11. Competitive intelligence

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Learning objectives

At the conclusion of this chapter, you should be able to:

- define competition and competitive intelligence
- differentiate between parallel products and substitute products
- state the goals of competitive intelligence
- discuss public sources of information for competitive intelligence
- understand the role of industry structure in competitive intelligence
- complete a competitor analysis

Introduction

Chances are competition for your firm's product is already well established. Other firms can be in direct competition with you when they offer a similar product and target the same customers. They can be indirectly competing with you by offering a similar product or service, but targeting a different demographic. Competition can come from overseas. Competition can come from another firm in the same city. Competitors are all around you whether you choose to be aware of it or not. Recognizing and dealing with competition is necessary to your business success.

What every firm is competing for are buyers or customers. Customers are the final evaluator of your product. If they prefer your product above those of competitors, you will receive their business and the sales which will keep you in business. Even a great business idea will fail unless it attracts buyers.

Definition

Competing firms offer functionally interchangeable products to the same buyers. **Competition** occurs when competing firms attempt to attract buyers by offering products with greater perceived benefit. Common benefits include price, service, reputation, and image, but may include virtually anything else associated with a product that the buyer values. A buyer's perceptions of what constitutes a benefit may vary widely based on the nature of the product. Since the actions taken by one competitor to attract buyers are likely to affect the performance of other competitors, competing firms are said to be **interdependent.**

Coke and Pepsi are interdependent. An attempt by Pepsi to attract buyers (increase sales) through an advertising campaign will decrease the sales of Coke. Coke may counter this advertising campaign with its own advertising or it may elect to take another competitive action such as a temporary reduction in the price of Coke. How Coke chooses to react to Pepsi will be based on an analysis of how the firms have acted in past situations. The industry's **competitive dynamics** is the ongoing series of competitive actions and competitive responses that take place as Coke and Pepsi compete for customers.

Competitive intelligence is the systematic collection and analysis of publicly available information about competitors. Intelligence about competitors is key to understanding the actions they are currently taking to attract buyers. Competitive intelligence may also allow the firm to predict a competitor's future actions and take measures to preempt or minimize the impact of those actions. The objective of a firm's competitive intelligence is to understand its competitors.

Exercise

It should be easy to envisage Coke and Pepsi as interdependent competing firms. Can you come up with five more examples of interdependent competing firms, e.g. Honda and Toyota, Boeing and Airbus,...

Why you have competitors (or how buyers have managed to survive without your product and why you need buyers more than buyers need you)

Entrepreneurs commonly underestimate the impact of competition. Entrepreneurs who do underestimate the impact of competition are failing to consider the fact that potential buyers are currently managing without the entrepreneur's product. There are three arguments for why potential buyers are managing without the entrepreneur's product or service:

1. parallel products exist in the market
2. reasonable substitutes exist in the market
3. parallel products and substitutes do not exist, but the public does not perceive, or is not aware, of the benefits offered by the entrepreneur's product or service

Parallel products are those that are functionally interchangeable with the entrepreneur's products, but vary just enough on the product's perceived benefits to exist in the marketplace. For example, many communities have areas where a number of restaurants exist in close proximity to one another. These restaurants all offer the customer a prepared meal, but may vary as to nationality or type of cuisine, complexity and originality of preparation, level of service, seating, and other dimensions for which the buying public perceives a benefit.

An entrepreneur opening a new restaurant in proximity to existing restaurants may be offering a heretofore unavailable national cuisine, but the entrepreneur still has many competitors. In this market of parallel competitors, the entrepreneur will be successful only if buyers perceive that the new restaurant offers desirable benefits that are unavailable from existing restaurants. The new restaurant must generate enough sales to generate a profit. In reality, what often happens is that the new restaurant will initially generate a strong trade as buyers try the restaurant's novel offerings. However, in a few months the new restaurant will fail unless it has found the means of offering a mix of perceived benefits not available in competing restaurants. This suggests that the entrepreneur must learn enough about what buyers or customers need or want and enough about how competitors are attempting to meet those needs, that the entrepreneur can offer enough perceived benefits to keep customers returning indefinitely. Learning about buyers and competitors is the role of competitive intelligence.

