



## Competitive Analysis

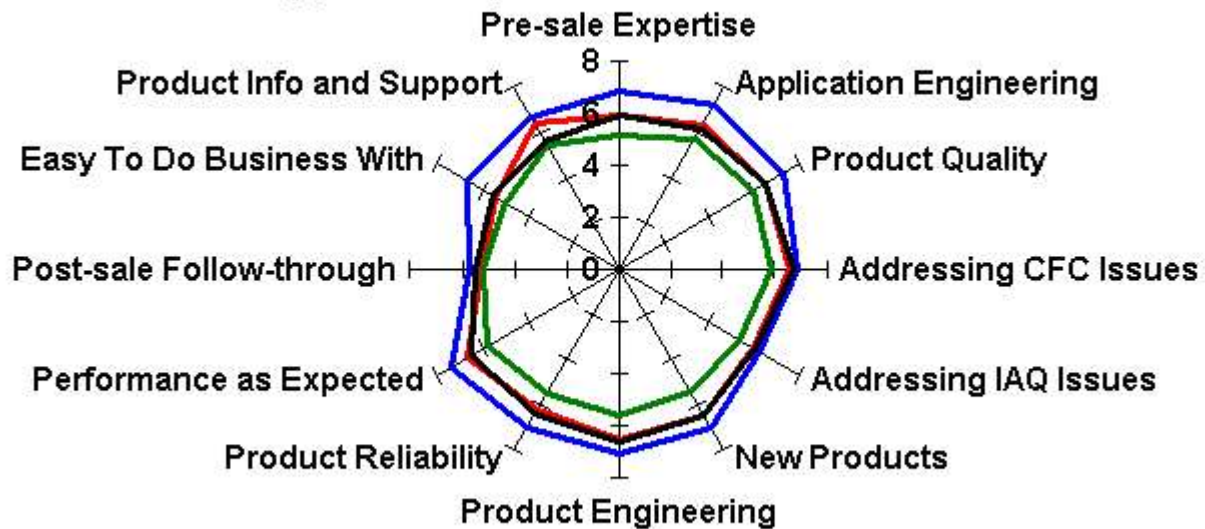
*Competitive Analysis* is a challenging as well as rewarding aspect of our practice of strategic market planning. Rewarding in the sense of conducting more of an “us vs. them” assignment with the attendant strategic and tactical implications; challenging because the “value information” generally requires a great deal of digging, cross-checking, and confirmation.

### The Flavors of Competitive Analysis

Competitive Analysis can mean different things to different people. In the purest sense we can aim at...

- A Specific Target Company – creating a portfolio of information detailing all the relevant aspects of their business with special attention paid to KEY SUCCESS FACTORS, defined as those items critical to success in the industry/market of question. Determining how this competitor executes these factors.
  - For example, a Key Success Factor of the automotive battery business is the sourcing of lead, both as “new ore” as well as recycled batteries.
  - In the capital equipment leasing market the balance of equipment utilization/age vs. depreciation/disposal economics is a key factor.
- Another aspect of Competitive Analysis is a comparison of the client vs. other major competitors against a market-driven list of key characteristics; we may also view this as Benchmarking. The exhibit on the following page shows a comparison among leading HVAC large system providers and their comparative rating by a decision-maker group.
  - One can see that the major players are grouped together fairly tightly, meaning they all have an acceptable performance in the marketplace.
    - ★ Distinctions are in fact slight.
  - One key point of differentiation between the leading competitor and the others is in the rankings of Pre-Sale Expertise and Application Engineering which reflects an historic position of sharing know-how with the market.
  - When examining market trends such as IAQ, indoor air quality, the top three suppliers are nearly equal in their ability to participate in current hot topics.

## Supplier Comparison-HVAC Contractors



- A third aspect of Competitive Analysis is the initiation on an Internal Data System which is intended to be an on-going data repository for information on one or more key competitors. In some cases a baseline study is needed as the foundation of these systems, with periodic updates.
  - Ideally, the information streams grow and expand over time to provide substantial detail on a timely basis.

