



COMPETITIVE ANALYSIS

Understanding your competition

	Competitor A	Competitor B	Competitor C
Directory Information			
Name of company			
Domain name (URL)			
Mission statement or purpose (either listed at the Web site or in your own words)			
Company's physical location (this can usually be found on the "about us" page)			
Principal owner or manager			
For-profit or non-profit?			
Accepts private insurance?			
Products and Services			
Principal product or service			
Indication of pricing?			
How similar is principal product or service to yours?			
List as many additional products and services as possible			
Customer Service			
Toll-free telephone number?			
"Contact Us" page easily available?			
Guaranteed response time listed?			
FAQ page on website?			
Privacy policy posted?			

Credit/financing policy?			
Phones answered by staff after hours and on weekends?			
Transportation available?			
Customers and Marketing			
Primary target market (either listed at the Web site or surmised from their product offerings and presentation)			
Secondary target market			
Tertiary target market (if any)			
Reputation and image projected by the company or Web site (in your own words)			
Advertising effectiveness (in your own words)			
Data about sales or revenues or customers (most likely to be in media reports or industry trade magazines)			
Sources of Competitive Advantage			
In what ways does the company exhibit competitive advantage in terms of:			
1. Cost leadership			
2. Differentiation (distinguishing itself in the marketplace)			
3. Innovation (creates a new way of doing business)			

4. Growth (selling into new markets, introducing new products)			
5. Alliance (partners with others)			
6. Time (offers express customer service or convenient hours)			
7. Professionalism (credentials and accreditation)			
8. Quality (performance measures available)			
Other Information			
Size in terms of annual revenues? (non-profits often have annual reports online)			
Size in terms of number of employees?			

Every business has competition and prospective business owners ignore competitors at their peril. Unless a business has an absolute monopoly on a life-essential product, there will be competitors offering alternative and substitute products and services. That level of competition is revealed in the competitor analysis section of your business plan.

A competitor analysis is an important requirement in any business plan because it (a) reveals the organization's competitive position in the "market-space", (b) assists you to develop strategies to be competitive, and (c) partners and other readers of the business plan will expect it.

If you ignore or minimize the impact competition will have on your business prospects, then you have an unrealistic business plan.

After giving some background about the type of competitors your business will face, this exercise helps you identify and analyze your major competitors – those most likely to impact on the success of your business. The analysis uses a variation of SWOT, a popular strategic planning tool, to help you identify strengths and weaknesses of competitors, and then opportunities and threats for your business. The exercise concludes with a statement of your agency's sources of competitive advantage in the health care marketplace.

The exercise outline is:

Who is Your Competition?

--Identifying your competitors

--Finding your competitors

Analyzing Your Competition

--Creating a competitor analysis grid

--Writing up the results of your analysis

--Web site critiques

Defining Your Competitive Position

Who is Your Competition?

Identifying your competitors: The first step in conducting a competitor analysis is to identify your competitors. Begin this process by considering the range of competition in your market-space because not all competition is the same, there are different types of competitors your organization will face.

Direct competitors are businesses that are offering identical or similar products or services as your business. These are organizations that customers can easily buy from instead of from you, so these companies represent your most intense competition. Additionally, they have some degree of first-mover advantage that you will have to confront.

Indirect competitors are businesses that are offering products and services that are close substitutes. These competitors are probably targeting your markets with a same or similar value proposition, but delivering a different product. A classic example is a survey General Motors conducted of new Corvette car buyers. When asked what products the buyers considered instead of a Corvette, the usual sports cars were on the list, but so was the

Sea Ray, a sleek, fast boat. The Sea Ray was fulfilling the same basic need as a Corvette – a sporty vehicle that made the buyer feel young and would impress friends, especially of the opposite sex. Similarly, television and the Internet itself are Amazon.com's indirect competitors because each product competes for attention in a consumer's leisure time.

Future competitors are existing companies that are not yet in the marketplace that you intend to occupy, but could move there at any time. One obvious source of future competition is an indirect competitor. As soon as an indirect competitor sees you having success in their area with a different product, they may try to duplicate your offerings and so they become a direct, perhaps formidable, competitor. Federally-Qualified Health Centers or FQHCs may be a good example of this kind of future competition in your area.

Identifying all existing and potential sources of competition is an impossible task, indirect and future competitors can number in the tens, hundreds, or even thousands. Instead, you will have to draw the line somewhere when it comes to identifying major competitors – the ones that are going to have a real impact on your business over time.

