

## **HOMEWORK ASSIGNMENT – INDUSTRY & COMPETITIVE ANALYSIS**

The Competitive Analysis section of the business plan will provide basic information about the industry your business belongs to and then details the specific businesses that you expect to be your main competitors. Once you have read the course materials for this Chapter, your assignment is to write the Competitive Analysis section of your business plan using the following outline:

- **Industry Analysis**

The Industry Analysis should begin by stating what industry your business belongs to (Service, Retail, Manufacturing, Non-Profit, etc.) followed by a description of your general industry. This description should include specific information wherever possible such as:

- *The size of the industry (in terms of sales, businesses and/or employment)*
- *Rate of growth or decline*
- *Structure (fragmented or consolidated)*

For example:

*Buddy's Bakery belongs to the retail industry and, more specifically, the retail bakery sector. According to the 2000 U.S. Census the retail bakery industry generates over \$2 billion in annual sales, employs approximately 1.4 million people and is comprised of 224,542 businesses. The structure of this industry is fragmented because it is comprised of mostly smaller businesses, chains and/or franchises. In a January, 2002 report published by the National Association of Retail Bakeries, the growth rate of the industry is rising at a rate of approximately 12 percent per year and it does not expect this trend to decrease for at least five more years.*

This should be followed by any key factor (or factors) that would affect your business. Key factors are any economic, political/legal, technological, or socio-cultural factors that apply to your business and would make it particularly appealing. For example:

- Economic factors (such as per capita income, unemployment, inflation, interest rates, etc.):

*ABC loans provides mortgages, refinancing packages, and home-equity loans. Current interest rates are at an all-time low and, according to the National Mortgage Finance Association, are expected to stay well below 8% for at least two more years. This will help maintain the current high demand for our services.*

- Technological factors (how your customers use information technology, new applications of the use of technology, new needs/demands brought on by the use of technology):

*A recent report by Parents Against Pornography, each day over 25,000 children are exposed to information of an adult nature on the Internet. Our software, NetCensor, provides 100% protection from anyone accessing or receiving information from adult web-sites. This will give families the freedom to allow their children to surf the net without the fear of being exposed to explicit materials.*

- Political/Legal factors (government regulations and laws that affect the way business functions):

*Senate Bill 198 requires that all businesses with over ten employees have a written and implemented accident and injury prevention program. The creation of these plans for local manufacturers will be one of the primary services offered by our business.*

- Socio-Cultural (changes and/or trends in demographics, values, customs, lifestyles, etc.):

*Since 1980, the number of latchkey children (children who return to an empty home after school) has grown from approximately 300,000 to well over 2,500,000. Happykids Home Monitoring will help to eliminate any fear and loneliness of the children and bring peace of mind to their parents by providing hourly monitoring services either via the telephone or in person.*

## • **Competitor Analysis**

Now that you've described the overall industry your business belongs to, it's time to talk about your direct competition and how your business compares with them. Begin by identifying three to five competitors who offer products or services that are similar to yours. For example:

*Golden Bucket Janitorial has three primary competitors in the Greenbelt County region. They are Joe's Janitorial Services, Mop Mafia, and Scrub-a-dub-dub.*

Then continue by writing a paragraph or two about each business making sure to include as much information as possible (i.e. ownership, how long in business, location, prices, number of employees, hours of operation, services, products, strengths and weaknesses, reputation, etc.):

*Joe's Janitorial Services is owned by Joe Johnson and has been located at 1234 Elm Street in Springfield since it started in 1998. Joe does most of the work himself, but he does have two part-time on-call employees for larger jobs. They focus mostly on small office and retail accounts in the downtown area. Their rates range from ten cents to fifteen cents per square foot and they have a good reputation throughout the area. Their primary strength is that Joe was Mayor of Springfield and still has a lot of influence with local businesses. However, because of the smaller staff and limited equipment, they cannot complete larger jobs in a timely manner.*

End this section of your business plan with a table that compares your business with the main competitors you just described. Use the sample competitive analysis that is included in the Course Materials for this chapter as a template.

## **TIPS FOR COMPLETING THIS ASSIGNMENT**

- Continue to follow the format shown in the previous homework assignment so that your plan is consistent throughout.
- Much of the work for this section will involve searching for information about your industry and competitors. The easiest way for you to get information regarding your industry is to search the web. You should be able to find most of the statistical facts about your industry (size, sales volume, employees, etc.) from the U.S. Census web page ([www.census.gov](http://www.census.gov)) under the Business/Economic Census section of the site. You can also get statistics, trends, and figures from the State EDD web page ([www.edd.ca.gov](http://www.edd.ca.gov)) in the Labor Market Information section.

Additional information regarding your industry can be found in the web sites of agencies and organizations that serve the industry such as:

- *Trade Associations*
- *Unions*
- *Business Assistance/promotion organizations*

As well as business/economic resources including:

- *Colleges/universities*
- *Business Journals, Reports, and Publications*

Be sure to review the Website References provided in the Supplemental section of the Course Materials. You can also conduct “hands-on” research by visiting the research desk of your local library and by contacting existing businesses, vendors, local government agencies, chambers of commerce, and economic development agencies.

- If you are still unsure on how to complete this week’s assignment, you can get help by:
  - *E-mailing your coach with your specific question(s).*

## **FREQUENTLY ASKED QUESTIONS**

### **I can’t find industry data for my exact business type. What should I do?**

When it comes to industry research, the key is to try and find data/information that comes the closest to your specific business. Sometimes there is little or no data for your exact business type. When that happens, you need to keep searching in general topics until you find applicable data/information.

For example, if the business makes novelty hats for pet turtles. There is probably no specific data for that particular business. However, you should find relevant data under categories like manufacturing, clothing, specialty, and/or pet supplies.

### **My business has no real competitors. How do I conduct a competitive analysis?**

Although it may appear that your business has no competitors – there is no such thing as “no competitors!” If your business is unique or has a unique twist on an established business type, you still must consider what similar types of businesses compete for your customer’s attention and business. For example, if you start a comedy club in a town where there are no other comedy clubs, what other businesses would be competing with you for your customer’s entertainment needs. You could consider nightclubs, dinner theaters, movie theaters, karaoke bars, etc. as potential competitors.