

Competitive Analysis

Chapter 7

Unit 2

Performance Objectives:

You will use the Internet and the Yellow Pages to identify the competition online and in the community where their businesses will be located. You will create a chart analyzing the strengths and weaknesses of your competition. You will brainstorm ways to create an edge over the competition. You will add this competitive analysis chart to your Market Research Report.

Evaluation Criteria:

Successful completion of this chapter requires you to:

- ❖ Use the Yellow Pages to find and analyze at least two local competitors.
- ❖ Locate four businesses on the Internet similar to your business.
- ❖ Create a table that summarizes data about each of those businesses.
- ❖ Brainstorm ways to beat the competitors.
- ❖ Add your competitive analysis to your Market Research Report.

Using Census Data

You have now determined the local and national demand for your product or service. You have talked to your target market and have a better picture of their needs. The next move is to find out how many competitors you have, what they offer, and how you can beat them. The most accurate way to locate your local and regional competition is to use the Census Bureau data as we did in Chapter 6.

Task 1: Scout Out the Competition Using Census Data

Read through the steps below and follow the directions to locate your business competition using Census Bureau data.


1. Log on to the [Census Bureau Business Pattern Page](#)¹. Enter the ZIP code where your business will be located in the input box and press Go. The ZIP Code Business Patterns page for that ZIP code will appear. The page below is for 45701, ZIP code for the city of Athens, where JR's U\$ed CDs would be located. (**Note:** The year used in this example is 1999.)

U.S. Census Bureau

ZIP Code Business Patterns (NAICS)

1999 Industry Code Summary
Zip Code 45701
ATHENS, OH

[CenStats](#)



To see a different year, select one

		Total for ZIP Code 45701	
		Number of establishments: 756	First quarter payroll in \$1,000: 39,858
		Number of employees: 8,874	Annual payroll in \$1,000: 173,546

	Industry Code	Industry Code Description	Total Estabs	Number of Establishments by Employment-size class								
				1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 or more
	-----	Total	756	373	161	116	74	23	7	2	0	0
<input type="button" value="Detail"/>	11----	Forestry, fishing, hunting, and agricultural	1	1	0	0	0	0	0	0	0	0
<input type="button" value="Detail"/>	21----	Mining	4	3	1	0	0	0	0	0	0	0
<input type="button" value="Detail"/>	22----	Utilities	3	1	0	0	1	1	0	0	0	0
<input type="button" value="Detail"/>	23----	Construction	51	33	12	6	0	0	0	0	0	0
<input type="button" value="Detail"/>	31----	Manufacturing	27	14	4	4	0	3	1	1	0	0
<input type="button" value="Detail"/>	42----	Wholesale trade	22	17	1	1	2	1	0	0	0	0
<input type="button" value="Detail"/>	44----	Retail trade	155	55	45	30	17	5	3	0	0	0

- Read down the Code Description column until you find the industry description that best matches your business. In the case of JR, that is “Retail trade.” There are 155 retail businesses in the 45701 ZIP Code area.

If there is more than one ZIP Code within the reach of your business you will have to repeat this process for each ZIP Code.

- Click on the “Detail” button associated the industry description that best matches your business. This will generate a page containing a long list of the individual types of businesses in your ZIP Code.
- Read down the list of retail businesses until you find your NAICS code. JR’s code is 451220 (Prerecorded tape, CD, & record stores). Notice that there are three established businesses in 45701 that correspond to JR’s NAICS code.

Compare	451220	Prerecorded tape, CD & record stores	3	1	2	0	0	0	0	0	0	0	0
Compare	452110	Department stores	4	1	0	0	0	3	0	0	0	0	0
Compare	452990	All other general merchandise stores	2	0	1	0	1	0	0	0	0	0	0

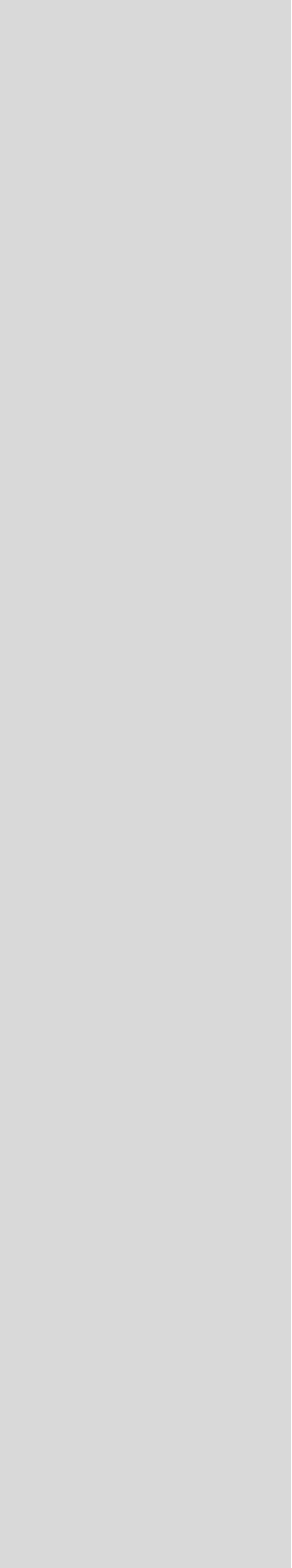
- Click on the compare button to find out what competition there is in surrounding ZIP Code areas. For JR, these results were returned:

