



How Important is Competitive / Competitor Analysis for You & Your Organization?!
Continual Competitive / Competitor Analysis is Vital for Sustainable Success!
What is Competitive / Competitor Analysis?

Before outlining the different areas, understandings, and importance of competitive analysis, it is critical to understand what competitive analysis means!

Competitive or competitor analysis, as it relates to organizations and competitors, is the assessment of the strengths and weaknesses of current and potential suppliers, partners, and competitors. In other words, competitive analysis is applied in all processes for awarding contracts to suppliers, marketplaces, procurement processes, business development and marketing, and conducting competitor analysis for those suppliers who compete in your geography, industry, market, and resources.

Any analysis you conduct and provide will be both offensive and defensive strategic context to identify opportunities and threats. The data will support effective procurement and strategic formulation, implementation, monitoring, and adjustment throughout the entire competitive analysis process.

Over our many years experience with clients from less than \$1M to \$1B+ MNC organizations, we have found that the competitive analysis is not conducted or with little thought and feedback. Many organizations end up with projects, products, material, and services that are over budget, less quality, not within specifications, production and growth is hampered (and in some circumstances disrupted), and some of the new markets they are expanding into fail.

EXECUTING the PROPER and CORRECT COMPETITIVE / COMPETITOR ANALYSIS is critical for you and your organizations success!

Facts, Not Opinions

Competitive analysis is an especially important part of the entire business process, including the procurement / supply chain process. Without the actual tangible data and facts that are gathered, organizations operate on intuition, feelings, impressions, and unsubstantiated thoughts through information shared about their competitors, suppliers, and individuals. The results of this can be catastrophic to your procurement decisions, awarded contracts, new market development, expansion, and winning bids that cause your organization to lose money.

Pre-Competitive Analysis



Before a competitive analysis can be conducted, it is critical to have your internal foundation in place from the organizational direction of executive management, goals and specifications of each project, whether your procurement request process will be to source new suppliers, respond to other organizations with your proposal, expand into new markets with a new division in your organization, and so forth.

Identifying Questions

After this, what are a few of the many questions you and your team need to address and answer before starting?

- Who is in your team?
- Who is the headperson of the project?
- Is procurement going to drive this or will it be another department in your organization and will the procurement department support?
- Do you have enough resources for the project?
- What are the project deadlines?
- Do you have enough internal staff to conduct this with thoroughness or do you need external help?
- Do you have enough expertise in-house to write the competitive analysis? Example: Becoming a paperless organization Do you have software engineers that can write the Request Process with the right expectations, specifications, etc. for the technical areas?

Below is a common technique that is used in creating a competitive / competitor range.

Competitive Array – Request Process Award Supplier Contract

Refer to our other areas on the Request Process, Team Building, Bidding Type, Proper Bid / Tender Processes, and other areas that are necessary in developing, implementing, seeing through successful Request Processes and Awarded Supplier Contracts, and the other pertinent areas that deal with the beginning to the end of all Request Processes, Projects, and Supply Chain Processes.

Competitive Array – Industry Competitors

A competitor array includes several steps.

- Define your organization, your industry (Nature and scope).
- Identify and define your competitors.
- Outline and explain to your customer (What benefits do they expect).
- Outline the key success factors are in your industry/



- Prioritize your key success factors (Give each one a weighting; The sum of all the weightings must add up to one).
- Rate each competitor according to each of the key success factors.
- Multiply each cell in the matrix by the factor weighting.

Example Rating Matrix

Below is a sample matrix that shows the idea about how you can rate and compare each supplier or industry competitor.

Success Factors (Weighting, Competitors, Rating)

- Sustainability.
- Global Capacity.
- Economies of Scale.
- Best in Practice.
- ISO Certified.
- Right to Audit.
- Extensive Distribution.
- Product and Service Innovation.
- Risk Management.
- Customer Focus.
- History (Reference).
- Stability (Financially Strong).
- Partnership Drive.
- Best Value.
- Solution Driven.
- _____.

In the above examples some areas can be rated higher or lower for each area, depending on the core of the organization, risk, importance, geography, timeline, term, and many other areas.

As the above is only an example, you can add as many competitors (competition / suppliers), as well as rate your own company on each of the key success factors if you are strictly rating competition in the marketplace and how your organization ranks.

Profiling



The strategic rationale of profiling is simple and the knowledge you gain about rivals and/or suppliers offers a legitimate source of competitive advantage. The raw material of competitive advantage consists of offering superior customer value in your organization's chosen market, as well as in your procurement processes. The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy.

Profiling facilitates strategic objective in four important ways.

- Reveal strategic weaknesses in rivals that the firm may utilize in their favor.
- The proactive stance of profiling allows your organization to anticipate the strategic response of the competition's planned strategies, the strategies of other competing organizations, and changes in the environment.
- Proactive knowledge provides strategic agility.
- Strategy can be implemented more quickly for capitalization of strengths.

