



Business
LINK

Understand your competitors

Knowing who your competitors are, and what they are offering, can help you improve your products, services and marketing. It will enable you to set your prices competitively and help you to respond to rival marketing campaigns with your own initiatives.

You can use this knowledge to create marketing strategies that take advantage of your competitors' weaknesses, and improve your own business performance. You can also assess any threats posed by both new entrants to your market and current competitors. This knowledge will help you to be realistic about how successful you can be.

This guide explains how to analyse who your competitors are, how to research what they're doing and how to act on the information you gain.

Who are your competitors?

All businesses face competition. Even if you're the only restaurant in town you must compete with cinemas, bars and other businesses where your customers could spend their money instead of with you. With more and more goods, services and leisure options being bought or researched on the internet, you are no longer just competing with local businesses. In fact, you could find that you are competing with businesses from other countries.

Or your competitor could be a new business offering a substitute or similar product that makes your own redundant. Competition is not just another business that might take money away from you. It can be another product or service that's being developed and which you ought to be selling or looking to license before somebody else takes it up.

And don't just research what's already out there. You also need to be constantly on the lookout for possible **new competition**.

You can get **clues** to the existence of competitors from:

- local business directories
- your local Chamber of Commerce
- advertising
- press reports
- exhibitions and trade fairs
- questionnaires
- searching on the internet for similar products or services
- information provided by customers
- flyers and marketing literature that have been sent to you - quite common if you're on a bought-in marketing list
- searching for existing patented products that are similar to yours
- planning applications and building work in progress

What you need to know about your competitors

Monitor the way your competitors do business. Look at:

- the products or services they provide and how they market them to customers
- the prices they charge
- how they distribute and deliver
- the devices they employ to enhance customer loyalty and what back-up service they offer
- their brand and design values
- whether they innovate - business methods as well as products
- their staff numbers and the calibre of staff that they attract
- how they use IT - for example, if they're technology-aware and offer a website and email
- who owns the business and what sort of person they are
- their media activities - check local newspapers, radio, television and any outdoor advertising
- their online presence - check online networking sites as well as their website

Their customers

Find out as much as possible about your competitors' customers, such as:

- who they are
- what products or services they buy
- what customers see as your competitors' strengths and weaknesses
- whether there are any long-standing customers
- if they've had an influx of customers recently

What they're planning to do

Try to go beyond what's happening now by investigating your competitors' business strategies, for example:

- what types of customer they're targeting
 - what new products they're developing
 - what financial resources they have
-

Learning about your competitors

Try to find out as much as you can about your competitors. Look for articles or adverts in the trade press or mainstream publications. Read their **marketing literature**. Check their entries in **directories** and phone books. If they are an online business, ask for a trial of their service.

If your competitor is a public company, read a copy of their annual report. Limited companies have to lodge their accounts with Companies House.

Search company information using the WebCheck service at Companies House.

Go to exhibitions

At exhibitions and trade fairs check which of your competitors are also exhibiting.

Look at their stands and promotional activities. Note how busy they are and who visits them.

Go online

Look at **competitors' websites**. Find out how they compare to yours. Check the site to see if you could improve on it for your own website. Is the information easy to find?

Business websites often give much information that businesses haven't traditionally revealed - from the history of the company to biographies of the staff.

Use a **search engine** to track down similar products. Find out who else offers them and how they go about it.

Websites can give you good tips on what businesses around the globe are doing in your industry sector.

Organisations and reference sources

- Your trade or professional association, if applicable. Find your trade association on the Trade Association Forum website - Opens in a new window.
- Your local Chamber of Commerce. Find your local Chamber of Commerce on the British Chambers of Commerce website - Opens in a new window.
- Directories and survey reports in any business reference library.

See our guide to market research and market reports.

Getting to know your competitors

Speak to your competitors. Phone them to ask for a copy of their **brochure** or get one of your staff or a friend to pick up their marketing literature.

You could ask for a **price list** or enquire what an off-the-shelf item might cost and if there's a discount for volume. This will give you an idea at which point a competitor will discount and at what volume.

Phone and face-to-face contacts will also give you an idea of the **style** of the company, the quality of their literature and the initial impressions they make on customers.

It's also likely you'll meet competitors at social and business events. Talk to them. Be **friendly** - they're competitors not enemies. You'll probably share common problems. You'll get a better idea of them - and you might need each other one day, for example in collaborating to grow a new market for a new product.

At the same time, make sure that you do not behave in an anti-competitive fashion. Fixing prices or agreeing not to compete is illegal. This includes activities with a price-fixing effect, such as discussing your pricing plans with competitors.

See our guide on competing fairly.

Listen to your customers and suppliers

Make the most of contacts with your customers. Ask which of your competitors

they buy from and how you **compare**. Use your judgement with any information they volunteer. For instance, when customers say your prices are higher than the competition they may just be trying to negotiate a better deal.

Use meetings with your **suppliers** to ask what their other customers are doing. They may not tell you everything you want to know, but they may have something useful to say.

How to act on the competitor information you get

Evaluate the information you find about your competitors. It may help you spot gaps in the market you can exploit or indicate an oversupply in certain areas, leading you to focus on less competitive niches.

Draw up a list of everything that you have found out about your competitors, however small.

What they're doing better than you are

If your competitors are doing something better than you, you need to respond and make some changes. It could be anything from improving customer service, reassessing your prices and updating your products, to changing the way you market yourself, redesigning your literature and website or changing your suppliers.

Try to innovate not imitate. Now you have got the idea, can you do it even better, add more value?

Your competitors might not have rights over their actual ideas, but remember the rules on patents, copyright and design rights. See our guide on protecting intellectual property.

What they're doing worse than you are

Exploit the gaps you have identified. These may be in their product range or service, marketing or distribution, even the way they recruit and retain employees.

Customer service can be the difference between businesses that operate in a very competitive market. Renew your efforts to exploit any deficiencies you have discovered in your competitors. See our guide: know your customers' needs.

Don't be complacent about your strengths, or areas where you and your competitors take the same approach. Your current offerings may still need improving and your competitors may also be assessing you. They may adopt and enhance your good ideas or be planning their own improvements.

Related guides on businesslink.gov.uk

Manage your personal list of starting-up tasks with our Business start-up organiser

Market research and market reports

Create your marketing strategy

Price your product or service

Segment your customers

Search company information using the WebCheck service at Companies House

Develop new products and services

Online business networking and social networking

Trade shows and exhibitions

Know your customers' needs

Competing fairly

Related web sites you might find useful

Marketing e-course on the learndirect business website

http://www1.learndirect-business.com/?target=xpc.asp?course_id=5553%26wbt_type=course

Download a ten-minute competitor research guide from the Chartered Institute of Marketing website (PDF, 159K)

<http://www.cim.co.uk/filestore/resources/10minguides/competitors.pdf>

Competitor analysis article on the Aware website

<http://www.marketing-intelligence.co.uk/resources/competitor-analysis.htm>

European Union patented products search service on the Intellectual Property Office esp@cenet website

http://gb.espacenet.com/search97cgi/s97_cgi.exe?Action=FormGen&Template=gb/EN/homeabout.hts

Competitor intelligence course details on the Chartered Institute of Marketing website

<http://www.cim.co.uk/tandq/training/courses/0953.aspx>

Research-based market insight course details on the Chartered Institute of Marketing website

<http://www.cim.co.uk/tandq/training/courses/0427.aspx>

Competing fairly guidance on the Office of Fair Trading website

<http://www.oft.gov.uk/business-advice/competing>

You can find this guide by navigating to:

Home > Sales and marketing > Marketing > Understand your competitors

© Crown copyright 2011