

Solution Guide

Simple ways to research your competition

Very few businesses operate without competition. We may wish to see all competition disappear, but in fact competition forces us to improve our businesses by developing better productivity, better products and services, and lower costs. Knowing what the competition is up to is therefore a vital part of our business lives.

If you are already in business, keeping up to date with what your competitors are up to or are planning is an essential part of sharpening your competitive advantage and making sure that you can stay that one step ahead.

If you are planning a business start-up, then understanding what your competitors offer and what share of the market they hold is very important. For example, in the course of your research you might discover that the competition is stronger, more entrenched, or more pervasive than you had imagined. This 'reality jolt' could save you from costly financial commitments or mistakes, or lead you to modify your plans to make your concept more competitive and practical.

Identifying competitors

The first task is to identify your key competitors. Most existing business owners can probably list immediately their main competitors, but research will help them uncover new information and deepen their understanding of the market. For a new business the task is harder and requires more research. Here are some avenues to pursue:

Library search

Visit your local library and ask for assistance in tracking down information on possible competitors. Most of the larger libraries keep a selection of industry directories from

various parts of the world and subscribe to a range of journals. Librarians are also well qualified to offer research assistance.

Networking

Networking is an important part of keeping alert to market developments. Joining industry associations or business groups such as the local Chamber of Commerce is a good way of discovering more about competitors.

Internet websites

The Internet offers a rich mine of information. Use Internet search engines such as Google™ or Yahoo™ to find information and lead you to competitors' websites. These websites are often very revealing.

Competitor websites

Competitor websites are a rich source of information. Examine them for what they reveal about your competitors' goals and intentions. How user-friendly are the websites? What could you do differently or better? Sign on for any free newsletters so that your competitors keep you up to date with what they are doing.

If the website offers online buying, make a purchase or two to see how well the system works. Did the shopping experience impress you, or was the process clunky and

time consuming? What changes could you make to your own website to do better?

Industry journals

Industry-specific periodicals are a useful source of information and competitor adverts.

White and Yellow Pages

Your library should stock the White Pages and Yellow Pages directories for all Australian States and Territories. You can also do your research online through the www.whitepages.com.au or www.yellowpages.com.au websites.

Statistics and market research

Two useful websites for more information are www.abs.gov.au and www.business.gov.au

The Australian Bureau of Statistics offers Consultancy Services (fee based) at its various branches around Australia. (For more details phone 1300 135 070, or email client.services@abs.gov.au). For example, if you wanted to establish a paint and panel business, or open a new branch of an existing business, you can find out how many paint and panel shops there are in your city or town and the number of staff they employ.

Analysing your competitors

Once you've drawn up a list of your competitors, your next step is to deepen your knowledge of their operations.

Promotions and adverts

Collect a file of competitor sales material and adverts and analyse the material for strengths and weaknesses, for evidence of what your competitors are doing and what they might be planning to do. For example, if you keep collecting material, you will come to recognise patterns, such as when competitors hold sales or launch special promotions.

This is valuable information for your own marketing tactics. You could, for instance, launch pre-emptive sales or promotions before your competitors launch theirs.

Catalogues and newsletters

Let competitors tell you what they're up to by making sure you (or a friend) are on their mailing list for catalogues and newsletters.

Customer surveys

Add a question to your customer surveys asking them who else they buy from, and why. The information could surprise you and could help you to refine or adapt your own tactics to make your business more attractive. For example, other suppliers might be preferred because they keep more convenient shopping hours, offer a website with online buying, offer free delivery, etc. You can use this information to plan appropriate changes.

Your accountant

Your accountant can be a useful source of information on your industry. For example, the accountant might have worked with similar businesses and be aware of industry benchmarks. These might include typical mark-ups or charge-out rates for products and services in your industry, or other information you can use to check if your performance needs improving. For instance, if your stock turnover rate is much slower than the industry average, or your average debt collection time is out of line with the competitors, you can set new goals to improve your competitive efficiency.

Mystery shop

A variation on this tactic is to arrange for a friend or colleague to visit a competitor and report on the experience. These visits can be a rich source of information on aspects such as how busy the business seems, the quality of the layout, décor and signage, the friendliness of the staff, the range of products and services, and so on.

You can make this exercise more professional by contracting a mystery shopping business to mystery shop a number of competitors including your own business and then submit a report ranking your business against others. This exercise can be very useful in revealing areas for improvement.

Trade fairs

Competitors' stalls at trade fairs and exhibitions offer a good source of information, since exhibitors usually hand out information packs or run videos and/or PowerPoint presentations to tell you what they are up to or what new products and services they are introducing to the market.

Competitor checklist

Here are some of the main points to consider as you research the competition:

- What are the key benefits offered by each competitor?
- How well do they communicate their competitive advantage to customers?
- What other steps do they take to entice customers?
- How have they positioned their business in the market?
- What are their pricing and discount strategies?
- What other strengths and weaknesses does your research reveal?
- What can you improve on, or do better in your own business?

Use a SWOT analysis to determine the Strengths, Weaknesses, Opportunities and Threats of each competitor in relation to your business.

Summary

Competitor analysis can provide you with a wealth of information to enable you to keep your business that 'one step better'. But always bear two things in mind:

- 1) Keep all your activities legal. It is quite acceptable to research your competition using publicly available information or the promotional material put out by the competitor. Your competitors will surely be doing the same to you (if they ignore you, be worried!). But avoid outright industrial or commercial spying or stealing secrets or headhunting a rival's employee to gain technology secrets. Not only are you likely to be breaking the law, you risk irreparable credibility damage to your own business. If a competitor research activity seems borderline, then don't do it (or at least check first with your legal advisors).
- 2) Don't become too obsessed with what your competitors are doing or on constantly looking over your shoulder. It is important to keep in tune with the marketplace or you might miss out on some important trend or development. But keep your primary focus on steadily and confidently developing the potential of your own business.

For more help

To speak to a Business Specialist, contact the nearest branch of the ANZ or access our website www.anz.com

Local support

To access the most up-to-date advice, browse the website for your State:

ACT: Business ACT

www.business.act.gov.au

NSW: NSW Smallbiz

www.smallbiz.nsw.gov.au

NT: Territory Business Channel

www.tbc.nt.gov.au

QLD: Smart Small Business

www.smartsmallbusiness.qld.gov.au

SA: Department of Trade & Economic Development

www.southaustralia.biz/home_page.htm

TAS: Department of Economic Development

www.development.tas.gov.au

VIC: Business Channel

www.business.channel.vic.gov.au

WA: Small Business Development Corporation

www.sfdc.com.au

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