

Model Rival Moves and Countermoves

How to construct sequential competitive scenarios that anticipate retaliation, entrant adaptation and the consequences of each move.

Theory session

Advanced

Running case: LumenFleet



Where this session sits

3.1 assessed your own economics; 3.2 adds rivals who are also deciding

MODULE 1

Foundations of
Defensible Position

MODULE 2

Defensibility Through
Market Architecture

MODULE 3

**Strategic Advantage
Under Rivalry**

SESSIONS IN THIS MODULE

3.1 Turn Learning into Strategic Leverage
When scale and cumulative learning actually compound

3.2 **Model Rival Moves and Countermoves**
Anticipating retaliation and entrant adaptation

YOU ARE HERE

3.3 Commit Before Competitors Can Adapt
Irreversible actions that alter rivals' expectations

What this session explains

Reasoning forwards about moves that will be answered

01 Every move invites a response

Analysis that stops at your own action is a plan, not a strategy.

02 Response is predictable in three dimensions

Awareness, motivation and capability determine whether a rival reacts at all.

03 Reason backwards from the end

Choose the first move by evaluating where each branch terminates.

04 The best move often avoids the contest

Mitra changed the structure rather than competing for the same constrained input.

What competitive response modelling is

A discipline for thinking past your own move

WORKING DEFINITION

Competitive response modelling constructs the sequence of actions and reactions a move would set off, evaluates where each branch ends, and selects the opening move on the basis of that endpoint rather than its immediate effect.

1

It is sequential, not simultaneous

The question is not what rivals are doing now, but what they will do after you act.

2

It requires a rival's payoffs

Their response depends on their economics, not yours. Modelling them as a mirror of yourself is the standard error.

3

It terminates in a settled state

Follow each branch until no party wants to move again. That state is what you are actually choosing.

Brandenburger, A. & Nalebuff, B. (1996). Co-opetition. New York: Doubleday. · Schelling, T. (1960).

Three conditions, all required

A rival that fails any one of them will not retaliate, whatever the provocation

AWARENESS

Do they notice? Moves in adjacent segments or small accounts frequently go unseen for quarters.

MOTIVATION

Does it threaten revenue they care about? A small share loss in a non-core segment rarely justifies a response.

CAPABILITY

Can they respond? Structure, cost base and commitments may prevent a matching move entirely.

THE STRATEGIC GAP

Attack where one is missing

A segment the incumbent cannot serve without damaging its core is the classic entry point.

CAPABILITY IS STRUCTURAL

Their trade-offs protect you

An incumbent whose activity system forecloses your position cannot follow without abandoning its own — Session 1.1.

THE MISTAKE

Assuming symmetry

Rivals have different cost bases, different shareholders and different constraints. Their rational move is not yours.

Chen, M. (1996). Competitor analysis and interfirm rivalry. *Academy of Management Review*, 21(1), 100–134.

Reasoning backwards from the endpoint

Each branch is followed until nobody wants to move again

OUR MOVE

Enter the underserved segment at a price below the incumbent's core.

THEIR LIKELY RESPONSE

Match price in that segment only, if they can do so without repricing the core.

OUR COUNTER

Compete on the dimension they cannot match without restructuring — speed, terms, integration.

THE SETTLED STATE

They hold the core, we hold the segment, neither move is worth making. This is the real choice.

THE METHOD

Evaluate the last node

Choose the opening move by where the sequence ends, not by its first-round effect.

DEPTH

Three moves is usually enough

Beyond three, uncertainty dominates and the tree becomes a fiction with decimal places.

