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Integrative Analysis of Competitive Dynamics and Multipoint Competition: The Case of "Cat Fight in the Pet Food Industry"

Introduction[1]

Multipoint competition is a strategic phenomenon that occurs when two or more firms compete across two or more markets. Strategic actions can never be viewed in a vacuum, and this is even more the case when firms engage in multipoint competition. For example, actions taken by Firm A against Firm B in Market X are highly likely to elicit a response from Firm B not only in Market X, but in other markets where the two companies compete. Thus it is essential for firms to understand not only who they are competing with, but also the markets within which they are competing with their rivals.

This technical note aims to guide discussion on three strategic moves that are designed for multipoint competition: thrust, feint, and gambit. It will examine how these moves might be applied for multipoint competition within the pet food industry. In the 1980s, pet food companies competed across many different subsegments of cat and dog food, requiring complex and creative multipoint competition strategies to win market shares.

Putting Food in the Bowls: Many Players, Multiple Products

In the mid-1980s, the pet food industry was driven primarily by two main segments: cat food and dog food. Within the overall market, however, both segments were marked by a variety of competitive subsegments, each representing large amounts of potential revenue. The year 1985 in particular provides a snapshot of a highly competitive situation within the pet food industry. As shown in **Exhibit 1**, seven main players were competing across eight different subsegments of cat and dog food. Some firms, such as Anderson Clayton, were focused entirely on the dog food market, while others, such as Ralston Purina, had a sizeable position in both the cat and dog food segments.

The most interesting and instructive strategic challenge, however, was the multipoint competition that was occurring as multiple firms vied for market shares in different subsegments. For example, Nestlé was the top player in the canned cat food market, and Mars was the third player, while Mars held the second spot in canned dog food followed by Nestlé at number three. Thus rivalry between Mars and Nestlé was not constrained to either of the canned pet food markets; instead, competition between the two firms spanned multiple market

[1] This note expands on David J. Collis, "Cat Fight in the Pet Food Industry (A)," HBS No. 391-189 (Boston: Harvard Business School Publishing, 1991) to examine multipoint competition.

segments. Mars and Nestlé could not determine which strategic actions to undertake without understanding the possible responses in different subsegments.

Multipoint Competition: Knowing Your Competitors and Your Markets

As described above, multipoint competition occurs when two or more firms compete simultaneously in more than one market. This requires unique strategic considerations, as a firm's actions in one market may affect its competitive standing in a different market.

However, before assessing strategic moves, firms need to understand where and with whom they compete. One way to determine this is to analyze the market commonalities between a firm and its competitors across all its relevant markets. Market commonality is the extent to which a firm overlaps with a competitor across all markets where it competes.[2] This is determined by the importance of each of the relevant markets to the focal firm and the degree to which its rival competes in that market. Formulaically, the market commonality equation can be expressed as follows:

$$M_{ab} = \sum_{i=1}^{\infty}[(P_{ai}/P_a) \times (P_{bi}/P_i)],$$

where: M_{ab} = total market commonality between Firm A and Firm B;

P_{ai} = revenues of Firm A in Market I;

P_a = total revenues of Firm A;

P_{bi} = revenues of Firm B in Market I;

P_i = total revenue size of Market I;

i = Market I where Firm A and Firm B compete;

P_{ai}/P_a = relative importance of Market I to Firm A; and

P_{bi}/P_i = relative market power of Firm B in Market I.

We can implement the market commonality equation to examine the intricate competitive dynamics at work in the pet food industry in 1985, using the data shown in **Exhibit 1**.

Questions for discussion (using Exhibit 1)

1. Which firms are currently in a position of advantage? A position of disadvantage?
2. What strategic insights can we derive from this data? How could we use this table to guide analysis?
3. Use the market commonality formula to observe competitive dynamics among players. Start by calculating market commonality for Ralston Purina, Quaker Oats, and Anderson Clayton.[3]
    - Who is Ralston Purina's top competitor? Who is Quaker Oats' top competitor? What about Anderson Clayton's largest competitor?

[2] See Ming-Jer Chen, "Competitor Analysis and Interfirm Rivalry: Toward a Theoretical Integration," *Academy of Management Review* 21, no. 1 (1996): 100–34. See also Michael A. Hitt, R. Duane Ireland, and Robert E. Hoskisson, "Competitive Rivalry and Competitive Dynamics," *Strategic Management: Concepts and Cases: Competitiveness and Globalization* (2016): 142–71.

