

The Top Five Questions in Competitive Analysis

Rather we like it or not, we *all* have competition. True, nobody else may have your patent, process or exact approach but your target customer is buying *something now* that is addressing a need. That *something* is your competition - just as horse-drawn carriages and the horseless carriage once competed to serve the same need - transportation. It actually took many years for automobiles to totally replace horses. In fact, as late as WWII, a lot of “leading-edge” artillery was hauled by - you guessed it - horses.

Data is just the beginning. Market research alone isn't enough to truly know your competitors. There's a big difference between data, information and knowledge. Then, there's “lies, damn lies, and statistics.” I've done a lot of market research and believe me - you can get dramatically different conclusions from the same data, with numbers to back them up.

1. What problem are you solving? Who needs this solution - and why? Do they *know* they need it? For example, you may have the best - but only a few companies can use it - and they: a. do it themselves; b. have a culture resistant to change; c. have long-term contracts with your competitors; d. some or all of the above. Your potential customers may be blissfully unaware that they *need* you and aren't ready to listen, much less open the checkbook.

2. What are the success enablers and inhibitors? There were many reasons it took years for the horsepower engine to replace the horse. The initial automobiles were pricey and constantly broke down, tires blew frequently...and there weren't many (if any) paved highways (not to mention gas stations.). If you're selling the equivalent of a 1900 auto tire, be realistic. You're not going to sell millions of them soon - and it's not because of your competition - there are just too many other things that have to happen first.

3. What tangible, quantifiable benefit do you offer? Forget the marketing speak of “innovative,” or “leading-edge.” How *specifically* can you help your customers? Are you doing it better, faster, cheaper? Are you enabling your customers to do it better, faster, cheaper? Can you say, for example, “You'll increase profitability by X if you do Y” or “With my product, you can reduce X by Y.” Think about what gets *you* interested in a service or product.

4. What are you *really* selling? For example, if you're selling technology support, you're not *really* selling tasks, technical expertise, or help desk time - you're providing (or should be) security, sympathy, and comfort (yes, you're servicing technology - but that technology is bought and used by people.) Reams have been written about Starbucks not really selling coffee but ambiance (however, they've stumbled a bit as they expanded way past the coffee and started taking quality shortcuts). Google isn't a search engine - it's a instant 7/24 information and entertainment provider. Zappos is a lot more than an online store. Think: why do *you* buy from Amazon...or your favorite local biz?

5. What are the switching costs? It's not just the product or service price tag. What and how much will it cost your target customers to switch to you? What are they risking? Could I endanger their job? Remember the old line, “Nobody ever got fired for buying IBM”? It's how IBM beat out a lot of their better competitors over the years. Ditto Microsoft. Will they have to buy (and learn) new equipment? Implement new processes? Pay for training? Have higher utility bills? Etc. etc. etc. These costs could be your biggest “competition.”

And - if you really, really don't think you have any competition now....Remember, “tomorrow is another day!”