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## Competitors

### **Purpose**

This tool will help you to identify your competitors, understand their likely strategies, and anticipate the effect they could have on your business.

### **Overview**

By working through this tool you will be able to answer the following questions.

- Why should I analyse my competitors?
- Who are my competitors?
- What strategies are my competitors adopting?
- What choices do I have in competing?

### **People Involved**

Members of your management team who have clear responsibilities for the allocation of resources.

### **Background Reading**

PRINT21 Background Paper 1, Section 2.4 Current Operating Environment

## Useful Inputs

- Any available information on competitors
- Literature dealing with competitor analysis
- Industry reports
- Research carried out by government bodies
- Research carried out by industry associations.

## Important Ideas

### Understanding the Competition

Your success as a manager and the success of your business is determined by your position in the environment relative to your competitors.

Essentially you are competing to satisfy not only the existing needs of customers but also the future needs of potential customers.

In many cases the needs of customers are finite and where many suppliers exist to fulfil those needs competitive pressure is likely to be intense.

The PRINT21 Action Agenda has shown that Australian printers are increasingly competing not just with other printers but with a broad range of competitors; such as multi-media and graphics, IT, IT-marketing and advertising companies.

When assessing the competition, it is therefore advisable that you take a broad perspective and consider competitors that may appear quite different from your own firm in terms of their processes, their structure and even which industry they are in.

### Who are your competitors?

A competitor is any firm that can satisfy the same customer needs as you. With technology now radically changing the size and shape of whole industries, your competitors will not necessarily be part of your traditional industry.

### Why analyse competitors?

By analysing your competitors, you should be able to:

- identify and profile your actual competitors - not just those you think you are competing with in the printing industry
- predict your competitor's strategy and the decisions that competitor is likely to make to carry out that strategy
- map how a competitor's behaviour might change over time under certain conditions
- frame your own strategic choices and competitive initiatives and predict a competitor's most likely reactions to them.

The value of a competitor analysis is that it enables you to make some predictions about the market responses of your competitors.

To do this effectively it is essential that you develop a good working knowledge of your actual competitors and the environment in which you are competing.

### How do I develop a profile of the competition?

In profiling your competitors consider the following.

- As you will see in Tool 6, your operating environment has a major impact on who will be competing with you. So you may wish to preview the Tool 6 analysis of your company's operating environment.
- The complexity that characterises the Australian printing industry makes it very difficult to pin-point competitors. As shown in the PRINT21 Action Agenda, in the Australian printing industry:
  - a few large companies are supported by elaborate operations in almost every major capital city and have a presence in at least one significant regional area. These companies dominate some segments of the market.
  - other segments of the market are typically supplied by a large number of small and medium businesses operating from one location and offering a limited scope of services such as four-colour offset printing and in-house finishing.
- Companies that are not part of the traditional printing industry are now also satisfying the same customer needs as printers (e.g. advertising agencies, web design bureaus, consulting firms, etc.).
- Your ability to satisfy your customers' needs will neither depend on what you have nor on what you can do. It will depend in a major way on how your offerings compare with those of your competitors.

You need to think of your competitive position in relative terms - by seeing yourself in relation to your competitors.

### Which companies are my competitors?

To identify your competitors, think about your customers. What are their needs and how can they be satisfied?

Now identify firms that are presently satisfying these needs and those that have the potential to satisfy the same needs. These firms are also your competitors.

It may be helpful to view Tool 3 at this stage to get an idea of how to identify and analyse customer needs.

## Competitor Analysis

### Analysis

By carrying out competitor analysis you will:

- list your competitors within the printing industry
- identify your firm's competitive advantage relative to these competitors
- list your competitors outside the printing industry
- identify why customers would buy from your firm rather than from your competitors.

### Step 1

List the five most important competitors from within your industry and, beside each one, note why each one is a competitor.

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### Step 2

For each of these five competitors, try to put yourself in your customers' shoes and think about why they would choose to buy from you instead of from your competitors.

**Customers choose to buy from me instead of from this competitor because.....**

Competitor 1 

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Competitor 2 

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Competitor 3 

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Competitor 4 

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Competitor 5 

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These are your firm's competitive advantages.

### Step 3

List five different firm types from outside your industry that could satisfy your customers' needs. Beside each one, note why each one is a competitor. If you cannot fill in five different firm types you need to reflect on the changes that are taking place in the industry in order to broaden your view of the competition.

Competitor 1

Competitor 2

Competitor 3

Competitor 4

Competitor 5

### Step 4

For each of the five types listed above articulate why a customer should buy from your firm instead of from these types of firms.

**Customers should buy from me instead of from this type of competitor because.....**

Competitor 1

Competitor 2

Competitor 3

Competitor 4

Competitor 5

The type of firm for which your argument is the weakest is the type of firm from which you can expect to receive the strongest competition.

## Competitive Strategy

### What strategies are competitors adopting?

How likely is it that your competitors would completely disclose their competitive strategy? Would you disclose your strategy to your competitors? Maybe not!

Obviously competitors will not fully disclose their competitive strategies, so what else can you do to identify how your competitors are positioning themselves to compete with you?

Here are some pointers.

