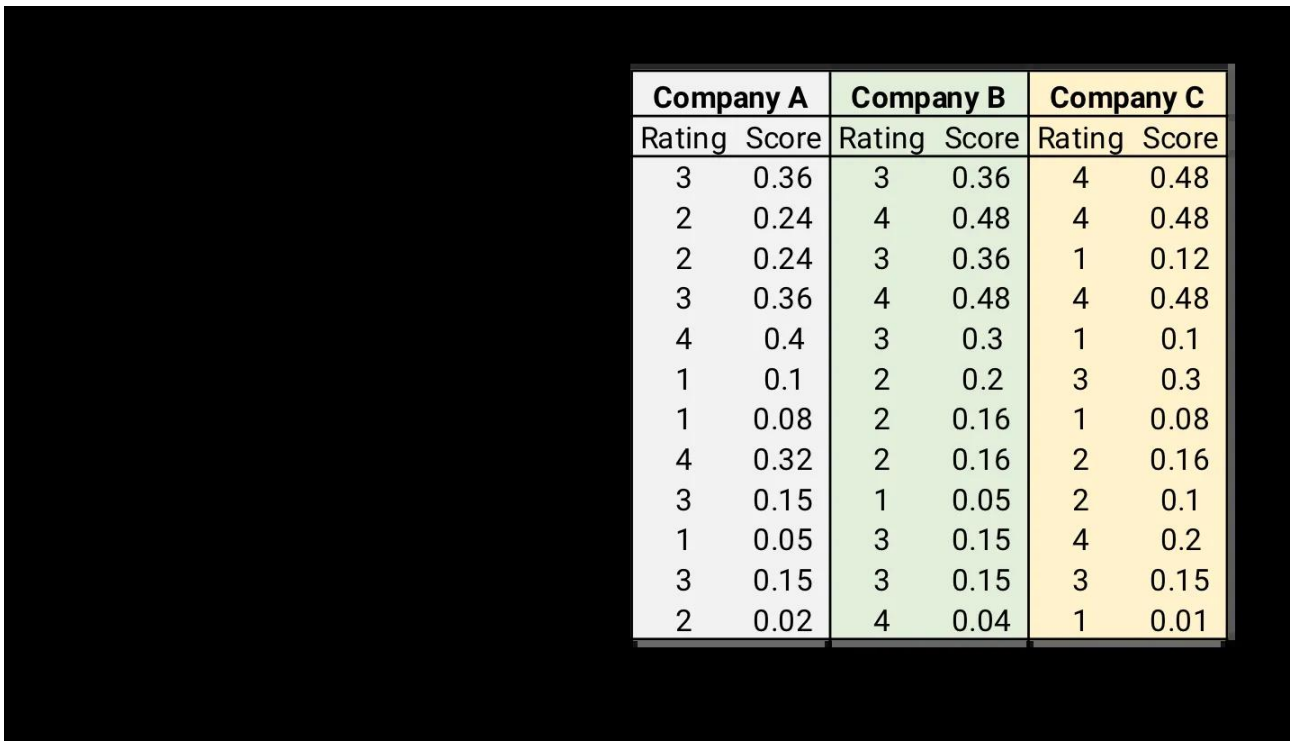
Competitive Profile Matrix [CPM]

Idea In Short

Competitive profile matrix is an essential strategic management tool to compare the firm with the major players of the industry. Competitive profile matrix show the clear picture to the firm about their strong points and weak points relative to their competitors.

The Competitive Profile Matrix [CPM] is a tool that compares the firm and its rivals and reveals their relative strengths and weaknesses1. In order to better understand the external environment and the competition in a particular industry, firms often use CPM2. The profile matrix identifies a firm's key competitors and compares them using industry's critical success factors. The analysis also reveals company's relative strengths and weaknesses against its competitors. As a result, a company can easily identify the areas it should improve and the areas it should protect.



Company A		Company B		Company C	
Rating	Score	Rating	Score	Rating	Score
3	0.36	3	0.36	4	0.48
2	0.24	4	0.48	4	0.48
2	0.24	3	0.36	1	0.12
3	0.36	4	0.48	4	0.48
4	0.4	3	0.3	1	0.1
1	0.1	2	0.2	3	0.3
1	0.08	2	0.16	1	0.08
4	0.32	2	0.16	2	0.16
3	0.15	1	0.05	2	0.1
1	0.05	3	0.15	4	0.2
3	0.15	3	0.15	3	0.15
2	0.02	4	0.04	1	0.01

Competitive Profile Matrix

Critical Success Factors

Critical success factors [CSF] are the key areas that determine a company's success in the industry. To succeed in its industry, a company must perform at the highest possible level of excellence. These factors vary among industries or even strategic groups. CSF should include both internal and external factors for analysis. Therefore, if you want a more robust and accurate analysis, include more, relevant factors.

Weight

Assign a weight ranging from 0.0 (low importance) to 1.0 (high importance) to each critical success factor. The weight indicates the importance of that factor in the company's success. If you don't assign weights, then all factors would be equally important. This is an impossible scenario in the real world. The sum of all the weights must equal 1.0. You should not emphasise separate factors too much by assigning a weight of 0.3 or more. This is because a company's success is rarely determined by just one or few factors.

Rating

The ratings in CPM refer to how well companies are doing in each area. They range from 4 to 1:

- 4 means a major strength
- 3 – minor strength
- 2 – minor weakness, and
- 1 – major weakness.

Subjectively assign the ratings and weights to each company. However, this process can be done easier through benchmarking. Benchmarking reveals how well companies are doing compared to each other or industry's average. Note that firms can have equal ratings for the same factor.

Score

The score is the result of weight multiplied by rating. Each company receives a score on each factor. Total score is simply the sum of all individual score for the company. The firm

that receives the highest total score is relatively stronger than its competitors.

Summary

The benefits to using Competitive Profile Matrix [CPM] for rivals analysis are:

- The same factors are used to compare the firms. This makes the comparison more accurate
- The analysis displays the information on a matrix, which makes it easy to compare the companies visually
- The results of the matrix facilitate decision-making. Companies can easily decide which areas they should strengthen, protect or what strategies they should pursue.