

The **ENTREPRENEUR'S** Guidebook Series™

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best of its kind.*
- Alan Caruba
Bookview.com

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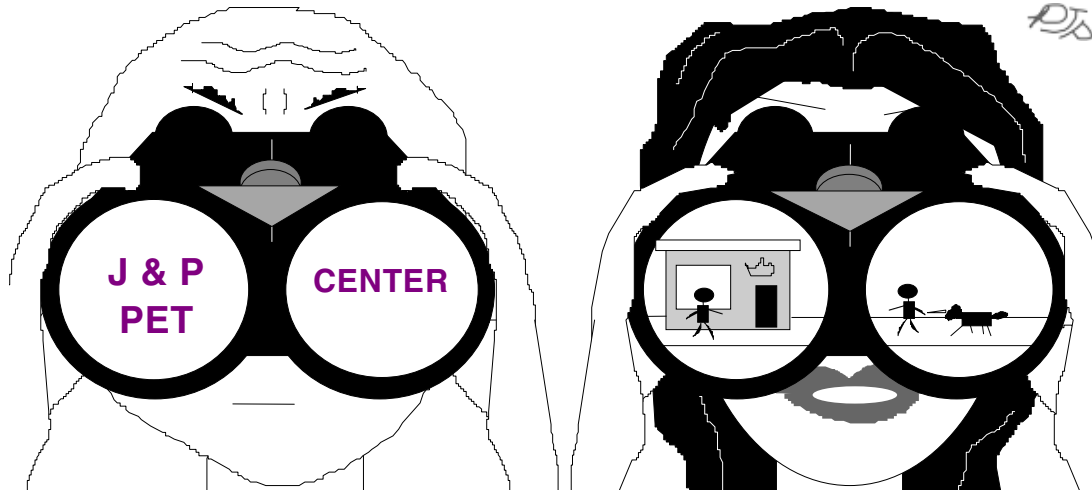
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“Let me get this straight . . . we’ve got copies of all their brochures, a list of their suppliers, a blueprint of their floorplan, a detailed record of all visible customer transactions in the last 72 hours . . . and now you want to TAP their phones?”

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SPYING ON THE COMPETITION

COMPETITION is a peculiar thing. It has been the driving force in the evolution of humankind into an intelligent species – survival of the fittest – while at the same time causing the outright extinction of thousands of other species. It also has allowed individual men and women to achieve far more than they might have otherwise; while at the same time destroying many personal relationships through its tendency to instill jealousy, envy and suspicion.

However, if nothing else can be learned from our instinct to compete, learn this: it is through others that we begin to understand ourselves. In fact, the importance of learning from others cannot be over stressed. And since your competitors won't go around teaching you the tricks of their trade, you will have to learn to watch them, study them and generally keep them under a microscope in case they one day decide to mutate.

STUDYING THE COMPETITION

NEVER underestimate the importance of studying your competition before and after becoming well established. Those who fail to do so risk losing their market share, in some cases overnight. You need to develop a system to keep yourself ready to react effectively and quickly to whatever your competitors are doing. You need to be able to keep track of their selling activities and movements in the marketplace so you are constantly aware of the threat they pose to your business.

To stay competitive, you must stay teachable. You must read, observe and listen. Specifically, you must start by recognizing who your competition is, both di-

Love your enemies, for they will tell you your faults.

BENJAMIN FRANKLIN

rectly and indirectly. Then, you must identify the most active of your competitors and learn as much as possible about why they are succeeding. Nine proven and reliable ways to do this are:

1. **Check the yellow pages.** The yellow pages are an excellent source of basic knowledge on competitors.
2. **Conduct an informational interview with a competitor's present or former clients.** This may be a little tricky to set up. However, it will help you find out if your competitor's clients would even consider your service, how much they'd be willing to pay, and what it might take to win them over.
3. **Conduct a survey of people on**

the street. Find out whether your company, is more or less well known and respected than your competition.

4. **Get a hold of all your competitors' actual products.** Once you have their product analyze it, dissect it, rip it apart, evaluate it, and make note of its weak points and strong points.
5. **Get a hold of all your competitors' advertising and promotional material.** Compare their logo and slogan to yours. Compare their sales pitch. Try and be objective and answer the question, "Who would you buy from?"
6. **Get help from people outside your city.** People in other regions outside your city, who are running the same kind of business as you, will probably consider themselves colleagues rather

than competitors. Find them through friends and ads and ask them about how they got started, how much they charge and what they wish they had known when they began.

