

Direct Answers for Direct Marketing

Business Tools—4

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Researching Your Market: Evaluating the Competition

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Part 1. What You Need To Know To Evaluate The Competition

You have looked at pricing and identifying customers with your clients. This tool continues the process by looking at who, what, where, and quality of product offered by the competition. Looking at the competition, your clients can easily lose objectivity because they might think they are offering something that is obviously of better quality and service, lower priced, and totally different from their competition. However, studying the competition will help your clients determine the volume and price of *similar* products and services already in the marketplace, the strengths and weaknesses of their competitors, and the specific types of buyers being served by their competitors. This information may help your clients identify niches in the marketplace where they can meet a market demand that is not being met. It can also help them determine what percent of the total possible customers they might expect to have. Work through the following four steps with your clients to help them evaluate their competition.

Step 1. Identify the Competition

When identifying competitors, use a broad interpretation. Assume your clients plan to sell grass fed beef. Their competition is all other farmers in the market who are also selling grass fed meats, the local grocery stores, health food stores, and even the Internet. These outlets are all competitors. If your clients want to become an agritourism attraction, their competition is other agritourism operations, the beach, Kings Dominion, national and state parks, and so forth. However, their most direct competition is going to be other agritourism operations in the area. These operations are what they should be most concerned with.

Step 2. Determine Areas of Competition

Areas of competition involve price, quality, location, customer service, convenience, range of products/services, marketing strategy, delivery/turnaround time, etc. Why do potential customers have a need for your clients' product/service rather than their competitors'? What do their potential customers consider before making the purchase? These factors are the areas of competition your clients need to focus on.

Step 3. Obtain the Information

Your clients learn about their competition in a number of ways: by visiting their competitors' businesses, using their products or services, paying attention to their customer service, surveying their customers, or interviewing the competitors directly. Some competitors may refuse to share any information with your clients, but some are quite helpful. What suggestions can your clients provide that can decrease direct competition or even be of mutual benefit? Other ways your clients can learn about their competition are to

- Ask an employee to periodically become a competitor's customer. Have this person gather brochures, catalogs, price lists.
- Read their ads carefully.
- Read trade magazines or newsletters, paying close attention to new products/services being offered, customer service policies, etc.
- Be visible at professional meetings. People love to talk about their businesses: what's new, what's working for them, what problems they're having.
- Network, become acquainted with industry leaders, buy them coffee, and *listen*. Listen for what's not said as well as what is. Getting to know other people in business for themselves provides your clients with support, a potential source of information for identifying and solving problems, and an idea of what problems and successes they might face.
- Attend industry trade shows and conferences, paying careful attention to the issues being discussed.
- Survey their customers. Develop a simple questionnaire that asks what they like and don't like about your competitors' business and how your clients compare with the competition. Your clients will learn a lot about their businesses and their competitors.

Step 4. Prepare the Analysis

Once your clients have identified their competitors and obtained the information to compare themselves with each of their competitors, they need to compile the information in a meaningful fashion. In what areas are your clients strong? Where do your clients need to focus more attention?

Step 5. Putting It Together

Knowing what your clients' competition is doing will help your clients do something different so that they aren't competing directly. As an agritourism operation, your clients probably never compete with Kings Dominion. Instead they should look for similar operations in their target market area. For this example, assume your clients decide on educational tours during the week with the possibility of being closed to the public on the weekend.. Their educational tour will target high school age students so that they can teach something about food production and the environment. To find who their competitors are they go to the North Carolina Department of Agriculture and Consumer Services (NCDA&CS) website, <http://www.ncagr.com/> and then to the General Store. There they find a list of activities offered at agritourism operations in North Carolina. They access the list either by topic or by county. In Johnston County where they are located, they find eight operations offering school field trips or summer camps. One of them targets K – 3, one is a winery, one a museum, another targets special needs people.

None seem to do exactly what they are interested in. However, they shouldn't discount the museum, which offers demonstrations, hands on activities, and celebrations of various types. Next, they check out the other counties they expect to draw from. Wilson County has an operation that might compete directly with your clients for some customers.

After collecting the information, your clients compile data on their competition as is shown in Table 1. What your clients will learn from this exercise is that they have competition, but only the educational hayride may provide direct competition for school tours.

Competitor	Products/ services offered	Price	Quality	Location (miles from you)	Customer service	Convenience
Pumpkin Patch	Pumpkin hayride and educational tour, free pumpkin,	\$10/person	Has great pumpkins for kids	15	Well trained employees	Rides convenient to pumpkin patches
Glowing Grape Winery	Specialty wines, winery tours	Individually priced	Relatively new, unknown	10	Well trained employees	Lots of walking
Ole Time Farm	Museum, produce, hands on demonstrations	Individually priced	Excellent	15	Excellent	Tailored to customers
Little Acres	Produce, tours, gleaning	Individually priced	Excellent	5 miles	Tailored to meet special needs customers, excellent	Tailored to customers

Part 2. Worksheet for Your Clients

This worksheet is relatively short but will require some time and effort on the part of your clients. Encourage them to be objective when evaluating the competition.

Identify your geographic market area. This step was done in the previous exercise for identifying customers. It should be a matter of just making sure the areas are the same.

Who are your competitors? What do they offer? Complete the table.

Competitor Analysis Worksheet						
Competitor	Products/ services offered	Price	Quality	Location	Customer service	Convenience

References

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