Substitutes often exist for the entrepreneur's product. **Substitutes** are products that fill the same function but originate in different industries. Buyers may have a preference for a substitute due to the substitute's greater perceived benefit. For example, the basic construction material for houses varies greatly on a geographic basis. Wood housing tends to be favored where wood is abundant and relatively inexpensive, and a similar argument can be made for the wood substitutes, brick and stone. The entrepreneur is unlikely to be more than marginally successful if s/he attempts to sell bricks where wood remains abundant and cheap. S/he may be marginally successful because wood housing often has brick fixtures and trim. However, in a market where wood is becoming more costly due to a lack of abundance, brick may become an attractive substitute for wood. Understanding substitutes place in the market is the role of competitive intelligence.

Perhaps the most difficult situation for an entrepreneur exists where there currently exists no functionally interchangeable product. It may appear that a complete lack of competition would be to the entrepreneur's advantage, but this is seldom the case. In those instances where firms offering similar products can be found in other markets, the most likely explanation for a lack of competitors is a market that will not sustain the firm. The market may be too small, or too seasonal, or the customer demographic may be skewed, etc. The entrepreneur should proceed cautiously when a superficial inspection suggests a potential market lacking an established competitor. A more thorough investigation will often reveal failed attempts to establish a market for the product. This investigation is one of the roles of competitive intelligence.

In the rare instance where the entrepreneur has discovered or invented a unique product, s/he typically faces a truly daunting task. Potential buyers must be educated as to the existence and benefit of the new product. Educating buyers and establishing a market for a new product is expensive. Unfortunately for the entrepreneur, it is often the follow-on firms that are successful. In the electronics industry, the originators of the personal computer, video game console, and personal data assistant provided the infrastructure for successful follow-on firms, but were unable to capitalize on their own innovative products.

Exercise

A business that faces both parallel products and substitutes is likely to have a difficult time in the marketplace. Example of businesses that have both parallels and substitutes include grocery stores. Parallels include grocery stores with slightly varying themes, warehouse stores, e.g. Sam's club and Costco, and natural food stores. Substitutes include specialty food stores, e.g. bakeries, dairy stores, and butcher shops; restaurants; and take-out shops. Not surprisingly grocery store profit margins are low. What other businesses are characterized by competition that includes both parallel product and substitutes? Is the average profit margin for these businesses low, i.e. < 5 per cent of sales?

Importance and goals of competitive intelligence

Detecting competitive threats

Detecting competitive threats is crucial to every business. Microsoft has concerns with Google's growing market share. Ford attempts to avoid losing market shares to Toyota. A local supermarket is concerned with another supermarket opening up in the area and taking its customers away. When businesses are able to detect a competitive threat, they are better equipped to handle that threat. Steps may be taken to ensure that the impact of the new threat is minimized.

Competition is the effort of two or more firms, acting independently, to obtain the business of a buyer by offering the most favorable benefits. Competitive intelligence is the purposeful and coordinated monitoring of competitors, wherever and whoever they may be, within a specific marketplace. Competitive intelligence allows the firm to make informed decisions about the outcomes of its actions in the marketplace. For example competitor A, through the scanning of new building permits in the local newspaper, discovers that competitor B has taken out a permit for the construction of a new building on B's property. From this information, and other legal sources, competitor A may draw some conclusions as to the purpose of competitor B's new building and take actions designed to minimize the impact of B's new building. The goal of competitive intelligence is to detect threats originating from competitors in all their forms.

