

Keeping abreast of the competition

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We compete against a whole range of companies, big and small. It's getting harder to predict what they might do, or how they're faring in these financial times. Any suggestions on what to do to stay ahead of the pack?

Your business does not operate alone in the marketplace. What happens to the companies around you will have an impact on your business. Some companies will look to enter markets, some will try to defend their turf and some will want to get out.

Keep your ears and eyes open for new entrants, especially in challenging markets. You'll typically see two types of competitors trying to come in. First are businesses that offer additional products or services to their existing customers. Second are businesses that push beyond their comfort zone, to sell current products or services to additional buyers.

Businesses will test new markets for a variety of reasons. Some want to keep their work force employed. Others try to expand when they think competitors are likely to be weakest. Still others are slow, have additional time and resources available, and decide to strike off in new directions.

You can't battle everyone, so you'll have to pick your shots. Competitive intelligence will help you decide. Get information on competitors from a number of sources - suppliers, customers, employees, periodicals, newspapers, personal observation and the Internet are a few obvious ones.

Take time to have coffee with suppliers. Ask about any trends they're seeing. Ask them their opinion of how you're doing compared to your competitors. Find out if anyone isn't paying their bills on time and who's cut back on their orders.

Watch for ads, articles and Internet information about competitors. Are their prices up or down compared to yours? Are they offering any specials? Are they promoting something new?

Put the word out that you're interviewing. Place ads for operations and sales people, requiring specific industry knowledge. If any of your competitors' employees are looking, they may respond and give you an ear full.

You'll probably find competitors who are dropping prices. Then you notice a specific competitor's employees are interviewing for jobs. And vendors have cut back on that competitor's credit terms. This competitor may be in trouble. You may have an opportunity to strike.

Alternately, you may notice that a competitor is promoting a new service. Maybe they've negotiated a preferred relationship with one or more vendors. Driving by their location, you notice their parking lot is full. This competitor may be gearing up to grab share, to get even stronger.

Profile competitors by size and capability. Keep in mind that in tough financial times, some of the bigger competitors will pull out of markets they consider to be too small, not profitable enough or too difficult to service. Smaller competitors who have too many products or service too many markets may be forced to pull back and focus more narrowly. Geography may come into play as some competitors find they can't continue to support as many regional/local service centers.

OK, you've checked out competitors. You've found some that are weak, and a couple that are gearing up. Now what.

Put together a spreadsheet to organize all the information you've gathered on your competitors. Include columns for products/services added, cut back or withdrawn altogether. Have columns for pricing, track special incentives, and note increases or reductions in prices, quantities sold and overall revenue. Track employees known to be out looking for opportunities. List any intelligence you get on companies' financial conditions. Make notes about Web sites you do and don't like. Check out competitors' lists of clients for names of companies you might want to go after. Over time, you should have a rich database.

Now it's time to decide who you want to take on and who to avoid. Here are some questions you'll want to ask, to help you decide how far you want to go.

- Are there markets your company should let go of in order to focus elsewhere - either because they're too hard or expensive to service or because a well-heeled competitor is moving in?
- Alternately, are there markets your company should hold onto, no matter what the cost?
- What openings exist as competitors pull out?
- In cases where you might go head-to-head, which of you has deeper pockets and is therefore more likely to withstand a fight for share?
- What revenue and profit benchmarks do you have to hit to prove a market is worthwhile?

Looking for a good book? Try "Business and Competitive Analysis: Effective Application of New and Classical Methods" by Craig S. Fleisher and Babette E. Sansoussan.

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