While the nature of competition in your industry will determine the number of major competitors you must consider in the competitor analysis, identify 7-10 direct competitors (if you can) and 3-5 indirect and future competitors. From this list, 2-3 direct competitors and 1 indirect and 1 future competitor should be analyzed in depth. The number of competitors you analyze is not as important as their competitive positioning and the depth of your analysis. A comprehensive

analysis will convince a potential partner that your strategy is soundly based.

Finding your competitors: Who are your competitors? How do you find them? Not only are there advanced search tools available to assist you in finding competitors, but their motivation to have a high profile on the Internet makes it impossible for competitors to hide from your searching efforts. So, the most logical and best place to start looking for

As each competitor is identified, visit their Web site and form some initial impressions about how much of a major competitor they are. Your focus here is on same or similar target markets, products, and value propositions; don't let a flashy Web site convince you that this is a major competitor when the value proposition is all wrong.

Sort competitors into three groups – direct, indirect, or future. Within each group, develop a "quick and dirty" ranking scheme (e.g., rate on a scale of 1-10, how similar are their target markets, products and services, and value proposition to yours). Your goal in this first step is to produce a ranked short list of major competitors.

Practical exercise: Find, list, and rank 7-10 direct competitors, or fewer if less than seven major competitors can be found. Find, list, and rank 3-5 indirect competitors and 3-5 future competitors for your agency.

Analyzing Your Competition

Creating a competitor analysis grid (or use the one provided above): With a list of competitors in hand, the next step is to conduct a methodical analysis of their strengths and weaknesses. Why is this important? It is a

widely-accepted fact that a company achieves success through the assets, skills, and competitive advantages that it brings into the marketplace. An analysis of successful competitors should reveal these sources of success and assist you in structuring your own business strategy. Searching for weaknesses not only provides insight into what others may be doing wrong, but reveals where opportunities for success may lie.

A competitor analysis grid template has been prepared for your use in this analysis. You should add, delete, and change the items in this grid as necessary to fit the requirements of your competitor. To use this grid, fill in each cell in the grid as completely and accurately as possible, even if you have to make a conjecture because the answer isn't obvious.

How many competitors should you analyze? This is a difficult question to answer because so much depends on your services and the competitive market-space in which your business will operate. As a general rule of thumb, attempt to complete the analysis for 2-3 direct competitors, 1 indirect competitor, and 1 future competitor.

Where do you get the data to complete the grid? The principal source of this information is the competitor's Web site. Other sources of information include:

- Annual report: Health care organizations generally have issued an annual report that may be available for download from the organization's Web site, or provided to you by the company upon request.
- GuideStar: GuideStar is a for non-profit organizations to share

information. Several helpful resources can be found on the website including annual reports, IRS Form 990s, descriptions etc. Visit www.guidestar.org.

- The Internet: In addition to the company's Web site, you should also use Google or another search engine to find media articles, product reviews, or other sources of information that reveal insight into your competitors.

Assignment: From the lists you compiled in the previous assignment, complete the competitor analysis grid for 2-3 direct competitors, 1 indirect competitor, and 1 future competitor for your services and agency.

Writing up the results of your analysis: Should these analyses appear in the main text of your marketing or strategic plan? The answer to this question is "probably not". The grid tables will fill more than a few pages and the business plan readers are unlikely to be interested in all of the results. Instead:

- Save the full grid tables for future reference or include them in the plan as an appendix.
- Write up, in text format, the most important information in the grid table. Remember, the definition of what is "most important" should be from the perspective of the business plan reader. An effective way to present key points from your analysis is to include a "mini-grid" table that analyzes the top 1-2 direct competitors and your agency on a few of the most important criteria.

- Do more than report the grid-based results, provide some insight for the reader about what this means. For example, if there are large numbers of competitors, acknowledge that the market is crowded and suggest how your business intends to establish and grow market share in line with your competitive positioning statement (see below). As another example, if there are few competitors, is it because you have discovered an untapped niche market (great news!) or because others have tried and not been successful (not-so-great news!).
- Include a list or brief table of the major competitors you have already identified in previous practical exercises. This shows the reader that you have done a comprehensive competitor search and adds credibility to this section.

Practical exercise: Write up the results of your competitor search and analysis for inclusion in your marketing plan.

Web site critiques: Another form of competitor analysis that is both informative and fun is to critique a competitor's Web site. The competitive analysis grid offers more substantial information for determining your own position vis-a-vis competitors, but critiquing a competitor's Web site reveals strengths and weaknesses in the way a competitor presents itself to customers and can give an agency a baseline for developing their own Web site.

Which sites are you going to critique? At first thought, the Web sites of your most significant direct competitors seem like a logical choice.

