



Created by RHONDA ABRAMS

Excerpted from **Passion to Profits: Business Success for New Entrepreneurs**

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## HIGHLIGHT YOUR COMPETITIVE EDGE

One of the most important aspects of formulating your business concept is being aware of the alternatives available to your customers. You need to know who's out there, what they're offering, and what they're charging. If you approach this competitive analysis exercise as an opportunity to learn, you may find ways to enhance your own products or services—or at least improve your marketing.

### Types of Competitors

Competition comes in the following forms:

- **Direct competitors.** These are the ones who keep you up at night. They're other companies like yours: close to customers, ambitious, and trying to reach the same target market. In most markets, there's enough business to go around, but you better know what your direct competition is doing.
- **The big guys.** The Wal-Marts, Home Depots, Lawyers 'R' Us—national companies or franchises with huge marketing budgets. Don't just dismiss these as being inferior because they're big—a lot of them have adopted customer service practices that used to be the hallmark of small businesses. These are very real competitors to you, especially if you plan to compete on price.
- **Indirect competition.** It's important to understand that you can face a great deal of *indirect* competition—that is, rather than having another company compete head to head against your product or service, you're competing against other types of products or services that your customers might spend their funds on rather than yours. For example, if you run a lakeside resort for family vacations, your competition would not only include the resort on the other side of the lake, but Disney cruises, mountain cabins for rent, and vacation packages to Hawaii.
- **Inertia.** Sometimes your biggest competition is that people just don't have the motivation to change their ways, try a new product, or investigate a new service. In such cases, you may have to devise unique marketing plans to light a fire under them.

Every business needs some advantages over the competition to attract customers and stay in business.

Some typical types of competitive advantages are:

- Price
- Product features
- Convenience (closer to—or faster for—customer)
- Aggressive, effective marketing program
- Choice of industries/types of customers served
- Well-known brand
- Exclusive relationships (distribution, suppliers)
- Operational efficiencies

It's also useful to show how your competitors' weaknesses become your company's strengths. Let's say the market leader in your industry is large and bureaucratic. If your company is small and nimble, explain how you are better able to respond to sudden changes in market demand. Does your competitor rely on old technology? Highlight your use of state-of-the-art tools that better serve your customers.



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## worksheet: Your Competitors

Use this worksheet to identify your current competitors and brainstorm your strengths.

Competitor	Their Advantages/Strengths	Your Advantages/Strengths