

Topic:
Competitor
Analysis

Competitor Analysis – do you know enough about your rivals?

iCT is produced by *Business Advantage*, a B2B research, business development and marketing consulting practice operating in the global IT, Digital and Telecommunication sectors.



A recent survey of businesses in the USA on their approach to understanding their competitors identified two categories of company, eagles and ostriches. Eagles analyse their rivals, and assume these rivals are doing the same. Ostriches, well, they're just content to focus on their own affairs.

Few companies can survive without some basic knowledge of their competitors, such as the products or services they sell and the price they sell them at. Yet relatively few small and medium sized enterprises invest in a thorough analysis of their rivals, mainly due to a lack either of resources or of an appreciation of how this can be carried out. As awareness of the benefits of gathering this information grows however, more and more businesses are investigating how to go about it.

What is Competitor Analysis?

Competitor analysis ('CA') is the in-depth study of one or more rivals (or potential rivals) to gather information on their structure, strategies, strengths, weaknesses and future directions. This information is then used to make informed decisions about everything from marketing tactics to long term business strategies.

CA goes beyond the type of research that most companies will already be engaged in to varying degrees, such as reading trade papers or obtaining rivals' sales literature - although the systematic gathering of information from published sources is an important element of it. It involves extracting and piecing together the inside information your competitors really don't want you to get your hands on. The most effective technique to achieve this is the skilful interviewing of people connected with the company concerned - without alerting them to your motives. It's a highly specialised discipline, and while increasing numbers of very large companies are employing their own in-house competitor analysis professionals, for the vast majority of businesses the most practical option is to use specialist agencies.

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CA or CI?

Most of the literature on this topic refers to 'competitive intelligence' ('CI') - in many ways the terms CI and CA are interchangeable. CA can be viewed as a highly specialised subset of CI, as the latter covers a broader spectrum of activity to monitor aspects of a competitive environment including general industry, economic and regulatory trends.

Why bother?

There are various approaches to gaining and maintaining the edge over your competitors. At one level this can mean ensuring that your products and services are actually better than theirs. At another it can mean ensuring you are better at *marketing* your products/services, even if they are very similar to those of your rivals. But succeeding in these areas requires you to actually know how your competitors are operating. Certain basic information about them - their products/services, list prices and the features/benefits they are pushing to clients - can be obtained relatively easily. This at the very least gives you a starting point for positioning your prices appropriately, and setting out your selling points. But it stands to reason that the more you know about your competitors, the better equipped you are to stay ahead of them. This is particularly true of the CAD/CAM market, which is a mature market where innovation is needed to remain competitive. However, there are difficulties in obtaining inside information on competitors yourself; for example it is simply not in the best interests of a potential customer to tell you the exact price they paid for the product or service of your closest rival. Independent, external research is usually more effective in producing accurate, unbiased responses.

Case Study 1

Company A, the market leader in sales for a type of computer hardware, was concerned about Company B's aggressive pursuit of its market share. They commissioned an analysis of Company B's operations in several European countries, including their distribution models, profit margins, strategies, strengths and weaknesses.

Numerous people were 'interviewed' in the information gathering exercise including Company B's customer service personnel, sales representatives, senior managers and telephonists. Their distributors and resellers were also interviewed in depth.

The resulting information and recommendations enabled Company A to reshape its marketing strategy, and re-structure its pricing matrix to counter Company B's strengths and target their perceived weaknesses. Company A has since started to see an increase in its market share.

If...