However another option is to critique sites that have the most popular appeal to your target markets, even if this includes an indirect competitor. Why? If your primary objective is to learn what site features and design appeal to your target market, it makes sense to critique the sites that have been the most successful at this.

How do you determine which sites are most popular with your target markets? Direct evidence such as surveys or clickstream data is best. Otherwise indirect evidence is the ranking of the Web sites in the Google search engine. This is because Google ranks sites according to link popularity (e.g., the more pages that link to the site, the higher the ranking). To the extent that link popularity correlates with target market popularity, this is a criterion to consider in site selection.

In completing this task you are interested in:

- What is good, bad, and ugly about the Web site? Evaluate each site by using one of many Web site evaluation tools, such as Sixty Ticks for a Good Website or the Web Site Scorecard.
- Look at the information architecture too. Are the sites laid out on a hierarchical basis, or linear, or circular? How are Web pages grouped together? What Web pages are included? Site mapping tools such as PowerMapper and nSite are useful aids in conducting this analysis of the information architecture.
- Use this critique to begin to plan the architecture, content, and features of your Web site. If you find a site with a particularly useful feature, a well-written privacy policy, a useful keyword

searchable archive, or a great looking site map, note this for future reference. You won't be able to copy this content exactly because of copyright provisions, but these can be good idea-starters for your Web site. Especially, look for good ideas that you can do better!

A critique of competitors' Web sites is a good exercise for analyzing your competition but is not necessarily included in your marketing plan.

Practical Exercise: Identify 1-3 competitors who are popular with your target markets. Conduct a critique of their Web sites using resources such as those listed above. Follow the guidance provided.

Defining Your Competitive Position

The competitor analysis is necessary background research for what the business plan reader regards as the most important outcome of the competitor analysis section – a description of your sources of enduring competitive advantage. In this final portion of the competitor analysis your focus turns away from competitors to your business. Specifically, what factors will set your product or service apart from your competitors?

By the time you reach this part of the exercise many of the potential sources of competitive advantage have been highlighted previously. Your primary task here is to examine this material closely, formalize the sources of competitive advantage, and write the position statement in a convincing and easily understood manner.

There are at least two approaches available for you to explain your sources of competitive advantage.

Opportunities and threats: The competitor analysis grid reveals the strengths and weaknesses of your competitors. The other half of a SWOT analysis is to look for opportunities and threats that your agency can use. For example, a weakness-opportunity strategy would create an opportunity for your business based on a weakness found in competitors. Or a strength-threat strategy focuses on risk avoidance by initiating a strategy that minimizes a threat caused by a competitor's strength. More information about this SWOT analysis approach can be found in most strategic management textbooks.

Tell the reader specifically what will give your business a competitive edge in contrast to other competitors. For example, your business will provide a full range of behavioral health care services, including medication assisted treatment and detoxification, competitors A and C don't. Or your agency will provide adolescent outpatient services, something only competitor C does. Or your electronic health records system is “meaningful use” certified, something no other competitor has. Or competitors B and C provide services to veterans, but your agency is certified through TriCare, something agency C is not.

Competitive strategies: A classic approach to thinking about and writing this section is to use the competitive strategies found in the strategic management literature. For example, look at your product, pricing, promotion, distribution, and service and ask the following questions (adapted from the competitor analysis grid):

- Cost leadership: Can you be a low-cost producer and provide equivalent or better services in the marketplace for less?
- Differentiation: How can you distinguish your product in the marketplace?
- Innovation: Is there opportunity to create a new way of doing business, perhaps one that changes the nature of the industry?
- Growth: Are there opportunities to expand services, sell into new markets? Introduce new services?
- Alliance: Can current or prospective production, promotion, and distribution be improved through partnerships with hospitals, primary care clinics, FQHCs, and others?
- Time: Can your agency eliminate wait times? Offer on-time access to services? Use time in other ways that your competitors are not doing?

The answers to these questions might reveal sources of competitive advantage such as technology, branding, innovative product sales techniques, more entrepreneurial management, and superior customer relationship management strategies.

Whether you use the opportunities-and-threats approach, competitive strategies approach, or a combination, you will find that an agency's competitive positioning strategy is affected by a variety of factors that are related to the motivations and requirements of the consumers in the target market, as well as the offerings and positioning strategies of competitors.

The resulting positioning statement does not have to be lengthy or pretentious, as long as it points out exactly how your product or service will be perceived by customers as different, and better, than what is offered by your competitors. State this in a way the reader understands not only what your competitive strategy is, but also why your strategy will work.

Practical exercise: Use one or both of the approaches described above to identify at least one (hopefully more) source of competitive advantage for your organization. Write this up so a reader of your marketing plan will understand how you expect to use these to achieve success.