



Ask SCORE for Business Advice

How's the Competition?

By: Tina Dettman-Bielefeldt

Recently, I was talking to a distraught business owner who was lamenting a downturn in sales. "Is the decrease in sales an industry trend?" I asked. "How's your competition doing?" The questions were greeted with silence. The business owner hadn't been doing the important work of keeping track of the competition.

Mike Hall, CPA, Business Consultant with QuickStart, Inc. and SCORE volunteer, makes a competitive analysis part of every business plan he writes and recommends that anyone starting or buying a business do likewise.

"It's important to know your competition as it can dramatically affect how you operate your business and advertise to your customers to distinguish yourself from everyone else," Hall said.

He recommends that the analysis include competitors' locations, strengths and weaknesses, and information on how to capitalize on weaknesses. Obtaining the information requires some footwork.

"Depending on the type of business, the easiest and most effective way is to visit the businesses and do secret shopping. You can ask questions, get pricing information, determine how you're treated by the staff, observe traffic going into and out of the store, see what age groups customers are, and determine if customers are making purchases," Hall advised.

If you note that the business has a discernable weakness, Hall says you'll want to take advantage of it in your business plan. Maybe the store isn't returning telephone calls or has very limited hours. Perhaps the store seems cluttered and isn't organized efficiently for customers. The selection or quality of goods might be lacking. Any of these things can be areas that you can capitalize on to give you an advantage over your competitor. Hall notes that it's part of doing your homework and defining your business.

However, price is one item you might want to think carefully about. Often, business owners are tempted to check prices of competitors and mark their goods or services lower. Hall cautioned against this approach. "In general, I would say that it's a bad idea," he said. "You have to determine what your cost structure is to know if it is even feasible. Everyone has heard the joke, 'I'm losing a little on each sale, but I'm making

up for it in volume.’ If you are providing products or services that have value, you need to get paid for them.”

After your business plan is written and you have defined your strengths, it’s vital to keep an eye on the market. You need to be aware of new competition, industry trends, and the on-going practices of your competitors. Some business owners make it a practice to visit their competitors several times a year. Hall thinks this is a good idea, but reminds business owners not to be consumed by thoughts of the competition. “The most important thing you can do is to manage your business and be the best you can be,” Hall concluded.

If you’d like further information on doing a competitive analysis or other business concerns, contact the Green Bay Chapter of SCORE “Counselors to America’s Small Business.” Visit www.greenbayscore.org or call Cindy Gokey at 920-496-8930 for information.

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