Competitive Assessment

EXAMPLE

Betty's Bakery has both direct and indirect competitors for her Whole Wheat Bread Products

Direct Competitors

- Local fresh bread producers
- Brand name bread manufacturers

Indirect Direct Competitors

- Rice, potatoes, fries and pasta
- Vegetarian food producers

7. **Keep a competitor's file.** This file should contain all ads, articles, brochures, newsletters and other knowledge about them.
8. **Read newspaper ads and articles.** Read local papers often and scan classified ads for businesses that are similar to yours.
9. **Recruit a researcher/spy.** If you find it particularly difficult to get information on a particular company, hire a professional investigator, market researcher, or consultant familiar with the field.

Ability is the art of getting credit for all the home runs someone else hits.
CASEY STENDEL
Baseball Manager



EVALUATING THE COMPETITION

EVALUATING YOUR competition is a process that primarily revolves around examining your strengths and weakness and comparing them to your competitors. Most importantly, it means taking a good look at competitors who have become superior due to better quality, service, promotion, location, pricing strategies, displays and packaging and market timing. It also means looking at any additional benefits they have compared to your products and services and the nebulous, sometimes indefinable ingredient called *image*.

Remember that in business what you don't know can hurt you. Therefore any strategy that gives you insights into the

Competition is the great teacher.
HENRY FORD

competition and ultimately the spending habits of consumers is more valuable than gold.

NOTE Strive to make the strengths of your competitors your strengths and their weaknesses your marketing advantage.

Using a Competitive Analysis Sheet

Use a “Competitive Analysis” sheet, like the one in FIG. 1 at the end of this Guidebook, to keep track of how your products & services compare to others in the overall marketplace or community, both competitors and non-competitors. Evaluate each area by circling either

B for competition **BETTER** than you
S for competition **SIMILAR** to you

W for competition **WORSE** than you.

The results from this comparison can help you determine how to create another niche, serve a new group of customers, increase business, and increase profits.

Using a Competitor Profile Sheet

Use a “Competitor Profile” sheet, like the one in FIG. 2 at the end of this Guidebook, to make more detailed notes about your competitors. Keep in mind that the information collected for this sheet will be quite helpful when writing your business plan.

Always have something constructive to say about competitors. If you are out of an item or do not carry it, recommend a store that does carry it. Customers appreciate his and will usually return to your store.

SUPERTIP



BEATING THE COMPETITION

EVERY BUSINESS has competition. Even the American Football League has to compete with basketball, hockey and other forms of entertainment. Every business also wants to beat the competition, steal its market share or perhaps even drive it into bankruptcy. But when starting out, realize that competition isn't necessarily a bad thing. It shows there's already some demand for the goods or services you intend to offer. In fact, no competition is usually something that should be treated with caution not jubilation.

If there is presently little or no competition in your area of interest, it may be be-

It new business, if you engage in anything short of a direct assault on the jugular vein, you're in the Mickey Mouse League.
WILLIAM HOLDEN

cause your competitors have tried to expand into this area and failed for the same reasons that will probably cause you to fail. Never forget this. Learn from their mistakes. In fact, the primary way to beat the competition is to first learn about their mistakes and not make them. Once you are able to do this, you can then increase your superiority through emulation and market positioning.

NOTE Some companies win with aggressiveness, cutthroat pricing, bold claims, and inordinate incentives to their salespeople. However, these techniques are definitely not suited for every kind of business and often become counterproductive and backfire in the end.

Emulating the Competition

In most cases, new businesses will find themselves competing with much larger more established companies – ones that know the benefits of long range planning and practice it. From a defensive standpoint, it is important that you employ the same concepts as they do to your operation, as well as study them so you can learn from their successes and avoid their failures. It is also equally important to improve upon areas they've neglected or omitted all together. These areas can be found by following three basic steps:

FIRST, list all your major competitors and evaluate those factors which you consider critical for success.

Nothing focuses the mind better than the constant sight of a competitor who want to wipe you off the map.

**WAYNE
CALLOWAY**
CEO of PepsiCo

SECOND, list all your competitors successful strategies and try and incorporate them into your own plan.

THIRD, list all their weaknesses and decide which ones you can improve upon in order to give your company the edge.

In short, to emulate a successful competitor, offer your product in a similar manner and in exactly the same media as they do and then seek to differentiate and improve upon at least one of their weaknesses in some manner or another.

Improving Upon a Competitor's Customer Service Policies – To beat your competition, scrutinize all the value-added services they offer to their custom-

ers and estimate the cost of each service. Then ask yourself, how many of these services you will have to provide to stay competitive? Once you have figured this out, determine if there are any other services your competitors are not offering that would attract customers. If so, add the cost of these services to the total estimated costs of all the other services you plan to offer. Using this final figure, figure out if and how you can incorporate these additional costs in your pricing structure, without pricing your products or services out of the market.

Keeping Others from Copying

You – Your competitors will react to your advertising improvements or innovations in your product or service in the same manner as you do. They will want to copy

Like many businessmen of genius he learned that free competition was wasteful, monopoly efficient.

