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Study All Possible Rivals In Business Competition

Morey Stettner Fri May 25, 7:00 PM ET

To conduct a competitive analysis, many business owners focus on their top two or three rivals. But they stop there.

"The problem is they forget about indirect competition," said **Michelle Long, owner of M. Long Consulting in Lee's Summit, Mo.** "You have to look past your obvious competitors and take it further."

Smart entrepreneurs study their rivals across all segments of the market. They are especially good at evaluating indirect ones that "provide a substitute product or service that's not exactly the same thing you do," **Long** says.

If you run an antique store, for instance, your obvious rivals are local shops that stock similar items. But indirect ones may include Web-based outlets, auction houses and antique fairs in your area.

Long urges entrepreneurs to ask questions such as, "How else can customers buy my product or service beyond just getting it from me or my two or three direct competitors?" and "If shoppers don't select my product or service, are there alternatives they can use?"

The answers can help you understand what customers value most and how they shop for goods or services related to yours. The more you dig, the more indirect rivals you will identify, **Long** says.

The next step is to differentiate your business from both direct and indirect rivals. If you're a brick-and-mortar retailer running up against an aggressively expanding e-commerce site, then you may want to market your easy return policy and on-site expertise.

Long advises entrepreneurs to take a systematic approach to competitive analysis. She lists about 15 factors -- from sales price to product line to quality -- and has business owners assess to what extent they operate at an advantage or disadvantage vs. the competition.

"It's not enough to evaluate how you compete right now in each factor," **she said.** "You also need to look ahead and ask, 'What's the trend?' Examine whether you're improving in each factor or whether you're at risk of losing your advantage over time."

Adopt the customer's perspective as you gather information on competitors. Observe how long they take to answer phones, respond to queries and fill orders.

Interview your suppliers, as well. If they sell to you, they probably do business with your competitors, **Long** says. Vendors won't reveal proprietary information, but they can give you a general overview of how your company stacks up against rivals.

Some entrepreneurs think, "I don't have much competition." But **Long** rejects such wishful thinking.

"You may think you have little or no competition today, but tomorrow that can change," **she said**. "Customers may also decide to do it themselves rather than continue to buy from you, so you need to analyze your competitive position on an ongoing basis."

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