

AN INTRODUCTION TO RESEARCHING YOUR COMPETITORS

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Introduction

When planning to start up a business or enter a new market, it is essential to research your competitors thoroughly to ensure you can differentiate your product or service from those of your rivals or offer something unique to customers that will make them buy from you rather than someone else.

This factsheet explains what kind of information you should find out about your competitors, and suggests some of the best places to look for it. It also includes hints and tips and sources of further information.

What do you need to know about your competitors?

The following questions will provide you with a starting point for gathering information about your competitors and understanding how they relate to what your own business is providing.

- How do your competitors' products or services compare to yours, and how can you differentiate?
- How do their prices compare with yours? Do they have special offers, discounts or guarantees?
- Is the quality of their products or services better (or worse) than yours?
- Does their product or service have any add-on features that increase its attractiveness to customers?
- Are they undertaking any research and development that would affect the future positioning of their products?
- How many customers do they have?
- Who are their customers, and what are their demographic characteristics? For example, where do they live? How old are they? What gender are they? What are their occupations? What do they earn? What do they spend their money on?
- What share of the market does each competitor have?
- How do they promote their products? Where is this done? What marketing strategies do they use?
- How much do they pay their staff, and what other staff benefits do they offer?
- Are they using any particular technology to help them in their business, such as a bespoke client management system?

Sources of competitor information

For most business sectors there are a variety of sources of information on competition. Some are sector specific, others are more general sources.

Sector-specific information

Sources specific to your industry or sector will provide you with the most accurate and detailed information about your industry and the competition within it:

- Industry-specific trade press can provide you with an insight into the most recent trends and future developments affecting your sector. For example, your competitors may put out press releases in the trade press relating to new developments they are working on or new contracts they have won. Go to www.tradepub.com for a directory of trade magazines and journals.
- Many national papers produce weekly or monthly supplements focusing on particular industries. You can browse www.mediauk.com for a directory of all the UK's newspapers and magazines. Alternatively, your local business reference library will usually have a newspaper and trade publications archive that you can use.
- Joining a trade association for your sector will provide you with access to market information and a directory of competitors. Go to www.taforum.org or www.britishservices.co.uk/associations.htm to find the association(s) for your sector.
- Attending trade fairs is also a good way to network with key players in your industry and to get an idea of the types of products or services your competitors are selling and developing. You can find a directory of UK trade exhibitions at www.exhibitions.co.uk.

Local business and competition

Online directories and search engines can be used to identify similar businesses operating in your local geographic area:

- Local business directories like Yell (www.yell.com), Thomson Local (www.thomsonlocal.com) and Scoot (www.scoot.co.uk) are useful sources of information about businesses operating near you.
- Services including UpMyStreet (www.upmystreet.co.uk) and Google Maps UK (<http://maps.google.co.uk>) can provide you with information about businesses operating in specific postcode areas. Other directories include Yahoo! Local UK (<http://uk.local.yahoo.com/>) and Local Mole (www.localmole.co.uk).
- Local councils (go to www.direct.gov.uk to find yours) and Chambers of Commerce (go to www.britishchambers.org.uk to find your local Chamber) often publish business directories of firms operating in the locality. Directories and portals (such as the ICnetwork service - go to www.icnetwork.co.uk for details) also list local businesses and services.
- Local business reference libraries usually archive the business sections of local newspapers, which can be searched for news on competitors' developments, announcements, successes and events.

General trade directories

There are a number of general trade directories that provide wider coverage of UK businesses as a whole:

- British Companies (www.britishcompanies.co.uk), Kompass (www.kompass.co.uk) and Kellysearch (www.kellysearch.co.uk) are examples of directories that list businesses, products and services. As well as researching competitors, you can also use the product listings to compare price information.
- If your competitors are limited companies, you should be able to obtain financial data on them, for example from Dun & Bradstreet's Key British Enterprises database (www.dnb.co.uk), but you will have to pay for it.
- The Companies House website (www.companieshouse.gov.uk) also features a number of tools to help you find information about registered companies, including financial records and details of the directors.
- FAME (Financial Analysis Made Easy, www.bvdep.com/en/fame.html) and Experian (www.uk.experian.com) provide various types of financial data and performance ratings of limited and listed companies.

Market reports

Specialist market research publishers are useful sources of detailed market information and analysis. They publish regular, in-depth reports on hundreds of different market sectors, looking at key trends, consumer profiles and spending figures. However, these reports can be a costly option for a new start up, sometimes running into thousands of pounds per report. Examples of the organisations publishing this type of research include:

- Mintel (www.mintel.com).
- Key Note (www.keynote.co.uk).
- Datamonitor (www.datamonitor.co.uk) and its subsidiary Verdict (www.verdict.co.uk).
- Euromonitor International (www.euromonitor.com).
- MBD (www.mbdLtd.co.uk).

Although these reports can be expensive, you can often find executive summaries free of charge on the website of the publisher. Your local business reference library will usually hold or be able to obtain back copies of these resources - see BIF 441, A Guide to Public Library Business Information Services for details.

Blogs

Blogs (weblogs) are now a major method of communicating news and information from and about business via the Internet. News, views and opinions are posted on blog sites on a frequent basis, and these postings attract comments and feedback from other web users, and often link to related blogs or discussion forums.