[3] Based on the data in **Exhibit 1**, the calculation should give you 18 pairs of market commonality value (i.e., Ralston Purina is matched up with six other companies, and so on).

- Also based on the calculation, identify a few pairs of companies that experience competitive asymmetry.[4] *(Hint: Take the market commonality of [Ralston Purina, Quaker Oats] versus [Quaker Oats, Ralston Purina] as an example.)* How might we explain the reasons for the phenomenon?

Resource Diversion Strategies for Multipoint Competition

Multipoint competition is the perfect situation for a firm to utilize strategic resource diversion moves to capture large market share gains. The three common strategic actions used in this situation are: thrust, feint, and gambit.[5]

Thrust is a significant direct attack at a competitor with the intention of gaining market share at the expense of the rival. Ideally, the direct attack is so severe that the competitor moves resources away from the segment under attack and exits the market.

Feint is an attack on a market that is not relevant for the aggressor but is vital to the competitor. This move encourages the competitor to redirect resources from its key market to the market under attack, which may create an opening for the aggressor in the market it values.

Gambit is a strategic move, borrowed from chess, that results in the aggressor sacrificing a position in an undesirable market to entice a competitor to allocate valuable resources to that market. The aggressor then attacks the competitor in the market it actually values, where the competitor now has fewer resources.

Additional questions for discussion
(Use Exhibit 1 and your market commonality calculation for questions 1, 2, and 3):

1. If you were Ralston Purina, which firm might you attack, and how? Which might attack you, and how might you defend?
2. If you were Quaker Oats, how might you implement a gambit strategy?
3. What additional factors should be considered when deciding which moves to perform?
4. How might a firm use the awareness-motivation-capability framework to make a thrust, feint, or gambit more successful?
5. What other industries exhibit multipoint competition and might benefit from strategic moves such as a thrust, feint, or gambit?

Postscript

The **Appendix** provides details on actual competitive actions observed in the pet food market during the years 1986 through 1991. We recommend that you use the **Appendix** to check your predictions only during or after class discussion.

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[4] Competitive asymmetry is the notion that two firms may not view their relationship or interaction in the marketplace equally. For more details on the concept, see Ming-Jer Chen, "Competitive Dynamics: Competition as Action-Response," UVA-S-0123 (Charlottesville, VA: Darden Business Publishing, 2005).

[5] For more detail on how these moves relate to resource diversion, please refer to Tadd Wilson and Ming-Jer Chen, "Indirect Competition: Strategic Considerations," UVA-S-0102 (Charlottesville, VA: Darden Business Publishing, 2003); and Tadd Wilson and Ming-Jer Chen, "Indirect Competition: Resource Diversion," UVA-S-0103 (Charlottesville, VA: Darden Business Publishing, 2003). See also Rita Gunther McGrath, Ming-Jer Chen, and Ian C. MacMillan, "Multimarket Maneuvering in Uncertain Spheres of Influence: Resource Diversion Strategies," *Academy of Management Review* 23, no. 4 (1998): 724–40.

Exhibit 1

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Pet Food by Market and Company