Eliminating or lessening surprises

A firm needs to closely monitor the actions of its competitors. Detecting competitive threats early allows the firm to take actions to mitigate the threat. Competitive threats may come from a number of different sources, including new entrants, substitutes, competitors, and even suppliers in the form of a price increase. For example, if a local competitor is building a new retail outlet that will capitalize on the industry's latest trends, the firm will have to decide whether to follow suit. Perhaps a competitor has traditionally held a major sale on a particular holiday, the firm will need to decide whether to follow suit, or give up sales while its competitor holds the sale.

Enhancing competitive advantages by lessening reaction time

A firm that has planned for most common threats will be prepared to move quickly in the face of a threat. Preparedness allows the firm to move past its less well prepared competitors as they devote valuable time and other resources reacting to the threat. While competitors are reacting, the firm can move to increase its competitive advantage over the competition.

For example, a trucking company might plan for an escalation in fuel prices. The trucking company can do this in various ways, but the most common is to "buy" a contract that guarantees the firm the right to purchase fuel at a fixed price for some specified period of time. Should fuel prices increase during the period the contract is in effect, the trucking firm is protected by its fuel contracts. The fuel contracts in turn allow the trucking firm to honor existing quotations and contracts with its customers. By honoring its quotations and contracts in the face of escalating fuel prices the trucking firm's reputation and good will with its customers increases, furthering the trucking firm's competitive advantage.

Finding new opportunities

Ultimately, a firm must be able to grow in order to survive in the business world. The ability to grow is only limited by the imagination of the decision makers of the company. New ideas turned into patents for new products, buying a competitor in order to increase market share and economies of scale, and establishing a sales force in a neighboring country are just a few of the ways that a company can continue to grow.

There are three principle avenues employed by businesses to develop new opportunities for growth.

1. Find ways to increase the sales of existing products to existing customers. Businesses can accomplish this goal by finding new applications for the use of existing products by current customers. This process is known as **market penetration**.

2. **Market development** is the process of finding new customers for the firm's existing products. There are two choices for market development, the firm can look to new geographic markets or the firm can turn to a new demographic market. For example, a firm that sold exercise equipment that traditionally targeted the 18-34 year-old male demographic might find that they could sell the same equipment to a 16-32 year-old female demographic. The only new cost the firm would incur is the cost of marketing existing products to the new demographic.
3. **Product development** is the process of creating new products for customers. Product development is often accomplished by asking customers what types of products would make their job easier. Once a viable need is established, the firm can develop a product to meet that need.

Very few firms can afford to stand still for long. Competitors are constantly looking for opportunities and those opportunities missed by your firm, will not be missed by all your competitors. Complacency in today's business environment will quickly lead to years of dedicated work being usurped by competitors.

Information collection methods

Information or data on products, suppliers, competitors, and industries has never been more available. The Internet permits access to information and data from a wide range of sources. Often, there is simply too much data, and data of dubious quality. When accessing data the entrepreneur needs to evaluate data on its timeliness, source, and relevance.

Internet

Internet search engines make it possible to quickly access information on seemingly any subject. Unfortunately, because anyone can establish and then fail to maintain a website, Internet data is often dated, unreliable, and of dubious value. This places a burden on the entrepreneur to check Internet data carefully before using it. Nonetheless, there is much useful information to be found on the Internet at government, organization, and corporate websites. The information from these sources generally consists of reliable facts and figures. Frequently, these facts and figures will need to be manipulated by the entrepreneur in order to be rendered in a useful form.

In today's market, there are few products and services that are not rated by a third party, e.g. consumer organizations, magazines, commercial sellers, and blogs. However, the qualifications and impartiality of third party raters may be questionable. The entrepreneur should not rely on a single source for product reviews and exercise due diligence by checking multiple sources for product ratings. The entrepreneur should bear in mind that his/her firm and products will eventually be rated on the Internet and check to see that the firm's rating is favorable.

