



How to Do a Competitor Analysis

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Introduction

A competitor analysis is a tool you can use to compare your company's competitive strength in your market. This information will help you zone in on how you are distinctive from your competitors. These strengths, or points of distinction, will be communicated in your marketing messages to your existing and prospective customers.

Just as a competitive analysis will highlight your (and your competitors') strengths, it will also identify your competitors' weaknesses. This competitive intelligence will give you the edge in communicating your position in the marketplace!

Main Competition

From the overall list of competition you face in the market, identify your *main competitors* and assess their strengths and weaknesses. There may be one, or as many as four or five competitors in your geographic market area.

The competitor analysis tool is used to analyze and compare competitors between each other, and with your own company. Although the tool is subjective, it can help you understand how your business compares with the competition. A grading system is used to appraise the strength or weakness of a competitor. We recommend a scale of one to five, with five being the highest appraisal. You can also weight each of the factors according to importance to the customer. For example, if quality is of a higher concern to customers than price, you may want to weight quality a "five", and weight price a "four" in your analysis. This way, more emphasis is placed on this factor in the competitive analysis appraisal and final competitive strength score. We suggest using a minimum of three to four factors to evaluate your competitors. Following is an example of an abbreviated competitor analysis:

| Competitor Analysis | | | | | |
|----------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| Factor | Competitor One Score | Competitor Two Score | Competitor Three Score | Competitor Four Score | Your Company's Score |
| 1 Quality (weight of 5) | 20 | 10 | 15 | 10 | 25 |
| 2 Price (weight of 4) | 20 | 20 | 12 | 16 | 16 |
| Total Points | 40 | 30 | 27 | 26 | 41 |
| Average Points | 20 | 15 | 13.5 | 13 | 20.5 |

Appraisal Values: 1 to 5, with 1 being the lowest and five being the highest. Each competitor score is derived by multiplying an appraisal score times the weight of each factor.

In the example, Competitor One's quality was appraised a score "4", which resulted in final score of "20";
4 score X weight 5 = 20.

The average points is derived by dividing the Total Points by the number of factors evaluated, in this case, two.

Questions you will want to address and answer during competitive analysis activities are:

1. Who are the major competitors?
2. What are the keys to their success?
3. What are their strengths and weaknesses?
4. How does your company compare to them?
5. How do they compete?
6. Are they a new company, growing, stable, or declining?

When assessing each of your competitors, compile a list of factors that would work for your type of business. Develop a worksheet to list these factors, as well as to assign values to the relative strengths and weaknesses of each competitor for that factor. All of these comparisons are conducted with your company in the "competitive mix".

Important factors to consider are identifying what attributes are important to your customers. For example, if customers are insensitive to pricing of a product or service, it is probably not a key component of your competitive matrix analysis. Another example is if your customers favor feature-rich products, you most certainly would want to include this factor in your analysis. Some examples of factors to use in your competitive analysis are:

Competitor Analysis Factors

| | |
|-----------------------------|----------------------------------|
| Quality | Friendliness |
| Price | Customer service |
| Product or service features | Customer loyalty |
| Expertise | Product knowledge of sales staff |
| Specialization | Convenience |
| Customer focus | Suppliers |
| technology | Packaging design |
| Product or service upgrades | Marketing campaign |
| Distribution channels | Safety |
| Advertising | Durability |
| Commercial strength | Reliability |
| Years in operation | Ease of ordering |
| Financial resources | Convenience |
| Location | Style and design |
| Production employees skills | Ingredients |
| Trademarks, patents | Key benefits |
| Perceived value | Other |
| Main strategy | Other |
| Personnel motivation | Other |
| Cleanliness | Other |

Don't be restrictive to the factors listed above—each industry will have its own important factors to consider. Let's begin developing your competitive analysis matrix!

Exercise 1: Competitor Analysis

- Develop a competitor analysis using the following worksheet. Input the worksheet in Excel to make calculations and formatting easier: (Complete the following table on the next page.)

| Competitor Analysis | | | | | |
|----------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| Factor (and weight) | Competitor One Score | Competitor Two Score | Competitor Three Score | Competitor Four Score | Your Company's Score |
| 1 Commercial Strength | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |
| Total Points | | | | | |
| Average Points | | | | | |

Appraisal Values: 1 to 5, with 1 being the lowest and five being the highest. Each competitor score is derived by multiplying an appraisal score times the weight of each factor.

The average points is derived by dividing the Total Points by the number of factors evaluated.

Exercise 2: The Strongest Competitor(s)

Who are you strongest competitors? List your competitors in order of priority of strength below:

| | |
|------------------------|-------------------------|
| Competitor Name | Average Strength |
|------------------------|-------------------------|

- 1.
- 2.
- 3.
- 4.

Write narrative text describing who your major competitors are, what are their keys to success, what are their strengths and weaknesses, how does your company compare with them, how do they compete, are they a new company, growing , stable or declining?
(Check the box after you have completed this exercise.)

Next Steps

Congratulations! You've completed a competitive analysis. To benefit from doing this exercise, it's important that you highlight your company's strengths, in relation to your competitor's weaknesses in your marketing messages. This exercise should have given you a clearer picture of how your company is a stand-out from the competition.

Note: If your company did not score well, you have some work to do to build on the weaknesses, as well as the value of your offerings in your target market's eyes. Until you address your competitive shortcomings, your competition will run circles around you!

Good luck in all your marketing activities.



About Bonita L. Richter, MBA

Bonita L. Richter, MBA, is an entrepreneurial expert, speaker, and author with over 25 years of self-employment and business management experience in a multi-million dollar enterprise.

Bonita has studied and researched entrepreneurship, business management, marketing, new venture creation, and has taught over 3,000 individual entrepreneurs practical business skills through one-on-one counseling, and presented over 200 educational workshops. Her continued focus and passion is to help clients grow the sales and profits of their businesses to create sustainable success and build wealth.

Bonita has significant experience helping individuals start and grow businesses. In the past year, she counseled over 300 individuals, of which 38 collectively obtained over \$6,000,000 in private equity and debt financing to launch or grow their businesses.

She offers her clients practical knowledge and experience, as well as seasoned insight, passion, and resources. She is an adjunct instructor at the college level, and has written over 50 presentations, student guides, and articles on many business topics, including: marketing and market planning, business planning, strategy development, the entrepreneurial mindset, creative problem solving, and other business and self-employment topics.

Bonita holds a degree in Business Administration from the Pennsylvania State University, and graduated valedictorian with an M.B.A. from Lake Forest Graduate School of Management, Lake Forest, IL.

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