Browsing these can be a rich source of emerging news and information about a particular market sector, and may also help you to gain an insight into your target customers' opinions about your competitors or the products and services currently available in your market.

Very useful Blog search engines, including Technorati (www.technorati.com) and Google Blog Search (www.google.com/blogsearch), enable users to search for keywords and topics, keep an eye on new trends or popular news stories, set up automated searches and receive e-mails when certain words (including sector-specific words or competitor names) have been mentioned.

Social media blog sites such as Mashable (www.mashable.com) also provide an overview of developments in social media. This can be useful in keeping up to date with potential new sources of competitor information.

Social networking sites

Social networking sites allow users to submit and share content, communicate, make contacts, join online communities, comment, vote, and express their opinions.

For many businesses, including your competitors, the key reason for using online social networking is to increase exposure and improve their marketing. They advertise to niche audiences on social networking sites, create a buzz around product launches, read what customers say about them and their competitors, and use social media to interact with customers.

If your competitors use these sites, this will often provide you with a valuable source of information. This could include details of what products they are launching and what feedback they are getting from customers.

- Microblogging sites such as Twitter (www.twitter.com) enable users to post short messages of no more than 140 characters to other web users. Twitter has over 100 million active users. Many businesses are now using Twitter as a way of communicating directly with customers and you can learn a lot by following the 'conversations' your competitors are having on Twitter.
- LinkedIn (www.linkedin.com) is an example of a networking site that is aimed at professionals and business users, and is used to keep in touch with peers and colleagues, discuss and keep track of developments in your sector, or share competitive knowledge with industry contacts or a professional peer group.
- Creative sharing websites such as Flickr (www.flickr.com) and YouTube (www.youtube.co.uk) enable users to upload and display content they have made themselves or found elsewhere. Content is rated by visitors, and communities form spontaneously around topics or talented individual contributors. For example, YouTube is an excellent source for businesses to find out how competing firms in their sector promote themselves or certain products through video marketing.

Other ways of researching competitors

Information about larger trading businesses is usually available through a variety of sources such as published annual reports and general Internet research. However, when you are establishing a new small or micro business, your main competition will come from other businesses of similar sizes to yours, where information is not always in the public domain. This can make your information gathering more difficult.

Most businesses now have a website and many encourage visitors to sign up for a regular newsletter via the site. Websites and newsletters can provide a lot of information about competitors, and you should revisit your competitors' sites regularly to see what has changed, and if they are offering anything new such as special promotions and product launches.

Networking with other businesses through trade associations or local organisations such as your local Chamber of Commerce will often provide useful, indirect sources for what you need to know. Getting out and about, meeting potential customers and talking with other firms in your local area will help you gradually to build up other snippets of intelligence that you can use to your advantage.

Speaking to your customers is another excellent way of finding out about the other businesses they regularly purchase from and which products and services they buy.

You could also visit your competitors personally or find ways of observing buyers and promotion techniques. It is also worth examining the quality of their products and the levels of customer service they provide (especially at trade fairs and exhibitions). One technique for doing this is known as mystery shopping, where you pose as a customer to test product or service offerings and delivery.

Talking to your suppliers will also often help you gather intelligence about what is happening in your sector, especially competitor successes and failures.

The legal implications of researching your competitors

It is a very important point to note that it is illegal to steal product samples or use staff to obtain confidential information from competitors under false pretences. Mystery shopping, however, is generally a legitimate practice, so long as no deceit is used to try to obtain what a competitor would regard as secret or commercially sensitive information.

Hints and tips

- Focus on information that helps you improve or differentiate your business and what you offer to your customers. Incorporate all the relevant information you collect about your competitors (and your customers) into your marketing plan, as this will help you look ahead strategically at ways of differentiating your business and its products or services, and maintaining an edge over your rivals.
- Researching and analysing information about competitors and your market should be a regular part of running your business, not just something left to occasional reviews.
- Don't just look at direct competitors, but at indirect competitors as well - these are businesses offering a different range of products or services, but which nevertheless compete for the same portion of your potential customers' budgets. (For example, if you sell women's fashion, indirect competitors would include second-hand clothing stores and charity shops.)

Further information

For practical start up and small business tips, ideas, know-how and news, go to:

Website: www.enterprisequest.com

To access hundreds of practical factsheets, market reports and small business guides, go to:

Website: www.scavenger.net

BIF 47 A Guide to Sources of Market and Business Information
BIF 121 A Guide to Business Networking
BIF 392 A Guide to Creating a Marketing Strategy for Your Business

Useful contacts

Companies House stores information on UK companies and has a searchable 'WebCheck' database available in the 'Search company information' section.

Tel: 0303 123 4500

Website: www.companieshouse.gov.uk

The Trade Association Forum has directory of trade associations, which can be a useful source of information for identifying businesses in your sector.

Tel: (020) 7395 8283

Website: www.taforum.org

The British Chambers of Commerce has a directory of local Chambers, which run regular networking events for business owners where you can find intelligence about existing and potential competitors.

Tel: (024) 7644 6615

Website: www.britishchambers.org.uk

CONTACT-

for further information.

This information is meant as a starting point only. Whilst all reasonable efforts have been made, the publisher makes no warranties that the information is accurate and up-to-date and will not be responsible for any errors or omissions in the information nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

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