Competitive intelligence - Methods of evaluating competitors*

Global Text Project

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Abstract

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1 Identifying competitors and their relative advantage

An understanding of the industry and the key success factors for the industry allows the entrepreneur to assess the performance of competitive firms. The process starts with the identification of competitors. In many markets competitors will already be known to the entrepreneur. In other markets, the numbers and identities of competitors may be less obvious. Operating under the assumption that the vast majority of businesses need to communicate with the public, the best place to start with competitor identification is with directories and other official and semi-official listings. In many countries, and for most markets, the business telephone directory should be the starting point. City and other directories contain additional information on competitors, including ownership, key employees, and the number of employees. Some products will warrant an Internet search as competition may prove to be regional, national, or even international. After assembling a list of competitors the entrepreneur should develop a method for collecting information on his/her most immediate competitors, i.e. those competitors who will be competing for the same customers. For smaller businesses, simply creating a file folder for each immediate competitor should be sufficient.

The entrepreneur will need to collect more detailed information on his/her most immediate competitors. The entrepreneur should be parsimonious in his/her approach to collecting information and one means of being parsimonious is to focus on information related to the industry's key success factors (KSF). Competitor information may come from a wide range of sources including visits to the competitor's place of operation, word-of-mouth from suppliers and other third parties, competitor's advertisements, newspaper archives, Internet searches, and public records. Since the best indicator of future performance is past performance, the entrepreneur should pay close attention to the longevity and historical performance of competitors.

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Having collected information, the entrepreneur is in a position to make comparisons between his/her firm and the firm's immediate competitors. A spreadsheet or table is commonly employed for this assessment. Relevant information beyond key success factors is commonly included in the comparison and may include size measures, reputation, age, largest customers, key suppliers, and almost anything else deemed relevant to the competitive environment.

Competitor Analysis **XYZ Industry, 123 Market**					
	Entrepreneur's Firm	Competitor A	Competitor B	Competitor C	Competitor D
Key Success factor 1					
Key Success factor 2					
Key Success factor 3					
Key Success factor 4					
Key Success factor 5					
Firm's age					
Manager's reputation					
Market shareor ranking					
Other relevant-considerations					

Table 1

The entrepreneur should pay particular attention to the management capabilities of his or her own firm and competing firms. The quality and the style of management will play the major role in establishing the competitive environment. The methods for collecting information on management capability are similar to those used for collecting information on competitors—the firm should rely on word-of-mouth, the Internet (especially management ranking websites, such as www.joost.com[1]), trade publications, civic organization, and industry events. Listening to competing managers will provide an invaluable insight into the industry environment.

Exercise 1

Use the chart above to complete analysis for the firm and industry of your choice.

[1] http://cnx.org/content/m35540/latest/www.joost.com