- Do not rely on pronouncements and announcements. What a company says may not be an accurate indicator of competitive strategy.
- Observe what your competitors do in the market place - what markets they decide to compete in and the approaches they adopt to compete in those markets.
- Consider competitor investment behaviour. You may find it valuable to consider the investments and the divestments the competitor is committing itself to. Investments give a very tangible indication of where the competitor sees opportunities for itself while divestments allow you to see where the competitor perceives threats to its ability to achieve profitable outcomes.
- Consider workforce/ employment strategies. You may also learn a great deal about a competitor's strategy by assessing the types and number of people it is employing as well as the types and number of people it is laying off.

For example, a competitor may be actively advertising for one or two IT people with skills in web page design while retrenching all staff in its bindery. You might conclude from these details that the competitor is moving out of post-press manufacturing activities and moving into managing content on behalf of existing and/or prospective customers.

- Consider product offerings. Another way to gain insights into your competitors' strategies is by observing changes to their product and service offerings. By introducing a new product or service, or by ceasing to offer a product or service, a competitor may be revealing part of its strategy to you and your colleagues. A change in offerings to the market may be the result of the competitor's opinion on the future attractiveness of those products or services.
- Consider distribution channels. The distribution channels through which a competitor offers its products or services may also give you and your colleagues strategic insights. If a competitor that traditionally dealt directly with a discrete number of local customers begins to develop relationships with agents that represent buyers across a broader environment, you may conclude that the competitor is expanding its operations.

## How do I identify and analyse competitor strategies?

This exercise will help you to identify the strategies that your competitors are adopting and the ranges of choices you have for positioning your competitive strategies.

Consider that there are three dimensions to a competitor's strategy.

1. philosophy
2. direction
3. means

You need to make a judgement about each dimension of your competitor's strategy, relative to yours.

### Strategic philosophy

Your competitor can choose a variety of strategies. These could focus on cost, value, profit or growth.

### Strategic direction

This refers to where competitors are heading ie; do they focus primarily on new or existing offerings, activities, geographical markets or customer segments?

### Strategic organisation

This refers to how their firm grows. It could be mainly by steady/normal growth, acquisitions, formal alliances or informal alliances.

For each of your competitors think about the way they operate and try to make a judgement about the dimensions of their strategy. Then consider what effect it will have on your firm if your competitor is successful in carrying out this strategy. Will it have a small, medium or large effect?

	PHILOSOPHY	DIRECTION	MEANS	LIKELY EFFECT IF THEIR STRATEGY IS SUCCESSFUL SMALL, MEDIUM OR LARGE
-----				
WITHIN YOUR INDUSTRY				
-----				
Competitor 1				
2				
3				
4				
5				
-----				
OUTSIDE YOUR INDUSTRY				
-----				
Competitor 1				
2				
3				
4				
5				

### Can I sit back and relax now?

#### No you can't, you say!

It's a fast-moving world out there. Standing still for any length of time is asking for trouble. Your competitors will respond. But you know this already!

So you need to be in a position to anticipate competitor responses. To do this you need to start by asking yourself - what are their most important goals? In most cases these will be generally in the key areas of marketing and financial management.

Now that you have completed the competitor analysis table above we can briefly discuss some possibilities.

Let's say you have been able to determine that one of your competitors is in pursuit of a moderate return on investment with minimal risk.

Such a firm would be unlikely to engage in aggressive competitive behaviour. Rather this firm is more likely to be interested in establishing a firm presence in a market capable of supporting stable cash flows.

Competitors in this category will focus on attaining sustained long-term interests. They will generally avoid engaging in short-term competitive behaviour unless the behaviour reinforces higher level goals.

In contrast, a competitor that is interested in achieving a high return on investment and is willing to accept a commensurate level of risk is inclined to engage in fierce battles to secure the desired returns.

The thing to watch is if there is a significant gap between a competitor's goals and the results they achieve. This competitor will change strategy to one that has the potential to bridge that gap. Also bear in mind that a competitor's ability to execute such a strategy will be influenced by the quality and quantity of resources it has at its disposal.

### What room do I have to move?

If your company is not already in a position to do so, it should aim to develop at least some basic competitive analysis capabilities in the near future. The approach presented in this Tool has given you some grounding on how to do this.

In developing your competitive strategies you will want to know how much room you have to move, bearing in mind that your competitors will have a response.

Now consider these basic pointers.

- If your competitive strategies are seen as attempts by your competitors to capture market share, they are likely to react in defensive or counter-offensive ways. You would do the same.
- Your assessment of the nature, likelihood, scope and extent of competitive response will determine your choice of competitive strategy.

### Draw your own conclusions

As a printer, you may think that your success depends on the execution of operational plans involving capacity utilisation of your plant and equipment.

But as PRINT21 has shown, there's more to it these days. Increasingly, business success will depend on good strategic thinking about what your customers want and how you can deliver on those needs in innovative ways. Competing on price and delivery will not be enough for most printers in years to come.

Take some time to reflect on the analytical approach presented to you in this Tool. Complete Action 4 (right). It will help you identify actions to improve your competitive position relative to those firms you have identified in this Tool.

Having done so you may now want to review Tool 3 and progress to Tool 5.

**ACTION 4**

SITUATION	•	COST	BENEFITS	NET BENEFITS
	•			
	•			
	•			
MISSION	▶			
	▶			
	▶			
	▶			
ASSESSMENT		NET BENEFITS FOR ACTIONS ARISING FROM THIS TOOL		\$0.00
RESOURCES				
TIME				