Application

Those who apply systematic and advanced competitive / competitor profiling have a significant advantage. It is an absolute necessity to stay one move ahead in this competitive and global economy to not only bring the needed solutions to your organization, provide products, services, and material for your organization's successful operations and growth, as well as expand your organizations into new markets where there are needs that fit into your organizations core competencies.

Competition / Suppliers Profiles

A particularly important part of any procurement process, analysis, evaluation, market expansion, and project are to keep an updated profile about your competitors, your suppliers, and anything else pertinent to supply chain in your organization. Keep in mind that many organizations still do not look at the procurement department as part of the organization's growth, but it has everything to do with it. Every department comes to the procurement department for products, services, material, and projects needs, whether for Request Processes, Awarding Contracts, responding to other organizations for winning new business (proposal), and so forth.

Profiles Involve

- Staff (Employee Numbers, Key Employees, and Skill sets; Management strength and style; and Benefits, Employee Morale, Retention, Compensation, and Benefits).



- Marketing (Customer Base, Segments Served, Growth Rate, Market Shares, and Customer Loyalty; Sales Force Success Rate, Advertising Themes, Promotional Mix, Budgets, Ad Agency Usage, and Online Promotional Strategy; Geographical Coverage, Distribution Channels (direct & indirect), Alliances, and Exclusivity Agreements; and Discounts, Allowances, and Pricing).
- Financials (Profitability and Policies (dividends, P-E ratios); Cash Flow, Liquidity, and Financial Ratios; and Growth Methods (organic or acquisition) and Profit Growth Profile).
- Products / Services (Products and Services, Breadth and Depth Offered, and Product / Service Portfolio Balance; Development of New Products / Services, New Product / Service Success Ratio, and Strengths of R&D; Brand Loyalty, Brand Awareness, Brand Portfolio Strengths, and Types of Brands; Licenses, Patents, Trademarks, etc.; and Conformance (Compliance and Regulation)).
- Facilities (plant capacity, capacity utilization rate, age of plant, plant efficiency, capital investment; and location, shipping logistics, and product mix by plant).
- Corporate Marketing Strategies (Marketing Strategies; Objectives; Acquisitions; Growth Plans; Mission Statement (Vision); and Core Value).
- Background (Organizational Structure; Ownership; Corporate Governance and Oversight; Company History (trends, events, key personalities, and dates); Office and Plant Locations; and Online Presences).

Media Scanning

Scanning advertising about your competitor's and suppliers can reveal much about what they believe about their marketing and target market. As each change occurs, you can learn a lot about your suppliers and/or competitors, such as:

- A change in geographical focus or exclusive distribution.
- A new branding strategy.
- A new positioning strategy.
- A new segmentation strategy.
- A new source of sustainable competitive advantage.
- A new strategic direction.
- Insights from recent marketing or product research.
- Line extensions and contractions.
- More extensive distribution.
- More intensive distribution.
- New creative concepts (appeals, tone, and themes, or a new advertising agency).
- New creative objectives.



- New distribution partners.
- New distribution strategy.
- New pricing strategy (penetration, price discrimination, price skimming, product bundling, joint product pricing, discounts, or loss leaders).
- New product offerings.
- New production processes.
- New promotion strategy (push, pull, balanced, short-term sales generation, long term image creation, informational, comparative, affective, reminder).
- New unique selling proposition.
- Problems with previous positions.
- Value migrations within the industry.

Note: Media scanning should only be used, along with your other research and analysis to add to your complete analysis.

Intelligence Professionals

Some firms hire competitor intelligence professionals to obtain this information. The Society of Competitive Intelligence Professionals is located online at www.SCIP.org maintains a list of individuals who provide these services.

New Competitors

In addition to analyzing current competitors and suppliers, it is necessary to estimate future threats and opportunities as well. The most common sources of new companies and suppliers that can become your competitors are those:

- Already targeting your prime market segment but with unrelated products/services.
- Competing in a related product/service/market.
- From other geographical areas and with similar products/services.
- Organized by former employees and/or managers of existing companies.
- Using related technologies.

The entrance of new competitors is likely to take place.

This happens when:

- Competitive rivalry is not intense.
- Gaining a competitive advantage over existing firms is feasible.
- High profit margins in the industry exist.
- There are no major barriers of entry.



- There is future growth potential.
- Unmet demand (insufficient supply and services) is taking place in your industry.

Important Future Steps

Know your organization's core competency, mission, executive management and shareholder lead and plan, listen to all involved in your organization for solutions and new developments, not only understand but be proactive with supplier and competitor profile/analysis, track changes in the environment with facts and analysis, communicate the facts and changes to those in the team for decisions and proactive change management, and own all the steps and actions involved in competitive analysis.

Develop, Implement, and Continue Your Competitive Analysis!

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30+ years growing people, procurement, and projects!