Human intelligence

Human intelligence can yield the most timely and accurate information, but it is the most resource intensive form of information to collect. Human intelligence often tends to take the form of opinion rather than the facts and figures found in documents. This leaves the entrepreneur in the position of evaluating the veracity of opinions. Like product reviews, which can also be a matter of opinion, the entrepreneur should rely on multiple sources. The entrepreneur's network should be the source of his/her human intelligence. The network can be augmented by introductions from network members to others closer to the information objective. Participants in trade shows and trade organizations are excellent sources of information as are suppliers, customers, and employees.

Fee based companies

Fee based companies, such as Hoovers, LexisNexis, and the credit reporting companies are in the business of collecting and compiling information on businesses and individuals. Their revenue is earned through the sale of the information they collect. For the most part, they make no attempt to assess the specific validity of the information they sell. Rather, they tend to rely on the fact that on average, their information is quite reliable. The overall trend for fee based information is that reliability tends to increase with price. Fee based companies can be a useful source of information on competitors that might not be otherwise available. For example, credit reports are available for competing firms and credit reports can yield a good deal of information about a firm's financial condition.

Public documents

Public documents can be an excellent source of information on competitors. Many types of public documents are available over the Internet, while others may only be available at records offices. For example, building permits are typically reported in newspapers and can often be accessed online, while building plans are usually available only through a visit to the public planning office. A visit to the planning office may be warranted if a competitor is building a new plant. The plans will yield a good deal about the project from which a knowledgeable competitor can deduce plant and warehouse capacity. Similarly, the annual report that a public company files with the government is another example of a document that may yield a good deal of information about a competitor.

There are a number of organizations that are concerned with the collection and use of competitive data. Internet sites with a focus on competitive intelligence include:

http://cio.com/

http://www.scip.org/

http://www.brint.com/

http://fuld.com/

Exercise

Select a publicly traded company of interest to you. Using the Internet as an access point, find the following for the previous year: (1) annual sales, (2) profits as a percentage of sales, e.g. profits/sales, (3) number of employees, (4) sales per employee, e.g. sales/employees, and (5) best selling product or service.

The industry environment

What is an industry?

The term **industry** loosely refers to any group of businesses that share a particular type of commercial enterprise. This grouping of firms is also likely to generate profits in a similar manner, or at least share related activities. In the business world, it is common to hear managers discuss particular industries as a whole, for example, 'the automobile industry' or 'the magazine industry'.

In a more formal sense, the North American Industry Classification System (NAICS, http://www.census.gov/epcd/www/naics.html) defines hundreds of different industries. The NAICS is a commonly used system to group businesses. The NAICS typically identifies an industry with a six digit code, with each additional digit narrowing the definition of the industry. Similar classification systems include the International Standard Industrial Classification (ISIC, http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=17) from the United

Nations and the General Industrial Classification of Economic Activities with the European Communities (NACE, http://www.ltck.se/PrjY1/nacekod/nacecode.htm). Data is gathered and reported for the industry based on the six digit code. Data typically reported includes demographic measures for the industry including employment, number of business, and total sales. Data is not reported for individual firms. Many different agencies and businesses use these categories for statistical studies, business comparisons, and benchmarks. Locating the industry for a business through the NAICS or similar classification scheme can be a useful exercise in gathering competitive intelligence. For example, the average number of employees and sales of firms in the industry can be found and from this information critical benchmarks like sales per employee may be calculated.

Industry structural characteristics

Industries have specific structures and the entrepreneur needs to learn and understand the significance of the structure for his/her industry. Industry structure includes size measures, e.g. industry sales, number of firms, and number of employees. Rate of growth and the industry growth curve are an important element of industry structure as is the extent to which an industry is unionized. There may be many more elements of industry structure. Industry structure is one determinant of competition. For example, competition in an industry comprised solely of union employers will be quite different than in an industry comprised of both union and non-union firms. Competition is also affected by the extent to which the government is a large buyer, or perhaps the only buyer, as in the defense industry.