MARIO PUZO
The Godfather

them. To keep one step ahead of them you must be able to develop a better marketing plan with strategies already in place so you can act fast and decisively. Base these strategies on your strengths against competitor's weaknesses so copying becomes difficult and time consuming for them.

The Dangers of Not Having All the Relevant Information –

When copying your competitors, it is critical that you know all the facts. Some ad campaigns for example operate at a loss getting their profits from other sales that you may not necessarily be able to track down. In fact, to protect their innovations, many established companies adopt a policy of not giving out exact precise information about their product features or manufacturing

processes in brochures or other similar promotional material. They have learned from trial and error that if they tell their customers exactly how they make their products, precisely why its better than everybody else's, sure enough some competitor will get a copy of that material and use it to improve upon their own products.

Positioning in the Marketplace

If a prospective customer cannot tell the difference between your company's offerings and anothers, then you have a problem. Nothing is preventing them from seeing your promotion, loving it, and then going out and buying someone else's products or services.

Competition brings out the best in products and the worst in people.

DAVID SARNOFF

To overcome this problem, you need to prove to them that your business, products or services are distinct from your competition's, by finding and promoting something that gives you a competitive advantage or in the least makes you appear more competitive. Even when dealing in basic commodities like batteries or aspirin, marketing people have gone to all sorts of extremes to create brand awareness and product differentiation. How many people nowadays can picture the Eveready Bunny? "It keeps going and going . . ."

NOTE If your product or service is properly positioned, prospective purchasers or users will more easily be able to recognize its unique benefits and advantages and thus be better able to assess it in comparison to the offerings of your

competition.

How Positioning Works in the Marketplace – Once customers have tried your products or services, they have a perception of your company in their minds. However, they will only become loyal customers once they believe that what you are selling is different and/or more beneficial than your competitors.

Knowing this, the most successful businesses strive to determine exactly how their product or service is perceived by their customers, and then take steps to position it more strongly in comparison to competing products or services in the marketplace, by targeting their promotions to key aspect of their product.

*I don't meet
competition; I
crush it.*

**CHARLES
REVSON**

*Founder of Rev-
lon Inc.*

For example, a bakery that offers fresh, better tasting, high quality whole wheat bread made without preservatives and additives will try to position itself in customers' minds as a consistently good-tasting fresh, healthy whole wheat product.

Types of Positioning Strategies

– The following list outlines ten different approaches to positioning your company in the marketplace to gain a competitive advantage:

1. *Position against older products*
 - This type of positioning is particularly effective when used to introduce new products that differ from traditional products. Lead-free gasoline was at one time positioned against leaded gasoline as being cleaner burning and more friendly to the environ-

ment.

NOTE Since consumers have become more accustomed to change and new products, and are thus more willing to experiment than was true ten years ago, this strategy can be used to encourage people who like to experiment to switch brands. However, the obvious disadvantage of dealing with those who try new products is that they may move on to another brand just as easily.

2. *Position by comparing your product or service favorably to a competitor's* – This type of positioning can involve implicit or explicit comparisons. Implicit comparisons never mention the competitor's name though the inference is obvious.

Consumers have become more accustomed to change and new products, and are thus more willing to experiment than was true ten years ago

Often the unmentioned competitor is made fun of or looked down upon. Explicit comparisons can make a comparison with a direct competitor (usually the market leader), with the goal of attracting their customers (e.g., the Pepsi Challenge); or it can use the compared product as a reference point.

The second type does not attempt to attract the customers of the compared product. Consider, for example, the positioning of the Volkswagen Dasher, which “picks up speed faster than a Mercedes and has a bigger trunk than a Rolls Royce.” This second approach usually works to the advantage of the smaller business, if it can capitalize on the North American

tradition of cheering for the underdog, as long as your customers remain convinced that you are trying harder than the current market leader.

3. *Position by disassociating yourself completely from the product class* – This type of positioning is particularly effective when used to introduce new products amongst heavy competition. For example Intel with its recent Pentium Chip attempted to disassociate itself from its 8086, 286, 386, and 486 lineage in an effort to lessen the gains

Price-cutting and rebating, collecting information on the trade of competitors, the operation of companies under other names to obviate prejudice or secure an advantage, or for whatever reason, are all legitimate methods of competition, whatever moral criticism they may justify. There is no rule of fairness or reasonableness which regulate competition.

JOHN G. JOHNSON

made by other chip manufacturers such as AMD and Cyrix who were steadily making inroads into their market. The name change also helped ward off the threat of the PowerPC chip being perceived as new 90's technology and Intel as old outdated 70's technology.

