</td>
<td><a href="http://www.armazavod.ru/">http://www.armazavod.ru/</a></td>
<td>Kurskaya, Moscow Centre</td>
<td>50,000 m²</td>
<td>RUB16,500-30,000 m²/year</td>
<td>Parking lots, café, bank, shops, beauty salon, fitness.</td>
<td>Cheaptrip, Stickme, Sofia Textiles, Fashion to Customer, Mazars, GlowByte Consulting</td>
<td>Differentiation (Special creative atmosphere)</td>
</tr>
</tbody>
</table>