Concept of strategic groups

Strategic groups exist within most industries. A **strategic group** is a set of firms within an industry that employ similar practices in order to achieve comparable goals. An example of a strategic group within the food service industry would be fast-food chains. The fast-food chains differentiate themselves from other restaurants by offering quick-service, popular foods, and relatively low prices. Within the same industry we can find a number of other strategic groups such as family restaurants, vegetarian restaurants, and coffee houses. Although fast-food chains and vegetarian restaurants both accomplish the same purpose, i.e. providing a prepared meal, their target audience, their methods of marketing, and other methods of doing business are decidedly different. Competition between firms within a strategic group is more direct than competition between firms located in different strategic groups.

Competitive rivalry amongst firms in the same strategic group can be very intense, especially since they are usually competing for the same customers. Consider Pepsi and Coca-Cola versus fruit juice. Pepsi and Coca-Cola are competing for cola drinkers, and they market their products competitively against each other. Although the customer could just as easily have a glass of fruit juice, Pepsi and Coca-Cola are not aggressively marketing against the juice industry. The fruit juice customer has different wants and needs than the cola customer, so the two strategic groups do not compete directly for the same clientele.

Key success factors in an industry

Key success factors (KSF) are areas of critical performance necessary for success in a specific industry. A firm cannot expect to be competitive in its industry without an understanding of the industry's key success factors. Key success factors are a function of both customer needs and competitive pressures. KSFs are typically identified by completing a list in response to two questions:

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1. What do customers in my industry want?
2. How do successful firms survive the industry's competitive pressures?

Grocery Store KSF	
Customer	Competition
Cleanliness	Bargaining power over suppliers
Freshness	Number of local competitors
Selection, including take-out	Location relative to competitors
Competitive prices	
Location & parking	
Service & pleasant experience	

The entrepreneur must be aware of the key success factors (KSF) in his/her industry. Resources should be directed to activities that increase competitiveness on KSF and not wasted on activities that are not critical to KSFs.

Exercise

Since we all have decided preferences, it follows that a table of KSFs constructed by one person is likely to omit, or overstate, an industry's KSFs. Select a common type of business-industry with which you have some familiarity, e.g. floral arrangements, coffee house, or bicycle sales.

Construct a table of Key Success Factors by asking yourself the questions: What do customers in my business-industry want? How do successful firms survive the industry's competitive pressures?

Now ask the questions of two other people who have been customers of the business-industry. Are you getting agreement on your list of KSFs, or will you need to ask more people for their opinions to establish a clear list of KSFs?

Porter's 5 forces and the analysis of competitors

Porter's five forces, first covered in Chapter 3 as a methodology for assessing industry attractiveness, plays an important role in competitor analysis. The five forces perspective of competitor analysis views each force as a determinant of the level of competition in the industry. The level of competition in turn determines the firm's ability to operate profitably in the industry.

Bargaining power of buyers

A firm's buyers or customers have varying needs and wants. Meeting customers' needs represents a cost to the firm. When the firm can easily meet the customer's needs the firm's cost is relatively low. Because the firm can easily give the customer what he/she values, the firm is in a strong bargaining position and sales are likely to generate healthy profits. When the customer's needs are not easily met, the cost to the firm increases. Because the firm's product is less attractive to the customer, the firm must lower prices or take other steps to entice the customer to make a purchase. Under these conditions the firm's profits are likely to be low. Consequently, the firm can be seen as always bargaining with customers for the firm's potential profits. The firm is in the strongest bargaining position when it understands its buyer's needs. Understanding buyer needs is the role of marketing and may be viewed as a form of competitive intelligence.

