Unbiased Financial Information Provided by Financial Wisdom.

Mistake to Avoid

Not monitoring your competitors

Along with your customers and employees, your competitors are critical people to know and understand. Often, competitors are just thought of as the "enemy." These individuals or companies keep you from getting more business.

However, competitors can be more than the "enemy." They can:

1. Help you better understand your current and future markets.

2. Be the source of additional business.

3. Be the source of growth through acquisition.

4. Potentially, provide an exit strategy for you.

Most business owners know their competitors and generally how they compare with the owners' own company. Having a greater understanding of competitors can provide clues for making enhancements to your own company's activities.

Understanding your markets
Market leaders get to be leaders by doing things right. What is it they are doing that is leading to their success? Often, it is not lower prices, but better marketing, better customer service, more efficient operations or more innovative products. By identifying their strengths, you can also identify your weaknesses and begin taking steps to improve in those areas.

Getting competitive information on others in your industry is easy. Visit their web site or walk through their store. Either way, you will probably learn a great deal. If you attend or exhibit at trade shows or conferences, be sure to pick up some competitive materials or talk to their representatives. You learn about the company and you may meet a prospective hire.

If your competitors are publicly held, be sure to review their annual reports. The CEO letter at the beginning of an annual report is often where the CEO tells the world about his plans, brags about the company's strengths/ accomplishments and addresses the critical issues facing his company.

You can also talk to your customers and prospects about the competition. Getting their insights will give you an idea of why they do business with your company or what it would take to make them a customer. Most customers and prospects will be relatively frank in those types of discussions.

Understanding your strongest competitors can identify areas where you can improve and potentially some niches the strong competitors are ignoring. Knowing more about your weak competitors can help you identify your strengths that you can exploit. You may even be able to identify a competitor's customers that would be your best prospects. Customers usually know their vendors' strengths and weaknesses.

Getting additional business from competitors
The business world is becoming more interconnected and interwoven every day. Joint ventures are commonplace. The common characteristic of most joint ventures is that both parties receive a benefit. Most companies have strengths in only a few areas and weaknesses in others. Their weaknesses may be capacity limitations, product limitations, financial constraints or something else. If their customers want something they don't have and you do have, it may be beneficial to "share" that customer. Consider working with your competitors on a subcontract or joint venture basis.

Acquiring your competitors or parts of them
Staying abreast of your competitors may enable you to identify if they may wish to sell their business or part of it. Every business goes through an ownership cycle. If a competitor is closely held, pay attention to the owner's age, especially if there are no younger family members involved in the business. Most owners of successful businesses recognize that ultimately they will sell the business. Without a family member present, the logical sources of buyers are key management employees or competitors (namely you).

An exit strategy for you
When it time for you to consider selling your business, a competitor may be the most logical buyer. They understand the business, probably understand your operation and they can evaluate whether there are economies of scale if they acquire your business.