



Understanding Your Competition – and Your Customers' Choices – for Your Business Success

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*"Free and open competition among providers of goods and/or services in order to satisfy the wishes of consumers is the basis of the American economic system. To survive, let alone prosper, in this environment a provider must offer more appealing goods and/or services than other providers, not in every instance but in enough instances to generate adequate profit for the owner. Small-businessmen and women understand this imperative when they establish their firms, or they learn it very quickly thereafter." **

Many of us operate in growing markets, which makes it much easier to grow our sales without too much worry about competition. Often, though, our markets grow slowly, or not at all. When our markets are not growing, the only way we can grow our business sales revenue is to take customers and sales from our competitors.

Even in briskly growing markets we will face stiff competition. Profitability tends to attract new firms, which forces us to react to the new competition to avoid losing sales.

We must also keep in mind that our customers have limited budgets. **Other types of goods and services our potential customers buy compete for our potential customers' limited funds. Businesses that ignore budget limitations of their customers do so at the risk of the long term success of their company.**

* Dennis, Jr., William J., editor, NFIB Research Foundation, *Competition: NFIB National Small Business Poll*, Volume 3, Issue 8, 2003, <http://www.nfib.com/object/sbPolls>.

Understanding Your Competition

When budgets are tight, or if customers do not fully understand the benefits of our products and services, they may choose not to buy from us.

Choosing to save money by leaving needs unmet is a choice our potential customers often make. Or, our customers and potential customers may choose to have their needs met, or their problems solved, by less expensive competing products, services and businesses.

To effectively compete in the marketplace, we have to consistently provide value to our customers, and we need to consistently communicate that value. As business owners, we don't have the luxury of leaving business planning to someone else. It's essential that we take the time to truly understand our potential customers' needs and desires, and the problems they face. We can use that understanding to provide our customers and potential customers with products and services that fulfill their needs (or solve their problems) better, or at a lower cost (or both), than our competitors.

Competition can be defined as *the struggle between companies in the same or related markets for customers, sales and profits, when there are inadequate customer sales to provide profits for all.* The definition sounds negative: Aren't there always adequate sales and profits for all business owners? **Actually, many businesses fail every year because of inadequate sales and profits.** While understanding our competition does not guarantee our success, it is an important step in the planning process. We need to determine why our customers and potential customers should shop with us. What is our competitive edge? What do we provide that other products or sellers don't? Then we need to communicate that compelling reason to shop with us to our customers. Using competitive market information to develop and implement an effective marketing plan is essential.

Developing our competitive edge is a 3 part process that begins with setting aside time to conduct competitive research.

First, we should get to know our top 5 to 10 direct competitors, those companies that sell the same or very similar products. What types of customers do they serve, and over what geographic area? How do they package and deliver their products and services, and how much do they charge? Do they have any certifications, or have they won any awards? Our competitors'

brochures and web sites will tell us about their strengths and specialties, as will online review web sites. ***But we should also shop with our competitors, if possible. Call (or have an intern, relative or friend call), send an e-mail inquiry or visit them. How is their customer service?*** After learning more about our competitors, we may decide we want to copy some areas in which they excel. We also will likely come up with very good ideas on how we can better serve our customers and potential customers than our competition, how we can set ourselves apart.

Second, we need to develop a strategy for combating indirect competition.

A common marketing saying is, "Think benefits, not features." What benefits do we provide our customers, or what problems do we solve for them? After we list all the benefits we provide, we should think of and list the other products and services that provide the same benefits to our customers. These products and services are our *indirect competitors*. For example, to be healthier, people can join a new fitness center near their workplace. But they can also buy an inexpensive pair of athletic shoes and go walking with their dog or a neighbor. They can take a fitness class at the local community college, buy nutritional supplements, or try a new diet in an attempt to boost energy or feel healthier. All the above choices are tough competition for the fitness center owner.

Once we identify our indirect competition, ***we should list the ways we better provide benefits to or satisfy the needs of our customers***. And we need to communicate the ways in which we are superior to our competition. Name the benefits we provide or the problems we solve directly in our marketing and advertising copy. Our potential clients need to know about our unique abilities to meet their needs in order for them to become our customers.

Third, we must monitor emerging technologies to maintain our competitive edge.

New technologies always bring about new opportunities but also threats to the status quo. *New products and services often emerge which can fulfill our customers' needs and desires, or solve their problems, better or at a lower cost than our products or services*. For example, online printing companies now provide low cost design, print and mail services for small business owners via their web sites. Many small business owners now send out high quality direct mailings themselves, instead of hiring local graphics designers or marketing consultants.

While we must monitor how new technologies create competitive threats, we must also identify how the new technology creates market opportunities, or

ways to serve our current markets better. New technologies can lower costs for our customers, or help us to improve quality. A marketing consultant can choose to incorporate the online print companies' low cost services when providing direct mail campaign services to their small business clients. Many business owners can then hire the marketing consultant at a lower cost than they previously could, and focus on generating business revenue rather than marketing.

The new technologies impacting and providing opportunities are unique to each business and market. We'll want to guard against our products and services being replaced by new technologies, while we also embrace new market opportunities.

In summary, the key to developing our competitive edge is to set aside time to research our competition – direct, indirect and emerging technologies -- and then identify how we are uniquely positioned to satisfy our customers' needs or solve our problems. The final step in the process is to use the information to develop a marketing communications plan. We need to clearly communicate our competitive edge in our marketing and advertising copy. Informing our customers of our unique abilities to satisfy their needs or solve their problems is an essential final step that enables us to serve our customers well, and insure our own company's long run financial success.

Today and over the next few weeks, look at your direct competition and competing goods, services and technologies with a more critical eye. Continue to seek ways that you can position yourself more advantageously against your competitors.



For more how-to information and worksheets to guide you through developing your competitive edge, see chapter 8 of [*The Entrepreneur's Guide to Market Research*](#) by Anne M. Wenzel.

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