



Business/Marketing Virtual Learning

11-12 grade College Business

May 21, 2020



Lesson: [May 21, 2020]

Objective/Learning Target:

Market Competition

Analyze the types of information businesses need to know about their competitors.

Let's Get Started

Watch this Video:

[Competitive Analysis](#)



Types of Competitive Information

In order to make sure a company's offerings are the best available to meet the wants and needs of their customers, a business must be aware of the strategies its competitors will use. Therefore the company needs to gather information on each of the competitors' marketing mix elements(4P's).

- 1) Pricing Strategies** - When businesses are in direct competition, competitors' pricing strategies are very important. Are competitors planning a sale, or are they going to raise the price and add features, options, or services? EXAMPLES: Taco Bell started a "\$1 Value Menu", and now most of their competitors have some sort of value menu. FedEx and UPS offer all the same delivery services and always must be aware of any price changes of each other for any one of those services in order to respond.
- 2) Distribution Decisions** - An important part of satisfying the wants and needs of the consumer is to have the product in the right place at the time the customer wants to purchase it. If the competition is planning on distribution changes, its products might be more convenient to purchase than yours. However, making products available at more locations adds to the cost, which usually must be passed on to the customer, or it will result in lower profits for the company. Making distribution changes usually requires a great deal of time and may involve other businesses, so they need to be planned carefully.

Types of Competitive Information

- 3) Product/Service Planning** - One of the greatest challenges to a business is anticipating the introduction of a new product or service by a competitor. A new product usually will result in at least a temporary shift in consumer purchases until customers decide whether or not they like the new product. If customers prefer the new product, it may be difficult for a business to entice them back even when it is able to obtain and offer a similar product choice. When Apple introduced the Apple Watch, that affected Samsung, Nokia, LG, Motorola because some of their customers were switching to iPhones because of the compatibility of the phones and the watch. It also meant that Apple customers who may have been looking to switch phones stayed with their iPhone.
- 4) Promotional Efforts** - More attention may be focused on competitors' promotional efforts than on any of the other mix elements. Promotional strategies can be changed quickly. A unique promotional activity can grab consumers' attention. A well-timed promotion can have a direct effect on the sales of the business running the promotion and on its competitors. Most promotions are designed to support other changes in a business's marketing mix - a new product introduction, opening a new location, or a special sale or price incentive. Competitors need to consider how to respond not only to the promotion but also to the other changes in the marketing mix. EXAMPLE: There are many promotions around the Fourth of July. Producers of hot dogs, potato chips, fireworks, paper plates, plastic eating utensils, charcoal, etc all run promotions during that time. This type of "seasonal" promotion is easy to predict and plan for. But if Dick's Sporting Goods has a dramatic 50% off sale during a random week in July, competitors like Academy Sports and Scheels may be caught off guard and see big revenue drops that week.

Types of Competitive Information

3) **Competitive Market Position** - There are other factors that affect a business' competitive edge.

- Is a new competitor entering the market? If so, what has that competitor's success been in similar markets? Has the business identified a new market segment it wants to serve? If so, is the competition for that segment the same as or different from its current markets? What effect will entering the new market have on existing customers?
- How does the financial strength of a company's competitors compare? Do they have the money available to develop new products and improve old ones? Do they have the financial flexibility to respond to pricing changes?
- What are the competitive strengths and weaknesses of the other companies? Do they emphasize customer relationships and service, or do they appear to be more focused on mass markets and low prices? Do they have well known brands with strong customer loyalty? Do they have flexible and efficient distribution strategies? Are they viewed as innovative market leaders, or are they more traditional and conservative in their business practices?

Factors such as these can make the difference between success and failure of a product or service in the marketplace. Studying competitors to understand the strengths and weaknesses and to be able to anticipate and be prepared for competitors' actions is essential for the future success of a business.

ACTIVITY #34

- 1) What are the five categories of information that a business needs to collect on its competitors?
- 2) In gathering competitive information, why do you think a company would focus more attention on competitors' promotional efforts than on the other marketing mix elements?
- 3) What is the downside of focusing on competitor's promotions?
- 4) What types of information about competitors will help a business develop its marketing strategy?
- 5) Are there types of information or ways the information is used that would be considered unethical?