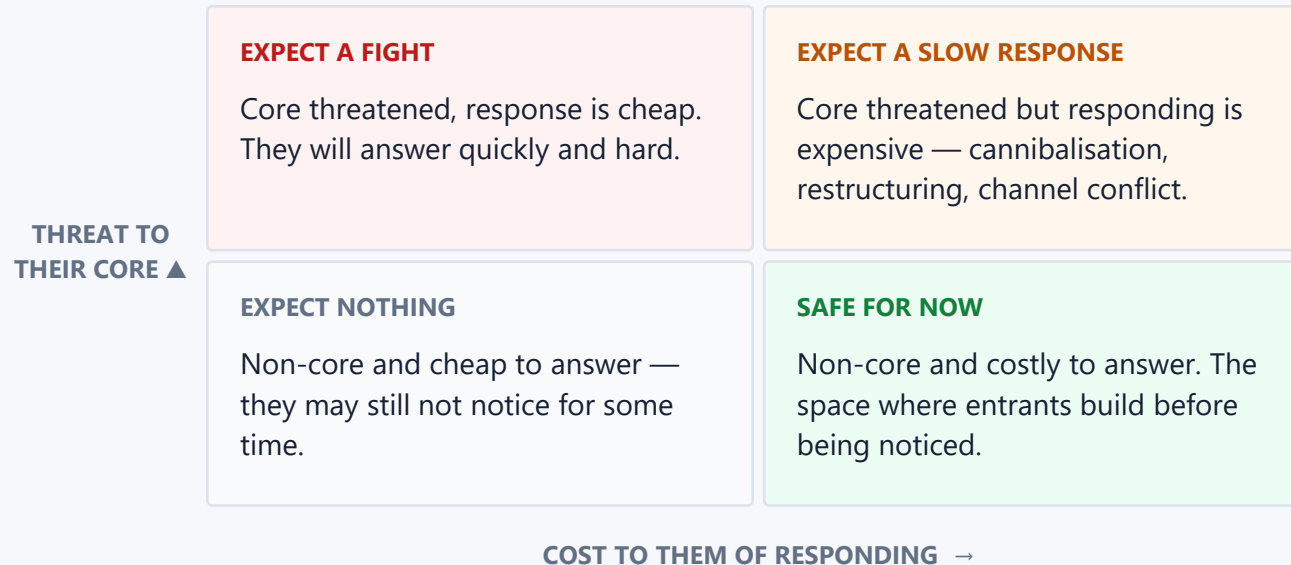
THE TEST

Would you accept the end?

If the settled state is worse than doing nothing, the opening move is wrong however good it looks now.

When an incumbent actually fights

Two factors predict it better than size does



THE INCUMBENT'S DILEMMA

Responding damages the core

Matching a low-price entrant often means repricing a much larger existing base. That arithmetic protects entrants.

SIGNALS TO WATCH

Hiring, pricing tests, filings

Response is usually visible in preparation before it is visible in the market.

THE UNCOMFORTABLE CASE

Sometimes they just win

A rival with better economics and the will to use them is a reason to change position, not to model harder.

Contest the position, or change the game

Mitra's move is the second kind

CONTEST

Compete for the same input

THE LOGIC

Match or beat rivals on the dimension everyone is already competing on.

IN THE CASE

Every operator builds more depot capacity, against the same grid constraints.

THE OUTCOME

Duplicated fixed cost, the constraint unchanged, and returns competed away.

RESTRUCTURE

Change who holds what

THE LOGIC

Alter the structure so the constraint stops binding the way it did.

IN THE CASE

One shared hub with reservation-based access, serving several fleets.

THE OUTCOME

Pooled utilisation, savings, and viability for operators too small to build alone.

THE QUESTION THAT FINDS THE THIRD OPTION

The useful question in response modelling is not only “what will they do?” but “is there a move that makes their best response irrelevant?”

Building a scenario that is falsifiable

Six fields, so the prediction can be checked afterwards

Field	What it must state
Our move	Specific and dated — not “expand into mid-market”.
Who notices, and when	Which rival, through which channel, with what lag.
Their options	Two or three realistic responses, given their cost base and commitments.
Their likely choice	Which one, and why it is best for them — not for you.
Our counter	What we do in each branch, decided now rather than under pressure.
The settled state	Where it ends, and whether that is better than not moving.

WHY IT MUST BE WRITTEN DOWN

Record the prediction with a date. Reviewing it afterwards is the only way a team's model of its rivals improves.

