



Conducting Competitor Analysis

Like all areas of market research, competitor analysis can be carried out using secondary data. There is no substitute however for some good old-fashioned spying and a cunning approach.

Your market research should have identified your main, direct competitors, but it is important to broaden this and consider the impact indirect competitors could have on your business. Indirect competitors are those organisations who, while not offering a similar product or service, are still competing for the same customers by offering an alternative product or service. An example would be someone opening a new bar, who while identifying other bars in the vicinity would also need to look at other organisations offering other ways for customers to spend their leisure time. This threat is demonstrated by the response of sections of the licensed trade to the growth in sports broadcasting on digital TV, this offered customers a real choice particularly when considered along with the cheap alcohol promotions offered by supermarkets.

The best way to proceed from here is to contact the competitor and get an idea of how they do business. For example, get them to give a quote, visit their premises or phone for brochures and information. The objective is to get as complete a picture as possible of how the competition does business. Do not focus solely on what they charge but try and understand the relationship they build with their customers and what you may have to provide in order to tempt those customers away.

Some main points to consider would be:

1. Service; focus on the quality of the service, is it appropriate for the price and product being delivered? Did you feel that they really cared about your problem or request?
2. Premises; what do these say about them and what advantage would their location give them? Are you going to have to spend more on advertising in order to reach their customers?
3. After Sales: what guarantees, or support do they offer? If they offer a product, do they deliver or provide you with several options.
4. Advertising Strategy: what kind of advertising and promotion do they do, how does it compare, with other competitors and do you feel it is sustainable given their pricing policy?
5. Pricing; how much do they charge and what offers, discounts or account terms do they offer?
6. Supply Chain; who supplies them and how might these suppliers compare to your own?
7. Business Strategy: how might they react to your business? This is difficult but by studying their current business strategy it may be possible to predict their likely response and be prepared.

There are other ways of assessing the competition if posing as a customer is either too expensive or impractical; these include talking to their customers, consulting distant competitors and, in the case of retail, observing the store at different times of the day.



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Having gathered as much information as possible, you will need a way of analysing it. The most effective way of doing this is a SWOT analysis which will help you understand their strengths and weaknesses and to focus your attention on gaining a competitive edge.

The competitive edge is the most important thing to emerge from this research. This is the realisation that you cannot win a market over on price alone. There must be more, something that only your business can offer. This may be a single advantage or a combination of benefits that none of your competitors can match. Consider the benefits of your product or service and weigh these against the SWOT analysis of your competitors. What could be your main attraction? What really is in it for the customer? In other words, how would you define your USP (Unique selling point)

Keep this information updated regularly to keep your business one step ahead of the competition. Find out about trade fairs and exhibitions by reading your trade publications. To find the publication which relates to your trade try and get a copy of BRAD, the advertising directory of magazines.

You are now ready to begin planning how to exploit these weaknesses by compiling a marketing strategy. Planning how to create positive customer awareness by prodigious pricing and effective promotion.

Further information and support.

Organisations will often be wary about disclosing information, especially around financial viability. In this case it would be worth viewing market information reports and researching secondary data. We have listed a few places below which should get your research started.

Companies House www.companieshouse.gov.uk

Mintel www.mintel.com

The Chartered Institute of Marketing also offer additional resources to help small businesses plan an effective marketing strategy.

Visit www.cim.co.uk/marketingresources