The Research on Competitive Analysis Process

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Keywords: marketing made measurable, the resource of competitive information, Competitive analysis, marketing made measurable

Abstract. For the purposes of this paper, we will define competitive analysis as the gathering and interpretation of competitive information, with the objective of establishing marketing strategies and tactics to make use of that information. We advocate the ethical collection and usage of information. We specifically do not endorse unethical practices, such as industrial espionage, like the example described in the following brief case study. Analysis can yield many benefits. Its power and versatility make it essential for virtually every organization.

Marketing made measurable

Competitive analysis [1-4] can yield many benefits. Its power and versatility make it essential for virtually every organization. Figure 1 shows some of the benefits.

![Figure 1. Competitive Analysis Benefits.](image)

Organizations find several benefits with competitive analysis: New Entrants: Vigilant monitoring can detect new companies entering the market. Competitive analysis can assess the potential threat these new entrants will cause.

Surprise Avoidance: Executives rarely appreciate surprises, especially nasty ones. Ongoing competitive information gathering and analysis keeps organizations aware of the latest developments.

Competitor Strategy Forecast: We can anticipate the strategy of competitors by examining their strengths and weaknesses, and how they have behaved in the past to various situations.

Time for Corrective Actions: By monitoring the competitive landscape, organizations maintain an early warning system that gives them time to take corrective actions before it is too late.

Customer Perception: With effective competitive analysis, companies maintain awareness of customer perception of companies and markets. Without such analysis, companies can focus on their rivals, not even realizing that customers see the market more broadly.

Lessons Learned: Attentive marketers can learn from the lessons learned by other companies in the market. We can learn from both successes and failures, as we see in the Marketing Made Measurable brief case study on Snapple below.

It shows the competitive analysis process outlined in this book. We start by researching information about the competitive landscape. This paper recommended sources to gather the information. In addition to traditional sources, such as industry and financial analyst reports, we discuss website traffic analysis and social media monitoring tools.
Next, we conduct a competitive analysis using the information. We start the analysis process by narrowing down the list of potential competitors (of which there could be hundreds) to the principal competitors on which to focus (generally fewer than ten). We analyze the competitors using several different kinds of models.

Based on the assessment of the models, we conclude by evaluating potential defensive and offensive competitive actions. We refer to defensive competitive as those meant to defend the organization against anticipated competitive attacks. Alternatively, companies can take offensive actions, where they seek to market opportunities.

The resource of competitive information

Figure 2 provides an overview of several different competitive information sources [5-8]. In this section, we will discuss the sources. As time and resources permit, marketers can choose to include additional sources, such as personal interviews and other primary research. We advise using as many sources of information as possible. The use of multiple sources reduces reliance on any one source, allows cross-checking of facts, and provides different viewpoints.

![Figure 2. Competitive Information Sources Overview.](image)

Company websites offer a rich source of competitive information. Inquisitive marketers can find financial statements, product/service descriptions, management profiles, and many other useful facts.

We often need to know the financial health of our competitors. As we mentioned earlier, public firms trade their stock on public stock exchanges, so the Securities and Exchange Commission requires that those companies disclose key financial data. Therefore, public firms include financial sections on their website.

Industry analyst firms provide in-depth research on many prominent industries. Such analysis often includes overviews of the market and competitors. Many industry analysts and market research firms offer annual subscriptions to their content, which can be expensive, costing thousands of dollars per year. Alternatively, marketers can purchase individual research reports for less cost than an annual subscription, but such an approach can prove more expensive in the long run. Because industry analysts do not analyze every market every year, might be several years old and thus less pertinent.

Virtually every industry features a number of publications and associated websites devoted to knowledge over the industry (also called the “trade”). These trade-related sources offer fast, easy, and often free access to a wealth of industry-related content.

In today’s online world, information on web traffic to competitors’ sites can prove useful to assess web popularity and strategy. Marketers can access web traffic analysis tools which offer information applicable to competitor site analytic and search analytic. Site analytics information includes various
data points, such as traffic volume, about selected sites. Search analytic information shows which keywords users are entering to send traffic to websites.

**Competitive analysis**

In this section, we apply several models to analyze the competitive [9-10] information we just gathered. We start by identifying our principal competitors.

Thanks to the information we gathered on the industry in the previous section, we should now have a good oversight of our competitive landscape. Our preparations put us in a good position to identify the competitors on which to focus our efforts. We start by listing all competitors, both direct and indirect, and then narrow down the list to the principal competitors on which to focus.

Direct and Indirect Competitors: Our first step is to list all organizations offering products and services that customers perceive as fulfilling the same need as our own company’s offerings. We can divide the list into direct and indirect competitors.

Direct Competitors: Direct competitors are those offering similar products and services to the same market. Prices and availability will often be similar. Sometimes, customers find it difficult to tell the difference among the similar offerings.

Indirect Competitors: Indirect competitors are those fulfilling the same function, but with a product or service that appears different from the original. Prices and availability often vary widely.

For example, suppose we made gasoline-powered push lawn mowers for consumer lawn care, and we wished to identify our competitors. For direct competitors, examples include traditional lawn mower brands. For indirect competitors, examples include products and services that could also accomplish the task of mowing grass, such as manual push mowers and electric powered mowers. While it is admirable to be thorough, it is unlikely that rented goats will prove to be a worthy alternative to traditional mowers for most homeowners in the near future. What we need to do is to narrow down the list to more reasonable alternatives.

Principal Competitors: Organizations do not have the resources to address every conceivable competitor. Therefore, we must narrow down the list to principal competitors, those that pose the most likely threat to the organization. We can use several factors to converge from all competitors to principal competitors.

**Marketing made measurable**

We will discuss each model and its relevance to competitive analysis.

Depending on the complexity of the market, we can engage all of them, or only one for straightforward situations. Of the four models discussed, three have already been introduced earlier in the book. For competitive analysis, we examine the trends so we can assess how those trends might favor particular firms. For manual tools, they can use hand mixers and whisks. Manual tools have the advantage of gentle application, such as delicately frothing egg whites. Manual tools have the disadvantage of the limitations caused by low power. After all, manually crushing large amounts of ice can be laborious and time-consuming. For electric tools, chefs can select immersion blenders. Immersion blenders are handheld blenders with blades at the end of the device. Immersion blenders can provide a delicate touch to certain tasks. For example, immersion blenders work well for pureeing soups. However, their limited power makes them unsuitable for difficult jobs, such as crushing ice. Chefs and bartenders can select food processors instead of blenders, but many chefs do not find them to be good substitutes. The chefs find that food processors work well for chopping, but not as well for liquid mixing.

**Summary**

Competitive analysis is defined as the gathering and interpretation of competitive information, with the objective of establishing marketing strategies and tactics to make use of that information.
Competitive analysis affords organizations many benefits, such as the ability to identify new entrants into the market, the ability to forecast competitor actions, time for corrective action. We reviewed a three step approach to competitive analysis in the paper. The three steps are gathering information, analyzing it, and then acting on the results.

We can gather information using several different sources, such as the websites of competitors, financial and industry analyst reports, business and trade publications, web traffic sources, and social media.

Once we have analyzed the data, we apply the results to determine defensive and offensive competitive actions. Defensive competitive actions are classified as those to prepare the organization for an anticipated competitive attack. Offensive competitive actions are classified as pursuing actions to take advantage of market opportunities.

References