Buyers are in a particularly strong bargaining position when they can easily switch from the firm's product to a competitor's equivalent product. For example, a firm that has many competitors offering a similar product will have customers with significant bargaining power. If the customer is not happy with the product offered by one firm, they can simply choose to go to another firm that provides the same item. For this to be a powerful bargaining tool for the customer, the switch from one firm to another must be cost-efficient and easy. Conversely, if a firm has desirable products and competing products are perceived as less desirable, customers will have reduced bargaining power. If it is expensive or burdensome to switch products, customers will also lose bargaining power. A good example of a firm in this coveted position is Apple with their iPod product. While other MP3 players are on the market, none have the market share and desirability enjoyed by iPod.

Customers almost always have choices and they will vote for their chosen firms with their purchases. Customers will vote against firms by simply walking away. It is important to balance the needs of the customer with the goals of the firm.

Bargaining power of suppliers

Like buyers, suppliers are competing for the firm's profits. Suppliers want to charge the firm more for inputs and the firm wants to pay the supplier less for those same inputs. Consequently, competitive intelligence extends to suppliers and it is in the firm's interest to know as much as possible about their suppliers. Suppliers may offer exclusive territories, financing, advertising, display, and other incentives to the firm to encourage the use or sale of the supplier's product. The firm should evaluate and select its suppliers carefully in order to take full advantage of any and all cost savings offered by suppliers.

In many industries it is common for buyers to form cooperatives in order to increase their bargaining power relative to suppliers. The cooperative, sometimes comprised of hundreds of smaller firms, is able to use its combined buying power to bargain with suppliers for better prices and terms. For example, in North America, buyer cooperatives are quite visible in the retail hardware industry as represented by the "Ace", "Hardware Hank", and "True Value" hardware stores. Despite the potentially antagonistic relationship between the firm and its suppliers, suppliers often offer benefits that can improve the firm's competitive position in the industry.

Threat of new entrants

Entrepreneurs represent the threat of a new competitor for existing businesses. It is normally in the interest of existing firms to prevent new competitors from becoming established. Consequently, it is in the best interest of the entrepreneur to learn as much as possible about existing competitive businesses so that the entrepreneur can target their weaknesses. The entrepreneur should also attempt to learn enough about existing businesses so that he/she can anticipate and attempt to minimize the retaliation from existing businesses. Retaliation may take many forms from political actions designed to delay or prevent the new business from opening to deep price cuts intended to force the new business out of the market.

Threat of substitute products

Entrepreneurs often seem unaware of the competitive threat posed by substitute products. One of the reasons entrepreneurs may be unaware of substitute products is that by definition, substitutes come from another industry. Despite all the potential warnings, the retail and recorded music industries were hardly prepared for the consequences when millions of customers switched from CD purchases to downloaded iTunes. Thus, the entrepreneur needs to monitor not only his/her own industry for potential competitors, but also must scan other industries that pose a potential threat.

The intensity of competitive rivalry

The intensity of the rivalry amongst the firms in a given industry will have an effect on the profits of all firms within that industry. Within an industry, when firms are fiercely competitive, the cost of competition will increase because when one firm acts, other firms will feel the need to counteract. Costs for advertising and promotions, profits lost through price reductions, and competitive rivalries occurring over the research and development of new products will erode the profits of competing firms.

The firms within an industry are likely to be plagued by similar problems. One common problem that entrepreneurs prefer to avoid is associated with industries with high fixed costs. High fixed costs are common in manufacturing, communications, and transportation industries. When a product is encumbered by a high fixed cost, the firm will usually make every effort to recover at least a portion of those fixed costs and may resort to offering buyers a range of incentives, from drastic price cuts to rebates, to move the product. These incentives are often met with a swift competitive response on the part of industry competitors. These competitive actions can drive all profits out of the industry.

A problem accompanying, or similar, to high fixed costs can be found in mature industries. When industry growth slows, competition typically heats up. This occurs because the firms within the slow growth industry are competing for the same pool of buyers and often that pool of buyers is in decline. Again, the competitive actions taken by firms to attract this pool of buyers will drive profits out of the industry.

