

How to get to grips with your competitors



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Introduction

This item provides tips on how to get to grips with your competitors. Many businesses see competitive information gathering as a cost, but, as a list of benefits shows, the value to be gained far outweighs the costs. Listed here are 10 questions about competitors that most businesses need to answer along with the different sources of information available, much of it free.

What it is

Competitor intelligence is information about other businesses that may have a significant impact on the way you conduct your business. These may be

- Your existing direct competitors whom you encounter on a daily basis
- New competitors who may enter your market, offering a new technology or simply to take a share of the market
- Indirect competitors who offer a substitute product. For example, Kelloggs' competitors include not only Weetabix and manufacturers of other breakfast cereals, but also the makers of alternative breakfast options such as croissants and the traditional cooked breakfast ingredients

Why it is important

It is important to seek information about your competitors and use it in making business decisions. By doing so you will be able to:

- Evaluate your own performance against other suppliers
- Identify and exploit competitors weaknesses
- Address competitor strengths
- Get new ideas
- Identify new customers
- Improve sales forecasting
- Keep your business planning focused

There are also other benefits, which are arguably more important, but difficult to measure. Competitor intelligence helps you to:

- Reduce complacency and improve discipline within your own business
- Foster an acceptance of continuous change
- Respect that other suppliers have satisfied customers and reasons for the satisfaction
- Create a recognition that the business must continually seek to improve

What you need to know

The key thing to decide at the outset is what sort of competitor information you need. This will depend on the type of business you are, type of competition you face and market or industry sector in which you are operating. However, most businesses need a basic set of information about their competitors.

Listed below are 10 key questions most businesses need to answer.

1. *Who are your competitors?*

There's a little more to this question than meets the eye. You may find that you compete with different suppliers in the different product/service areas or markets in which you operate. To recap, your competitors include:

- All firms that are supplying, or have supplied, your existing customers, or that supply customers with whom you have yet to do business. Concentrate initially on collecting information and getting to grips with those suppliers that pose the greatest threats to your existing customer base or to sales of the products or services that you provide
- New entrants. Keep your eyes open for signs of any business that seems to be offering a new competing product, is starting to win over your customers or to be growing faster than you
- Those businesses offering a substitute product or service, particularly if it has the potential to replace yours. These businesses do not need tracking quite as closely, but observing them, say, once a year at an exhibition, is good practice

2. *What do they offer?*

Find out what makes up their entire product range or service portfolio. Of course, you are more interested in the products and services that you compete with, but remember that they are making decisions about resource allocations to their entire portfolio.

How do their products or services compare with yours? Are there different features or benefits that you could consider incorporating in your own?

Customers are not just buying the product or service itself, they are also buying into a relationship with the supplier. It is important to consider what other aspects of service they offer (eg delivery, advice, after-sales support etc) and how these differ from yours. What can you learn from them?

3. *What is their pricing policy?*

Customers will usually carefully consider the price of your products or services in relation to your competitors. It isn't always good to have a lower price. For example, if your price is lower is your quality, or are your costs, also lower? If the price of your products and services is higher than other suppliers, are you providing additional customer benefits? Do customers recognise and value these benefits?

4. *Who are their customers?*

Consider the different types of customer groups that your competitors are supplying. Are they managing to repackage one of their products or services at minimal cost to gain access to another customer group? Are they picking off the profitable customers in the market, leaving you with the less profitable ones? How are they doing this? Then ask which individual customers your competitors supply. Which are their big accounts? Are these customers also yours? Are they new customers you could target in the future?

5. *How do they promote themselves?*

How are they attracting new customers? How active is their promotional activity? Do they advertise or use direct mail? What stories are they using to obtain press coverage? Do they employ field sales people, and, if so, how many? Do they attend exhibitions, and, if so, which? How much, as a proportion of sales, do you think they are spending on promoting themselves?

The important point is to see what key messages they are using, and what particular benefits are they claiming. Of course, it helps to know whether they are specifically targeting your customers.

6. *Who are their suppliers?*

Do they use the same suppliers as you? If so, are they on the same terms financially and personally? If they use different suppliers, why do they? Are these new suppliers worth investigating?

7. *How financially secure are they?*

Company accounts can provide much useful information and enable you to make direct comparisons. A couple of words of caution:

- When comparing company accounts, make sure that you are comparing like with like. For example, do their sales come only from products or services like yours? Are there differences in operation that may lead to lower or higher costs? If you know of such differences try to make sensible estimates and adjust the figures accordingly
- If you are collecting this information for the first time, try looking back over the past three years to identify trends. Then you can monitor this information in future years

Obvious comparators like sales and gross profit margins are important, but look also for other factors that provide indications of their underlying financial health, such as wages, assets, debt, debtor and creditor payment periods, cash introduced and capital expenditure. From these figures you can draw some conclusions about the financial health of the company.

8. *What kind of organisations are they?*

The ways in which your competitors organise their operations can provide valuable information that you can turn to your own advantage. How do their organisations differ from yours? How have they set themselves up to meet customers' needs? Are there new ideas or better ways of operating which you could employ yourself? How many people do they employ? How does the workforce split between production or operations and administration? Do the directors hold other directorships, or are their efforts concentrated in the one company? Have they attracted staff from you, and, if so, how? How do their premises compare with yours? Do customers visit these premises, and, if so, what would their impression be? Are there any aspects, such as location and décor, that give you or them an edge in serving customers' needs?