....you had access to information on your main competitors on some or all of the following areas:

- structure, strategy, motivations and objectives
- financial and operating analysis, e.g. return on sales, gross profit margin etc.
- marketing strategy, e.g. messages and tactics, price flexibility, new services or products, distribution models used, names of key customers
- market perception, e.g. why their customers buy from them and their satisfaction levels i.e. what are your competitors' best practices and key strengths?
- future directions

....then you would be in a strong position to:

- understand their mission and objectives and develop your own accordingly
- develop realistic sales targets through understanding the scale of their operations and turnover
- implement product/service improvements to counter strengths/weaknesses and innovations in their product portfolio
- position your prices appropriately
- target your direct sales policies through knowing their distribution channels
- offer competitive discounts and payment terms
- develop an appropriate marketing communications strategy in response to their messages and where they put them across
- strengthen your products/services and marketing strategy by adopting and adapting the best practices observed in your competitors' armoury. Not in a blind 'copy cat' way, but creatively shaping those practices to your own circumstances.

Case Study 2

A leading telecommunications manufacturer wanted a better understanding of six of its main competitors. A detailed study was carried out that examined the following areas for each competitor:

- company overview, structure and strategy
- financial and operating analysis
- current product range
- new product developments
- key service provisions
- pricing structure
- quality issues
- market perceptions
- distribution and sales strategy
- marketing communications strategy and tactical implementation
- overall strengths and weaknesses.

With an accurate assessment of their leading competitors, our client re-shaped its overall marketing strategy and then implemented plans aimed specifically to counter competitive strengths and exploit weaknesses. The outcome? Increased revenues and an enhanced market position.

How is it done?

The straightforward element of CA involves gathering information from publicly available sources; probing beyond this however needs to be conducted very carefully to avoid alerting a competitor to your interest and intentions. Before you decide to invest in any such analysis you should ask yourself some key questions:

- What do we need to know?
- What do we already know?
- How much will it cost to get it?
- What could it cost *not* to get it?

Answering the question 'what do we already know?' is important - if you decide to bring in an outside specialist you don't want to pay for information you already have.

While there are additional sources of recorded information that can be explored (such as commercial databases), speaking to people with inside knowledge is the most effective way to penetrate beneath the facade of the competitor. According to the information you want, these might include actual employees, ex-employees, industry experts, suppliers, customers and so on. Gathering information in this way is fraught with difficulties, and requires a creative mind and lateral thinking to overcome obstacles and avoid detection. CA professionals will not give away the tricks of the trade easily, but skilful interviewers are able to structure their approach and frame their questions in such a way as to elicit huge amounts of invaluable information.

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Ethical questions

CA should not be confused with espionage; almost all the information needed can be gathered by examining published sources, interviewing or other legal, ethical methods. There are certainly grey areas, both between what could be considered ethical and non-ethical, and legal and illegal - but the consequences of stepping over the line can be severe in terms of business reputation and punishment by law. Not that that prevents some companies from engaging in improper practices; each year in the USA the FBI investigates hundreds of cases under the Economic Espionage Act. The Society of Competitive Intelligence Professionals (SCIP), set up in the USA but now with a branches in Europe, was established with the goal of promoting CI as a discipline bound by a strict code of ethics.



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So who's doing it?

As disciplines, CI and CA originated in the USA, and most of the new ideas and supporting technologies are coming from there. According to SCIP (www.scip.org), a large proportion of the biggest global companies have established professional CI operations. However outside the Fortune 500, many companies still lack a dedicated CI effort, despite the fact that most managers recognize their success depends on looking ahead and moving more rapidly than the competition. The industries most committed to CI, says SCIP, are those that compete in the fastest-changing environments such as chemicals/pharmaceuticals, communications/telecom and IT. Traditional manufacturing industries, as well as the retail and service sectors, are, relatively speaking, just catching on.

The final word...

No literature on CI or CA is complete without reference to the words of Sun Tzu, the great Chinese military strategist of the 5th Century BC. His pearls of wisdom on the art of war have been adopted universally by business people seeking supremacy over competitors. *"If you are ignorant of both your enemy and yourself, then you are a fool and certain to be defeated in battle. If you know yourself, but not the enemy, for every battle won, you will suffer a loss. If you know your enemy and yourself, you will win every battle."*

If you are interested in finding out more about your competitors either [visit our web site](#) or contact David Eaton on +44 (0)1689 873636.

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