### A Starting Point – Why?

If a document were delivered tomorrow detailing every aspect of competition, what exactly would it mean and what actions would it impact? This is the WHY question. Knowing details about competition is a definite edge and desirable (especially if they lack your company details). The question becomes how valuable is that knowledge and how important is it to develop. Will it have a role in future decision-making, or is it a “nice to know”?

How contributory will this “asset” be in decision-making? Will its utility fade before actions can be executed? Will the answers be “hard” numbers or will they be assumptive. Is there a need to continue to track this data, how best is that done in the future?



All these are factors that should be exhausted to arrive at a Target Information List; a first-pass at determining what the assignment goals are. If some information can be expressed in critical terms, this is preferable. This list may change as a Competitive Analysis program is executed but the more detailed starting point the better the end product.

## **A Typical Approach**

While specific assignments employ a variety of techniques, there are common aspects. These are illustrative:

### **Program Initiation Meeting**

At the outset we expect to accomplish several items that will be the foundation of the efforts

- Review of the Key Success Factors that are critical aspects to participation in the market.
  - What do competitors have to do well to be successful?
- Discussion of the client's Target Information List; details, priority of information, form of information.
  - How should the information be expressed?
- Review the client's perspective on valuable information sources and potential contacts.

This meeting will allow for the development of a concise work-plan with deadlines for interim reporting and discussion.

### **Developing Information**

Where do we get competitive input? The simple answer is from all available sources – everywhere and everybody. The practical answer is from a hierarchy of potential sources which can include these and others.

- First Tier
  - Secondary published documents, reports, articles
  - Internet search and sources
- Second Tier
  - Customers
  - OEMs
  - Suppliers
  - Support Companies



- Channels of Distribution
- Third Tier
  - Academia
  - Ex-employees
  - Other competition
- Fourth Tier
  - Target Company Management
    - ★ Field Sales and Marketing
    - ★ Departmental
    - ★ Executive Management

Each information source has a degree of difficulty in data gathering which is the reason we “build” information in the tiers shown above. The information desired defines the source and in many cases the approach. All manner of techniques can be employed, again depending on source, detail, etc. We may employ telephone interviews, mail surveys, focus groups, email surveys, personal interviews.

LESS	Degree of Difficulty		MORE
"Dossier" Information	Market-driven Information	Strategy Information	
Name/Location	Revenues	Market Viewpoint	
Number of Employees	Segmentation by End Use	Competitive Viewpoint	
Ownership and Structure	Major Customers	Strengths/Weaknesses	
Management Team	Special Customer Relationships	Expected Market Changes	
Plant Locations	Quality Levels	Stated Strategy	
Product Lines & Specialties	Pricing Policies	Product Actions	
Distribution	Distribution Policies	R & D Efforts	
Plant Equipment	Image	Profitability	
Financial Position	Technology/Innovation	Alliances	
Parent/subsidiaries	Capacity Utilized	Expected Actions	
Union/non-union	Supplier Relationships	Reaction to Market Events	
Analysts' View	Perceived Strengths	Leadership	
	Perceived Weaknesses		
	Apparent Strategy		



A particular aspect of this approach which we believe is a strength is to directly interview competitive management as part of the program, generally as a final field step when all information has been sourced and much of the analysis has been completed. Our experience has found that if a knowledgeable and credible case is presented most upper management will entertain a discussion of their market, competition, trends and issues. The ensuing discussion meetings will confirm market input and facts gathered but will also lead to insight into management assumptions, priorities, and future actions. Companies mostly reflect the people who run them. Cultures and personalities are very real and are key ingredients of the strategic process.

### **Deliverables**

A program of this type wraps up with a deliverable that returns to the program's Target Information List. Most of the items will be answered with hard data and opinion, others may be group conclusions based upon the best data and logical assumptions. More importantly, what does the data say? Beyond questions asked and answered, what actions does the input imply? When and how must the client take action? Do the program deliverables confirm our assumptions or raise more issues?



**“Management that continually questions its market knowledge consistently achieves success”**

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