9. *What are their strengths and weaknesses?*

You have potentially collected a lot of information about your competitors. Listing their strengths and weaknesses is a good way to summarise this information in a meaningful and usable form. What are they best at, and how does this compare with you? In answering this question, focus on how they meet customer needs and the particular benefits which they deliver in doing so. You should be alert to any areas where competitors are performing better than you. Now, what are they less good at and how does this compare with you? Focus on where they are falling down in meeting customers' needs, providing you with an opportunity to exploit. Equally, make sure that you actively promote any products or services where you have a competitive edge.

10. *What is their business strategy?*

If you understand your competitors you will be able to predict what decision they are likely to make in a given set of circumstances. This insight is extremely valuable. From all the information obtained, you can build a picture of the key characteristics of your main competitors that will enable you to make intelligent deductions about their overall business strategy. What can you learn from this? Whatever attractions you think you have, customers are patronising other suppliers of their own free will - you need to know why. If you don't know why, you are stabbing in the dark.

What you should do

You should decide what information you need about your competitors. It may include some or all of the information listed above. You should then decide where you are going to get the information from. There are three main sources:

1. What competitors say about themselves
2. What others say about them
3. Research to meet your specific needs

1. What competitors say about themselves

The first source of information is the competitor organisation to find out what they are saying about themselves. Remember that they control what is broadcast, so it is one-sided information.

Table 1

Source	Where to find it	Comments
Sales Literature	Enquiry direct to your competitor distributors or agents	Sales literature is particularly useful for finding information on the product/service range, company background, and for identifying their target customers. Forms of sales literature that are useful include company brochures, product or service literature and newsletters.
Advertisements	Local, regional or national press trade, industry or specialist press Radio and TV Your suppliers, agents and distributors	Advertisements are particularly useful for finding information on how your competitors are communicating the benefits offered by their product or service. Competitors may place advertisements to promote a product/service or the company, but also watch out for job advertisements and the company description that goes with them.
Mailshots	Your suppliers, agents and distributors Enquiry direct to your competitor	Mail shots are particularly useful in providing an insight into any particular offers or incentives used to attract new customers. They also show what benefits are being promoted. Mail shots may take the form of letters prospecting new customers, with or without flyers containing product/service information.
Press releases	Trade, industry or specialist press	Press releases are a good source about what your competitors are doing that is new or different. Remember that they are usually informing the press rather than the press chasing them for the story.
Exhibitions	Exhibition stand Sales people Your suppliers, agents and distributors Your customers	Exhibitions can be a gold mine for competitor information. You can identify what new products or services are on offer, and any aspiring newcomers. Someone who is independent of your organisation should find it easy to collect literature and make general observations without drawing attention. But beware – your competitors may be just as interested in seeing what you have to offer.
Websites	Competitor websites	Competitors' websites are particularly useful for finding information on the company background, product/service range, prices, the extent to which they are engaged in e-commerce and internet selling, distributor network and their sophistication in using technology.
Competitor visits	Trade association and network websites promoting your competitors	Visiting the site, physical state and facilities of competitors' places of operation can be valuable. Think of a genuine and plausible reason for making an appointment.
Company accounts	Competitor premises Companies House	Company accounts are particularly useful for finding all financial information and credit ratings, as well as identifying directors and whether they hold other directorships. These accounts are available online for a nominal charge. All your competitors who are limited companies or plcs are required to lodge their accounts at Companies House. www.companieshouse.gov.uk

2. What others say about your competitors

There is also a large amount of information available on your competitors from independent sources. Some of this information you will have to collect yourself. Other information will be freely available in the public domain. However, don't expect these sources to provide all the commercial details you may be looking for.

Table 2

Source	Where to find it	Comments
Customers	Your sales people	<p>Your sales people are particularly useful for finding information on how your competitors' customers view their offerings as well as their organisation and service levels. They should have a simple system for logging and reporting this information.</p> <p>Similarly, information about your company and how you compare with other suppliers is also invaluable in assessing your strengths and weaknesses in relation to theirs.</p>
Directories	<p>Local reference library</p> <p>Online directories including Kelly's, Kompass, Yellow Pages and UK Directory</p>	Directories are particularly useful for identifying competitors and their contact details.
Internet Search	<p>Search Engines</p> <p>www.google.co.uk</p> <p>www.yahoo.co.uk</p> <p>Newspapers such as www.timesonline.co.uk</p>	<p>An Internet search is particularly useful for finding organisations that are providing your type of products/service online. Archive searches can be invaluable for identifying press coverage. You will also find links to articles and research that provide information about the trends in your market. The information will be restricted to the material that your competitors have posted, or the press coverage they may have gained.</p>
Market research companies	<p>Mintel</p> <p>www.mintel.com</p> <p>Key Note</p> <p>www.keynote.co.uk</p> <p>Snap Data</p> <p>www.snapdata.com</p>	<p>General market information reports are particularly useful for smaller companies who are competing, or thinking of competing, with larger suppliers. Market research reports may be available for your industry, and can often include details about the main suppliers. [Members of The Institute have access to a range of reports via the Library at Moor Hall.]</p>

3. *Research to meet your specific needs*

If you cannot find the information you need using existing sources, you may have to pay for specific research on one or more competitors to be undertaken.

Table 3

Source	Where to find it	Comments
Market Research Agencies	Business directories Yellow Pages Market Research Society's <i>Research Buyers Guide</i> www.rbg.org.uk	Customers will not always disclose sensitive or negative information to a representative of your business. However a third party will provide a more objective and detailed view.

What to do now

1. Decide what you need to know about your competitors to inform the business decisions you are making
2. Allocate resources to obtain the information, both as a one-off and then on an on-going basis
3. Select and use appropriate sources of information, starting with the free ones

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