(Sales in millions of US dollars)	**Cat**				**Dog**						**Overall**
	Can	Dry	Moist	Total Cat	Can	Dry	Moist	Soft/Dry	Snacks	Total Dog	Total
Ralston Purina	$73.8	$369.4	198.7	**$641.9**	-	$702.6	-	$26.2	$23.7	**$752.5**	**$1,450.10**
Col%	*7.0%*	*52.0%*	*76.7%*	***31.8%***		*40.0%*		*11.5%*	*7.8%*	***22.4%***	***31.8%***
Row%	*5.1%*	*25.5%*	*13.7%*	***44.3%***		*48.4%*		*1.8%*	*1.6%*	***51.8%***	
Nestle (Carnation)	$305.7	$129.0	-	**$434.7**	$108.0	$116.0	-	-	-	**$224.0**	**$659.0**
Col%	*29.1%*	*18.2%*		***21.5%***	*12.6%*	*6.6%*				***6.7%***	***12.2%***
Row%	*46.4%*	*19.6%*		***66.0%***	*16.4%*	*17.6%*				***34.0%***	
Mars (Kal Kan)	$189.0	$51.0	-	**$240.0**	$146.1	$67.2	-	-	$7.8	**$221.1**	**$453.30**
Col%	*18.0%*	*7.2%*		***11.9%***	*17.0%*	*3.8%*			*2.6%*	***6.6%***	***8.4%***
Row%	*41.7%*	*11.3%*		***53.0%***	*32.2%*	*14.8%*			*1.7%*	***48.7%***	
Quaker Oats	$16.6	-	$14.4	**$31.0**	$58.4	$8.6	$59.1	$166.7	$13.4	**$306.2**	**$383.20**
Col%	*1.6%*		*5.6%*	***1.5%***	*6.8%*	*0.5%*	*27.8%*	*73.2%*	*4.4%*	***9.1%***	***7.1%***
Row%	*4.3%*		*3.8%*	***8.1%***	*15.2%*	*2.2%*	*15.4%*	*43.5%*	*3.5%*	***79.8%***	
Heinz	$266.0	$56.6	$37.8	**$360.4**	-	-	-	-	$61.7	**$61.7**	**$422.10**
Col%	*25.0%*	*8.0%*	*14.6%*	***17.9%***					*20.4%*	***1.8%***	***7.8%***
Row%	*63.0%*	*13.4%*	*9.0%*	***85.4%***					*14.6%*	***14.6%***	
Anderson Clayton (Gains)	-	-	-		$67.4	$173.5	$103.9	-	-	**$344.8**	**$356.80**
Col%					*7.8%*	*9.9%*	*48.5%*			***10.3%***	***6.6%***
Row%					*18.9%*	*48.6%*	*29.1%*			***96.6%***	
Grand Met (Alpo)	-	-	-		$245.0	$91.0	-	-	$22.2	**$358.2**	**$384.90**
Col%					*28.5%*	*5.2%*			*7.4%*	***10.7%***	***7.1%***
Row%					*63.7%*	*23.6%*			*5.8%*	***93.1%***	
Total	**$1,050.0**	**$710.0**	**$259.0**	**$2,019.0**	**$860.0**	**$1,757.0**	**$212.6**	**$227.5**	**$302.0**	**$3,359.1**	**$5,396.4**
	19.5%	***13.2%***	***4.8%***	***37.5%***	***15.9%***	***32.6%***	***3.9%***	***4.2%***	***5.6%***	***62.2%***	

Notes: The monetary values reflect total sales in 1985, in millions of US dollars. The column (col) and row percentages may not add up to 100% due to some manufacturers and subsegments being omitted.

Source: Information gathered from Exhibit 2 of David J. Collis, "Cat Fight in the Pet Food Industry (A)," HBS No. 391-189 (Boston: Harvard Business School Publishing, 1991).

Appendix

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Postscript

- In September 1986, Quaker Oats fought off Ralston Purina to purchase Anderson Clayton.
  - Quaker Oats subsequently sold off all divisions except the Gaines division, helping Quaker Oats to become second in the pet foods market with a 15% market share, and a 22% share in the dog food market.
- In response, in 1987, Ralston Purina doubled its investment in its dog food lines.
  - Ralston Purina also acquired the maker of *Moist & Meaty* to compete against the leading Quaker Oats brand in the semi-moist dog food segment.
  - Quaker Oats responded by launching a new semi-moist product called *Moist 'n Beefy*, while Ralston Purina attacked Quaker Oats' dry dog food with its introduction of *Grrravy*.
- In 1987 and 1988, H. J. Heinz and Alpo entered the dog and cat food markets, respectively.
- In 1989, Mars removed its Kal Kan brand, the category leader in the canned cat food segment in 1988, because of large losses in the United States.
- In 1989, Ralston Purina launched *Purina Biscuits* to compete with RJR Nabisco's *Milk Bones* in the dog snack market.
  - A few years later, RJR Nabisco put *Milk Bones* up for sale.
- In 1991, Ralston Purina, Kal Kan, and Quaker Oats released new super-premium pet food lines. An industry observer noted that 1991 "will be a very competitive year."[1]

Sources: David J. Collis, "Cat Fight in the Pet Food Industry (B)," HBS No. 391-195 (Boston: Harvard Business School Publishing, 1991); David J. Collis, "Cat Fight in the Pet Food Industry (C)," HBS No. 391-196 (Boston: Harvard Business School Publishing, 1991); and David J. Collis, "Cat Fight in the Pet Food Industry (D)," HBS No. 391-197 (Boston: Harvard Business School Publishing, 1991).

[1] Julie Liesse and Bradley Johnson, "New Pet Food Scrap in Supermarkets," *Advertising Age* 62, no. 4 (January 1991): 3.