

Think Marketing by Susan Henken and Patricia Huff

Eyeing the Competition

“Never underestimate your competition.” Today, that old business adage holds more meaning than ever, but many companies do not take time to objectively assess their company or products and compare them to their adversaries in the marketplace. Worse yet, some companies even feel that their products have no competition. Though it can be daunting to look at the realities of your market, understanding your competitive business environment is critical when planning for your company's future profitability.

Hammers Vs. Crowbars

First, let's clarify: everyone has competition, though it may not always seem obvious. Marketing experts cite two categories of competition: indirect and direct. Every company has indirect competition, no matter how unique or high-tech their product or service.

Indirect competition provides the same benefit the customer obtains from your product, only in a different form. Take, for example, the Acme Hammer Company. Acme's indirect competition comes from whatever customers use instead of hammers. Those more creative in the craft of carpentry might use a crowbar to drive a nail into a board or pry it out of wooden siding. That makes a crowbar manufacturer an indirect competitor.

Looking at it this way, the possible indirect competition seems almost limitless, but it is critical to acknowledge all the options your customers have to meet their needs. You can use information about indirect competition to realistically target your markets, create your positioning and messaging or creatively and efficiently developing new products and marketing strategies. Remember, even though the indirect competitive product is not at all like your product, you can still lose an order because of it.

Hammers Vs. Hammers

Acme's direct competition might come from other tool manufacturers such as Stanley, Husky and Craftsman. Because direct competitors are easier to identify and research, you may want to start your analysis here.

Gather as much information as possible including the competition's sales materials. Have your employees keep their ears open for anecdotal data they obtain from discussions with industry experts, manufacturers' representatives or trade show participants. Ask your customers about the quality of the competition's products, services and management.

You should also gather quantitative data such as information about the competition's gross revenues, ownership, number of employees, legal issues, new products, industry awards and relevant trade articles. Libraries, databases, trade literature and Internet web sites can help you fill any gaps in your knowledge.

Orders are won or lost over small advantages or disadvantages. Knowing your competitors' strengths and weaknesses allows you to tailor your products and services to get that critical advantage. More specifically, you must use this information to strengthen relationships with your customers, stay informed about your competitors' activities, remain knowledgeable about industry trends or acquisition prospects and identify potential product problems. Knowing your competition leads to new products or product improvements, sales tools positioning your product positively against your competition's weaknesses, finding new distribution strategies and many other business decisions.

What's an example of using competitive information. Let's say your new competition has recently lowered their pricing, leading you to pricing pressure. However, if the competitor is having legal problems due inferior product quality. In this case, you emphasize the high quality of your product in your sales materials to take advantage of the weakness of your competition, rather than meeting the price point of your competitor..

