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THE ENTREPRENEUR'S NETWORK

Competitor Analysis

Competitor Analysis - in marketing and Strategic Management / Strategic Analysis is an assessment of the strengths and weaknesses of current and potential competitors and/or their product and services, compared with a company's own current and potential offering.

Most competitive analyses are **qualitative** – simply to obtain a market ranking of the strengths and weaknesses of each competitive company or product / service. Even those analyses that attempt to make such comparisons of individual product / service or company features using some form of numbered ranking – ie

0 – non-existent
1 – poor
2 – adequate
3 - outstanding

are still essentially qualitative.

One common and useful **quantitative** technique is the construction of a **Competitor Array**. The steps include:

- Define your industry - scope and nature of the industry
- Determine who your competitors are
- Determine who your customers are and what benefits they expect
- Determine what the key success factors are in your industry
- Rank the key success factors by giving each one a weighting - The sum of all the weightings must add up to one.
- Rate each competitor on each of the key success factors
- Multiply each cell in the matrix by the factor weighting.
- Sum columns for a weighted assessment of the overall strength of each competitor relative to each other.

This can best be displayed on a two dimensional matrix - competitors along the top and key success factors down the side. An example of a Competitor Array follows -

Key Industry Success Factors	Weighting	Competitor #1 rating	Competitor #1 weighted	Competitor #2 rating	Competitor #2 weighted
1 - Extensive distribution	0.4	6	2.4	3	1.2
2 - Customer focus	0.3	4	1.2	5	1.5
3 - Economies of scale	0.2	3	0.6	3	.6
4 - Product innovation	0.1	7	0.7	4	0.4
Totals	**1.0**	**20**	**4.9**	**15**	**3.7**

Another example of a Competitive Analysis is a ‘Price / Performance’ or ‘Product Positioning’ diagram. In this type of analysis a graph is constructed with ‘Price’ plotted on the vertical axis and some measure of ‘performance’ or ‘product features’ is plotted on the horizontal axis. Products are then represented by circles or ovals which are intended to map out for each company, or individual product, the ‘price-performance point’ or ‘envelope’.