4. *Position by offering a range of packages for the same product* – This type of positioning involves selling the same product in a range of packages of different sizes, design or even label as well as using different distribution

channels to reach the various segments that each packaging variation targets. Beer, for example, is sold in

kegs, cases, twelve-packs, six-packs, twelve-ounce cans and bottles, on tap, and by the pitcher. The beer in each type of container is exactly the same but appeals to separate market segments with different needs.

NOTE Services can also be packaged in a variety of ways. For example skis can be rented in novice, intermediate or expert packages, and vacations can be sold in either economy, family, honeymoon or deluxe packages.

5. *Position by promoting a specific use for your product* – This type of positioning

Market positioning theory can be summed up by answering the following three questions: What's so special about your company? How are you different from your competitors? What is your uniqueness in the marketplace? Positioning is what gives your product or service "brand" identification.

POWERPOINT

works best when you can easily teach your customers how to use your product via a promotional medium that allows a demonstration. Commercials showing how many ways you can cook eggs or use cheese are two examples of this kind of positioning in action.

6. *Positioning by promoting unique product or service benefit* – This type of positioning is generally more effective than positioning by features because it is easier to sell customers on what

your product or service can do for them rather than explain to them how it does it. Complicated features are nice to discuss with tech-nerds, but unless

customers can be made to understand how something will benefit them, they may not get the point, and you may not get the sale.

7. *Position by promoting a unique product or service feature* – This type of positioning is very common whether you're selling services or manufactured goods. As long as your product or service has some unique features of real value to your customers, this may be the way to go. However, don't try and promote every feature you have. You must realize that your product or service cannot be all things to all people.

NOTE Even if your product or service does not have a unique feature, you may be

In business, the competition will bite you if you keep running; if you stand still, they will swallow you.
WILLIAM S. KNUDSEN

able to gain an edge over your competitors, by studying and mapping the *perceptions* of consumers concerning your products or services in relation to those of its major competitors. Any perceptions you

discover to be in your favor should be exploited. For example, if your customers perceive your new line of hiking boots, to be more durable than the competition's, even though in fact they aren't, exploit this perception.

8. *Position by satisfying a specific need* – This type of positioning is built around satisfying a special customer need in an innovative manner.

NOTE Many experts believe that this positioning strategy is the only reason for start-

ing a business and about the only way to stay in business.

9. *Position by targeting the user* – This type of positioning directs all its promotional efforts to using models in its advertising that the target customers can identify with. The models used aren't necessarily gorgeous or handsome. They are more like everyday folk with everyday problems, and are always shown in a positive light after using the product or service.

The models used aren't necessarily gorgeous or handsome.

10. *Position using a combination of strategies* – This type of positioning incorporates elements from several of the above types of positioning. Most small business owners should use this approach especially if operating in a

small trade area where there isn't a large enough customer base to justify the expense of separate marketing approaches.



Competitive Analysis

Name of Competitor

Location:

Phone:

Owner:

Marketing Factor	Rating			Comments
Advertising	B	S	W	
Benefits of Products	B	S	W	
Business Hours	B	S	W	
Business Image	B	S	W	
Consumer loyalty	B	S	W	
Credit Card Service	B	S	W	
Customer Attention	B	S	W	
Customer Service	B	S	W	
Display Design	B	S	W	
Distribution Method	B	S	W	
Expert Advice	B	S	W	
Financial Status	B	S	W	
Future Market Strength	B	S	W	
Guarantees & Warranties	B	S	W	
Key Managerial Personnel	B	S	W	
Leasing Plans	B	S	W	
Location	B	S	W	
Long Distance Service	B	S	W	
Payment Options	B	S	W	
Prices, Policies & Procedures	B	S	W	
Product Packaging	B	S	W	
Product Quality	B	S	W	
Product Selection	B	S	W	
Profitability	B	S	W	
Reliability	B	S	W	
Total Sales (market share)	B	S	W	
Sales Personnel	B	S	W	
Unique Services	B	S	W	

BETTER-SIMILAR-WORSE

Competitor Profile Worksheet

Name of COMPETITOR:

Location:

Phone:

Owner:

Item	Comments
PRODUCTS & SERVICES OFFERED	
Size, Weight	
Durability, Versatility, Ease of Use	
Uniqueness of, Perceived Value of	
Pricing Structure	
METHODS of DISTRIBUTION	
Wholesale, Retail, Reps	
Mail Order, Personal Selling	
MARKET SHARE	
Growing, Stable or Declining	
Number of Customers	
Estimated Sales	
% Share of Market	
Location of Customers	
COMPANY IMAGE	
Packaging	
Promotional Materials	
Methods of Advertising	
COMPANY PERFORMANCE	
Competitive Advantages	
Location Advantages	
Profitability	
Do they have a Market Niche?	
STRENGTHS	
WEAKNESSES	