

2.4 Your competitors

PRODUCT
DISTRIBUTION
PROMOTION
PEOPLE
FINANCE
RISK
GROWTH

- > *Understanding your competitors*
- > *Competitive strategies*

“Nothing focuses the mind better than the constant sight of a competitor who wants to wipe you off the map.”

Wayne Calloway, CEO of Pepsico, Fortune, March 1991

No business sells its products in a vacuum. No matter the market size or the brand/product you are trying to sell, there will always be competition, either direct or indirect. This is why all successful businesses, not only understand their market and customers but also their competition in an attempt to stay one step ahead.

Why try and understand your competitors?

Successful businesses spend time understanding their competition because what the competition does can impact on the success of the business, so by keeping an eye on the competition and trying to actually keep ahead of them, helps keep the business successful.

You can understand your competitors by:

1. Identifying key competitors
2. Working out what they are doing in the market place
3. Assessing their strengths and weaknesses
4. Selecting which competitors to go head to head with or avoid

1. Identifying key competitors

When identifying who the potential competitors are, it is important to realize that the most dangerous competitor is not necessarily one with the same category of product, rather the one that is trying to satisfy the same consumer need. Farmers Union Iced Coffee might consider its competition to come from other iced coffee makers; or, more broadly, other mass market beverage manufacturers such as Coca Cola. However, a category that has come out of the blue in recent years and achieved significant market penetration is Boost Juice and its imitators, offering fruit and milk based smoothies.

Using Table 1, write down all the brands and products that are in direct competition and also those that the consumer will substitute for your product.

2. Working out what your competitors are doing

Now that you have identified who you think your key competitors are, use Table 2 to look at their marketing mix. Do this for the substitute competition as well.

Now you will have a better understanding of what your competitors are doing in the market place.

3. Assessing their strengths and weaknesses

The next step is to understand where your competitors' strengths and weaknesses are, just as you have already assessed your own. If you have a strength where the competition has a weakness, then this is an area that you can capitalize on. Conversely, if the competition has a strength where you have a weakness, then you either need to become stronger in that area or not compete in that area.

Strengths and weaknesses are not only about the product. They include your business skills, financial resources and other capabilities, such as your location and experience.

Use Table 3 to undertake this exercise.

4. Selecting which competitors to go head to head with or avoid

Identify areas in which you can compete either because of your greater strength or a competitor's weakness.

Competitive strategies

Once you have worked on understanding your competitors, and where your business sits relative to them, it is time to develop 'competitive strategies'. These are the actions you will take to enable you to compete while meeting the needs of your market.



There are 4 generic competitive strategies:

<i>Degree of product differentiation</i>	<i>High</i>	<i>Differentiation Focus</i>	<i>Differentiation</i>
	<i>Low</i>	<i>Cost Focus</i>	<i>Cost Leadership</i>
		<i>Narrow</i>	<i>Broad</i>

Scope of activities

Michael Porter (1980), *Competitive Strategy: Techniques for Analysing Industries and Competitors*

Given that small food businesses have a narrow scope of activities, and are unlikely to be able to pursue a broad differentiation strategy or exercise cost leadership, the most likely strategies will be either Differentiation Focus or Cost Focus.

Differentiation focus

With this strategy, the food business aims to differentiate within one or two chosen target markets. The needs of consumers in this specific target market will mean that there will be opportunities to clearly differentiate products in a manner that competition may not be able to if they are attempting to target a broader market. It is important to establish that there really is a point of difference; that you are not just replicating what the competition is already doing well.

» 3.2 Positioning your brand

Cost focus

With this strategy, the food business seeks a lower-cost advantage within one or two chosen target markets. The product will be basic—a similar product to the higher-priced and featured market leader but acceptable to enough customers to make it worth while. These products are often called ‘me too’s’ if branded, and are often seen in the retailer ‘own-brand’ category.

Websites

www.quickmba.comstrategy/competitive-advantage/

How to Blitz your Competition

[www.womensnetwork.com.au/](http://www.womensnetwork.com.au/librarysmallbus/blitzcompet.htm)

librarysmallbus/blitzcompet.htm

Case studies

European Organic Juices www.organicmonitor.com/r2010.htm

Boost Juice—Competition www.boostjuice.com.au/documents/Boost_BRW.pdf

Table 1. Identifying your competitors

<i>Type of competitor</i>	<i>Name</i>
Direct	> > > >
Substitute	> > > >

Table 2. What are your competitors doing?

	<i>Your strategy</i>	<i>Competitor 1</i>	<i>Competitor 2</i>	<i>Competitor 3</i>
<i>Product</i>				
<i>Price</i>				
<i>Place</i>				
<i>Promotion</i>				

Table 3. Competitive strengths and weaknesses

	<i>Your own</i>	<i>Competitor 1</i>	<i>Competitor 2</i>	<i>Competitor 3</i>
<i>Strengths</i>				
<i>Weaknesses</i>				