Rivalry also intensifies when consumers see little differentiation between the products offered by firms within an industry. For example, few consumers see the difference between various brands of ketchup and are likely to simply purchase the brand that has the lower price. When consumers see little difference between products within an industry, these products become known as commodities. As expected, rivalry between US ketchup makers Heinz and Hunt's is intense.

High fixed costs, industry maturity, and commodity-like products contribute to a high-level of competition within an industry, but there are often other factors that drive competition. The entrepreneur needs to study and understand the industry and if possible, avoid industries where the level of competition is high as this means the profit potential is low. Still, the entrepreneur may identify an under served niche or a need that the entrepreneur is uniquely qualified to fill, in which case entry into the industry may be profitable for the entrepreneur.

In comparison, firms that are highly differentiated from their rivals often are not engaged in strong competition because these firms know that their product is meeting a need for their consumer base and their customers are going to return to fulfill that need.

Methods of evaluating competitors

Identifying competitors and their relative advantage

An understanding of the industry and the key success factors for the industry allows the entrepreneur to assess the performance of competitive firms. The process starts with the identification of competitors. In many markets competitors will already be known to the entrepreneur. In other markets, the numbers and identities of competitors may be less obvious. Operating under the assumption that the vast majority of businesses need to communicate with the public, the best place to start with competitor identification is with directories and other official and semi-official listings. In many countries, and for most markets, the business telephone directory should be the starting point. City and other directories contain additional information on competitors, including ownership, key employees, and the number of employees. Some products will warrant an Internet search as competition may prove to be regional, national, or even international. After assembling a list of competitors the entrepreneur should develop a method for collecting information on his/her most immediate competitors, i.e. those competitors who will be competing for the same customers. For smaller businesses, simply creating a file folder for each immediate competitor should be sufficient.

The entrepreneur will need to collect more detailed information on his/her most immediate competitors. The entrepreneur should be parsimonious in his/her approach to collecting information and one means of being parsimonious is to focus on information related to the industry's key success factors (KSF). Competitor information may come from a wide range of sources including visits to the competitor's place of operation, word-of-mouth from suppliers and other third parties, competitor's advertisements, newspaper archives, Internet searches, and public records. Since the best indicator of future performance is past performance, the entrepreneur should pay close attention to the longevity and historical performance of competitors.

Having collected information, the entrepreneur is in a position to make comparisons between his/her firm and the firm's immediate competitors. A spreadsheet or table is commonly employed for this assessment. Relevant information beyond key success factors is commonly included in the comparison and may include size measures, reputation, age, largest customers, key suppliers, and almost anything else deemed relevant to the competitive environment.

Competitor Analysis **XYZ Industry, 123 Market**					
	Entrepreneur's Firm	Competitor A	Competitor B	Competitor C	Competitor D
Key Success factor 1					
Key Success factor 2					

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Key Success factor 3					
Key Success factor 4					
Key Success factor 5					
Firm's age					
Manager's reputation					
Market share or ranking					
Other relevant considerations					

The entrepreneur should pay particular attention to the management capabilities of his or her own firm and competing firms. The quality and the style of management will play the major role in establishing the competitive environment. The methods for collecting information on management capability are similar to those used for collecting information on competitors—the firm should rely on word-of-mouth, the Internet (especially management ranking websites, such as www.joost.com), trade publications, civic organization, and industry events. Listening to competing managers will provide an invaluable insight into the industry environment.

Exercise

Use the chart above to complete analysis for the firm and industry of your choice.

Chapter summary

Competitive intelligence is the systematic collection and analysis of publicly available information about an industry and its competitors. Competitive intelligence permits the firm to: (1) understand the industry's structure and its potential impact on the firm's performance, and (2) industry competitors' relative position in the marketplace. The judicious use of competitive intelligence allows the firm to anticipate competitors' actions and act to minimize the impact of those actions. Through the use of competitive intelligence the firm will improve its performance in the marketplace.

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