What you communicate before you move

Signals change rivals' expectations at lower cost than actions do

SILENCE Maximum surprise, maximum retaliation risk. They discover it as a fait accompli and respond emotionally.	DELIBERATE SIGNAL Announce capacity, commitment or intent to deter a response before it forms. Cheap, if credible.	BLUFF Signal what you cannot or will not do. Works once, and destroys the value of every future signal.
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WHAT MAKES A SIGNAL CREDIBLE

Property	Why it matters
It is costly to send	A signal that costs nothing conveys nothing. Sunk investment is the classic credible signal.
It is hard to reverse	Irreversibility is what makes a rival believe you — the subject of Session 3.3.
It is consistent with history	A firm that has retaliated before is believed when it says it will again.

Three ways competitive analysis misleads

Each produces confident predictions that do not hold

Modelling rivals as yourself

Looks like "They'd never do that, it makes no sense."

Why it fails Their cost base, owners and constraints differ from yours.

Fix Build their payoffs from their public economics, not from your intuition.

Stopping at the first round

Looks like A move evaluated on its immediate effect.

Why it fails The gain is competed away by round two, and the position is worse.

Fix Follow each branch to a settled state.

Ignoring non-rivals

Looks like A map containing only direct competitors.

Why it fails Suppliers, complementors and regulators move too, and often decide the outcome.

Fix Include anyone whose action changes your payoffs.

CASE STUDY

Mitra EV

A shared charging hub that answered a constraint by changing who owned the infrastructure, not by building more of it.

Changing who holds the constraint

The move that made everyone's obvious response unnecessary

THE CONSTRAINT

Depot power caps the fleet

THE BINDING LIMIT

Depot power constrained the operation to only 35 vehicles fully charged each day.

THE OBVIOUS RESPONSE

Every operator builds more of its own depot capacity — duplicating cost against the same grid limits.

WHY THAT FAILS

It competes for the scarce input rather than changing how the input is used.

THE MOVE

Change who shares the asset

THE DESIGN

Sacramento's first shared fast-charging hub for electric trucks, serving multiple fleet operators.

THE MECHANISM

Reservation-based access plus end-to-end operational support, purpose-built for commercial trucks.

THE EFFECT

Pooled assets unlocked savings, scale and confidence for small fleets that could not electrify alone.

READING THE CASE

Competitive response modelling can expose an overlooked option: change who shares infrastructure before trying to make every operator build more of it.

Drawn from the session case pack.

Bringing the theory to LumenFleet

One move, modelled to a settled state

Field	What you state	LumenFleet example
Our move	Specific and dated.	Open shared depot access to third-party fleets from Q2.
Who notices	Which rival, with what lag.	The two national charging networks, within a quarter.
Their options	Realistic, given their economics.	Match on price, restrict roaming agreements, or ignore.
Their likely choice	And why, for them.	Restrict roaming — cheapest, and protects their own utilisation.
Our counter	Decided now.	Sign reciprocal agreements with regional operators before announcing.
Settled state	Better or worse than not moving.	Regional coverage without national roaming — acceptable, and durable.

WHAT COMES NEXT

Session 3.3 asks which of these moves should be made irreversible, and when.

What to carry out of this session

- 1 Every move invites a response; model to a settled state.**
A first-round gain that is competed away by round two is not a gain.
- 2 Awareness, motivation and capability all have to hold.**
A rival failing any one of them will not retaliate, whatever you do.
- 3 Build rivals' payoffs from their economics, not yours.**
Assuming symmetry is the most common source of wrong predictions.
- 4 Look for the move that makes their best response irrelevant.**
Mitra changed who held the constraint instead of competing for it.
- 5 Write the prediction down with a date.**
Reviewing it afterwards is how a team's model of its rivals actually improves.

Sources for this session

Primary references behind each concept

COMPETITIVE DYNAMICS	Chen, M. (1996). Competitor analysis and interfirm rivalry. <i>Academy of Management Review</i> , 21(1), 100–134.
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