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EARLY CHILDHOOD EDUCATION

THE BEST ECONOMIC DEVELOPMENT TOOL

DISCUS • Martha Stewart and Personal Branding • Invisible Competitors

BUSINESS FORUM: SEEING THE INVISIBLE

Kenneth A. Fox

The real enemy these days . . . is more likely to be the competitor that doesn't make it onto your radar screen—but really does have a seriously better idea that will nail you to the wall.

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Identifying and studying the competition is always helpful in assessing new business growth opportunities. I use the term "Invisible Competition," however, to describe a new kind of competitive threat. Identifying these types of competitive efforts can be quite revealing and can trigger growth opportunities not realized from traditional SWOT (strengths, weaknesses, opportunities, and threats) analysis.

I define Invisible Competition as when two seemingly disparate companies or organizations, often representing different industries or product categories, form an alliance or joint venture to create a new and different type of product or service.

The Invisible Competition concept seems corroborated by Tom Peters in his book *Re-Imagine! Business Excellence in a Disruptive Age* (2000). "The real enemy these days over the medium to long term," writes Peters, "is rarely your chief competitor. It's more likely to be the competitor that doesn't make it onto your radar screen—but really does have a seriously better idea that will nail you to the wall . . .".

The New Competitors

Companies need to be more astute in understanding their competition. Looking at these new competitors may suggest totally new growth ideas, or legitimacy for reaching far for a joint venture or alliance partner. Here are some examples of what I see as an increasing trend to launch innovative offerings to the market more quickly:

1. Nestle (Vivey, Switzerland) and L'Oreal (Paris, France)

August 2003: The two companies formed a joint venture called Laboratories Inneov to develop and distribute a line of "inner-beauty products that can improve the quality of skin, hair, and nails by supplying nutrients essential to their (a person's) physiology." One of their first products is a dietary supplement called Inneov Fermete. The venture is owned equally and is based in France.

2. Procter & Gamble (Cincinnati, Ohio) and Pharmavite (Northridge, Ca.)

August 2003: Procter & Gamble, makers of Oil of Olay, Max Factor, and Cover Girl, partnered with supplement maker Pharmavite to introduce a line of Olay Vitamins. Their claim: "The first vitamin line designed exclusively for women to address both their wellness and beauty needs." Founded in 1971, Pharmavite manufactures Nature Made-brand vitamins and minerals, Nature Resource-brand herbal products, and other supplements to promote health.

3. Coca-Cola of Japan and Shiseido (Tokyo, Japan)

May 2004: These two companies have partnered to bring a range of products to market that target "body-conscious consumers." Shiseido is a Japanese-based cosmetics giant. The initial products include a beverage called "Body Style Water" and a lotion called "Body Stylish Mist." The products contain grapefruit juice and caffeine. The concept behind the products hinges on Shiseido's theory of certain fragrances being able to affect "fat burning," also referred to as its "aroma theory."

4. Colgate-Palmolive

June 2003: These two companies formed a joint venture to develop a functional

(New York, New York) and Nestle (Vivey, Switzerland)	confectionary gum and candy product line that offers benefits such as teeth whitening and plaque fighting. Their first product offering is Colgate Dental Gum, which is meant to reduce plaque and clean teeth. The products will be double branded with Nestle and Colgate brand names. The joint venture unites the world's largest food and oral care companies in an effort to capture a slice of a market dominated by Cadbury Schweppes (Adams brand) and the Wrigley Company.
5. General Motors (Detroit, Michigan) and Daimler-Chrysler (Stuttgart, Germany)	December 2004: These two companies "announced they would team up and build hybrid systems to develop fuel-efficient vehicles faster and more cheaply. The fact is, GM and Daimler have little choice: hybrids are fast becoming America's fuel saver of choice, and the longer these two wait, the further behind technology leader Toyota Motor Corporation they risk falling." (Source: *BusinessWeek*)
6. Groupe DANONE (Paris, France) and Yakult Honsha Co., Ltd. (Japan)	March 2004: These two food companies formed a strategic alliance to strengthen their global leadership in the field of "probiotics" and to further accelerate the growth of both companies in the functional food and beverage market. (Groupe DANONE is a multi-food and beverage company that is a global leader in each of its core businesses, fresh dairy products and biscuits, with worldwide brands such as Dannon and Evian. Yakult Honsha Co., Ltd., is a leading dairy company in the Asia Pacific region, and a pioneer and global leader in the field of "probiotics." The term "probiotics" is a Greek word meaning "for life." It is generally used to describe the living and beneficial bacteria that support digestion as well as urinary tract health) .

Other Advantages

These alliances can also generate intellectual property such as patents and trade secrets, or unique distribution opportunities. The above represent relatively recent alliances supporting the Invisible Competition concept. Past examples include: General Motors and Household Credit (in 1992) aligning to issue the GM-branded credit card; Baxter Healthcare and Nestle offering liquid nutritional solutions to benefit Baxter's IV product line and medical sales force; Novartis (pharmaceuticals) and Quaker Oats (now owned by PEPSICO) forming a new company (in 2000) called "Altus Foods" to develop functional foods. The list goes on.

Companies are continuing to see the advantages of seemingly unlikely partnerships with other leading firms. Some of the advantages include:

- Leveraging known and credible brand names
- Generating a higher likelihood of success
- Getting the products to market more quickly
- Optimizing complementary strengths
- Sharing the risk (and the investment)

The benefits of studying these alliances can actually help a company identify innovative growth strategies of its own, beyond a simple line or brand extension. These alliances also provide a useful reminder: never underestimate the competition. □