

***Thank God for competition. When our competitors upset our plans or outdo our designs, they open infinite possibilities of our own work to us.  
-Gil Atkinson***

## **INDUSTRY & COMPETITIVE ANALYSIS**

The purpose of the industry analysis is to determine if the wind of opportunity is at your back or in your face. In other words, are trends helping or hindering you? Are market conditions favorable or unfavorable for your business? You must research your industry by reading trade publications, searching the Internet, talking to trade associations, everywhere you can get facts about your industry and the place where you intend to do business.

This section must be written with clear evidence of the trends. You must be able to provide proof. Present statistics for the industry. Discuss the growth potential of the market. Is it increasing or decreasing? Is it a fad? Is it seasonal? Is the market always there, always the same? Does it simply grow with the population? What are the factors affecting the growth of the market, and of market share?

The importance of the general environment cannot be overlooked, however, even though its impact tends to be either indirect or delayed. The first set of the factors to be considered, we call the "macro-environment." In it, we include major overarching factors and trends in the larger society. This set of factors is broken into four basic categories, economic factors, technological factors, political/legal factors, and socio-cultural factors.

- **Industry Analysis**

### ***Industry Characteristics: Chief Economic Traits***

Understanding the basic economics of a given industry is essential to survival and prosperity. Below are listed some of the most important economic traits to consider when evaluating an industry.

***Size And Growth Rate*** - Industry total sales are important. The growth rate is critical. Industries that are not growing or are in the process of decline tend to be extremely price competitive and, generally speaking, are not particularly attractive for new startups. It is worth noting, however, that even mature or declining industries will usually have some segments that are doing fairly well. Be cautious though, because industry incumbents with significant resource advantages are likely pursue those few relatively attractive segments as the other or primary segments begin to dry up.

***Economic Factors*** - These factors include issues such as per capita income, GDP (gross domestic product), unemployment, inflation rates, and interest rates. These factors have an impact on your ability to sell, the price and availability of capital for your business and the cost of labor and material inputs. You need to understand the impact these factors on your business.

**Technological Factors** - It may be stating the obvious to say that technology is changing, constantly creating new solutions to problems and new ways of doing things. What will be the impact of technological change on your business? Will it have an impact on your product, the way your product is produced, or the way you reach out to your customer? What sorts of technological change are likely? Which sorts of changes will be the most important for your business? Is your business built on a recent technological development? If so, when will the next change occur and what will be the impact of that change on your business. Closely evaluate the types of technological change that will impact your business and how they will affect it. What is the rate of change (speed of change) for these technologies? What has been the nature of change (continuous small steps, periodic larger steps, sporadic leaps)? How predictable are the changes?

**Political/Legal** - The political/legal environment sets the premises for competition. The most obvious issue is that of regulations. What is the regulatory environment for your business? What is the likelihood of change? Both regulation and de-regulation provide opportunities and threats for business. De-regulation tends to pose the greatest threat to existing businesses. The rules of competition change. Moreover, regulations can serve as barriers to entry for new firms. Simply put, it costs money to build a business to comply with extensive regulations. Regulation of an industry frequently favors larger firms. They have greater resources to comply with the regulations and, unfortunately, they are frequently deeply involved in the process of writing the regulations. Nonetheless, new regulations can open up opportunities for new businesses. For example, environmental regulations have created markets for companies specializing in environmental clean up, environmental consultation, and new products to limit environmental impact of some processes and products. Other factors to consider from the political/legal sphere include, tax laws, labor laws, foreign trade regulations and general governmental stability (mostly for international business ventures).

**Socio-Cultural** - This category includes such issues as demographic trends, shifts in value sets, customs, lifestyle shifts, and so on. These factors have an obvious influence on customers and potential customers. They will affect the products that the customers will buy, where they will want to buy them and their expectations with regard to quality. Changing values can also be reflected in what customers expect with regard to how your product or service is produced. For example, locally, Joseph Farms emphasizes the fact that they do not give their cows hormone injections to increase milk production. They do this in part because of their ethical considerations, but also because a segment of the market is concerned about the use of those hormones. Shifts in societal attitudes will also influence what people expect where they work, how they will expect to be treated, and the kinds of rewards that are important. Business is done with and by people. Anything that affects the society will have an effect on the way business is done.

- **Competitor Analysis**

The immediate competitive environment is your most crucial consideration in forming and running your business. You should know as much about your competitors'

businesses as you do your own. The purpose of this section is to explain how your business is going to be better for specific reasons and state these reasons.

In writing this section of the business plan, you should first provide a brief overview paragraph of the competitive setting and then delve into a discussion of each individual component as described below. In this overview, you should emphasize the key factors of importance to your firm, its ability to survive and its potential to grow. You should also make it clear how your own business will be different from the other firms. What make you distinct from the others? What is your competitive advantage?

A final critical step in assessing your competitive environment to closely examine your nearest competitors. You need to know their strengths, their weaknesses and how they operate. You also must make frequent comparisons between their product/service offerings and you own. We call this "shopping" the competition. Below is an example of a table that you can use for recording and assessing your competition and yourself. It is a simple table to make, but a difficult one to fill out. You need to create a similar table for your business and competitors and frequently re-assess how you stack up.

The first step in developing and completing this table is to develop the categories and measures that would be appropriate for your industry. What makes sense? What are the possible bases for competition? What does the customer care about or what might the customer care about if offered? Once you have established your list, go out and do your homework. To obtain the necessary information, you will need to go out and read about and observe your competitors. You may have to play the role of a customer and actually shop the competition. If the competition advertises, examine their marketing media. What are they emphasizing? Initially, you will likely have to do all of this work yourself. As you build your business, it is a good idea to have your employees share in this process. You will gain some additional perspectives and it will provide an education for your employees. As you do your homework, rate each area as best you can. You can use a 1 to 5 ranking or simply write up descriptions where appropriate. Be sure to document your rationale. Be as tough and realistic as you can be in this process. As best you can, try to evaluate each area as your customers would. If possible, it helps to have other people complete the analysis so that you can gain some additional perspectives and increase the objectivity of your analysis. Once completed, the table provides a useful aid in assessing the competitive positioning of each competitor. If you continue to follow up on the evaluations, you have a useful means of tracking the actions and movements of your competition, and, a basis for anticipating their next moves.

<b><i>Competitive Analysis</i></b>					
<b>Items</b>	<b>YOUR firm</b>	<b>Firm A</b>	<b>Firm B</b>	<b>Firm C</b>	<b>Firm D</b>
<b>Summer Hours</b>	8am-10pm	8am-10pm	7am-12am	7:30am-11pm	7am-10pm

<b>Winter Hours</b>	9am-7pm	9am-9pm	8am-9pm	8am-7:30pm	8am-7pm
<b>Days Open</b>	7 days a week	6 days a week Closed Sunday	7 days a week	6 days a week Closed Monday	6 days a week Closed Monday
<b>Price Level</b>	Moderate	Low	Low	Moderate	High
<b>Specialty</b>	Apparel for All Ages	Apparel for Men and Women	Apparel for All Ages	Apparel for All Ages	Apparel for Women
<b>Credit</b>	Yes	No	No	Yes	Yes
<b>Free Pressing</b>	Yes	No	No	No	Yes
<b>Alterations</b>	Yes	No	No	Yes	Yes
<b>Shoe Sales</b>	Yes	No	No	Yes	Yes
<b>Discounts</b>	Senior	Volume	Volume	No	No
<b>Delivery</b>	Yes	No	No	Yes	Yes
<b>Methods of Promotion</b>	Yellow Pages Newspaper Flyers	Yellow Pages Newspaper Radio	Yellow Pages Newspaper Radio	Yellow Pages Newspaper TV	Yellow Pages Newspaper Radio

**THE BOTTOM LINE:**

*This section of your business plan describes the overall industry that your business belongs to, any industrial trends and factors that impact your business, and provides a description and comparison of your business and its primary competitors.*