	ZIP Code	ZIP Code Name	Total Estabs	Number of Establishments by Employment-size class									
				1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 or more	
Detail	45701	ATHENS, OH	3	1	2	0	0	0	0	0	0	0	0

JR’s Conclusions were as follows:

- JR concluded the only competition he had were the three music stores in the city of Athens.
- Since the data showed there were no music stores in the surrounding ZIP Codes, Athens is one of the only choices for purchasing music within a thirty-mile radius. The next nearest full service music stores are in Lancaster, Chillicothe, and Parkersburg, all of which are thirty-five to fifty miles away. He concluded that even though there are three other music stores in Athens, there is room for competition due to the scarcity of music retailers in the surrounding area.

¹Census Bureau Business Pattern Page: <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>

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6. Write your conclusions about your own Census Bureau research below.

Task 2: Finding the Local Competition

Read through the process that JR used to locate his competition using the local Yellow Pages.

Using the Yellow Pages

The next step in this process is to check the phone book and locate the businesses that are similar to your own business.

JR found four, as shown in the table below. Since the Census figures said there were three CD stores in the ZIP Code, JR assumed that one had the NAICS code for Family Clothing Stores and not Prerecorded Tapes, CDs, Records.

- He called these three stores and asked about their pricing. He asked for the manager and explained that he was doing market research for a business he was thinking of starting. Most were very helpful and he found out some useful information. Below is a table that summarizes the information about JR's local competition.

Name of Business	Location of Business	Product	Price (Buy)
Haffa's Records	Campus area	New & used CDs	\$1-\$4
Sam Goody's	Strip Mall (outside town)	New & used CDs	\$3-\$4
***** Music & Clothing	Downtown	New & used CDs	\$1-\$4
Outer Limits Music & Clothing	Downtown	New & used CDs	\$2-\$4

Conclusions:

- He calculated the average buying price is under \$3 so he will attract customers by offering a generally higher price for used CDs (\$3 to \$5).
- He believes that his store, with proper advertising of his higher buying prices and lower selling prices, would be very successful in downtown Athens.

Task 3: Analyzing the Local Competition

Use the Yellow Pages to locate the competitors identified in Task 1. Call or go to these places of business and write your reactions to their products, service and prices. What can you do better? Fill in your answers using the charts below.

Business Name	
Location	
Product Range / Services Offered	
Prices	
Strengths	
Weaknesses	
How can you beat them?	

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How can you beat them?	

Task 4: Finding the Competition Online

Launch Internet Explorer and use a search engine to search for three businesses that are similar to yours. Answer the questions below about each business.

Business 1

URL (uniform resource locator)	http://
Business Name	
Location	
Product Range / Services Offered	
Prices	
Strengths	
Weaknesses	
How can you beat them?	

Business 2

URL (uniform resource locator)	http://
Business Name	
Location	
Product Range / Services Offered	
Prices	
Strengths	
Weaknesses	
How can you beat them?	

Business 3

URL (uniform resource locator)	http://
Business Name	
Location	
Product Range / Services Offered	
Prices	
Strengths	
Weaknesses	
How can you beat them?	

Task 5: Writing Your Competitive Analysis

Summarize the information that you have learned through your market research. Include a discussion on how you will beat each competitor. Add this information to the Market Research Report you started in Chapter 6. An example Market Research Report from JR's U\$ed CDs follows below.

JR's U\$ed CDs Market Research Report

National and Local Demand

In a fast-paced, high-tech society, music is an important part of everyday life for Americans. This is reflected by the fact that, on a national level, people are spending over thirty-two billion dollars per year in sporting goods, hobby, books and music stores.

Locally, in southeastern Ohio, where the business would be established, the average income (per capita) is \$16,656, which puts a family with two earners over \$33,000 per year. The U.S. Census has put the poverty threshold for a family of four at \$21,834. Most families living in this area can afford the discounted CDs that we sell. However, they are not overly wealthy and are budget conscious. They know a good deal when they see one. Low cost (\$5-\$10) CDs can fit into anyone's budget.

Target Market

The population in Athens County between the ages of 15 and 64 numbers about 48,000 people. Males account for about 49% of that population. This puts our target population at approximately 23,000 people. There is a large university with 17,000 undergraduate students in Athens, which causes a substantial seasonal swelling in the county's population. Assuming that half the university population is male, we can add 8,500 for a total of 31,500 potential customers.

Most buyers of used CDs are actually willing to pay more than five dollars for used CDs (see survey results). The only reason given for not purchasing used CDs was high prices. Our lower prices will draw people who have been reluctant to purchase used CDs for that reason.

Competitive Analysis

There are only three stores in Athens County selling CDs as reported in the US Census ZIP code business patterns by NAICS number (1999). One more store was located using the Yellow Pages. It is assumed that one had the NAICS code for Family Clothing Stores and not Prerecorded Tapes, CDs, & Records. Data for these stores is summarized below:

Name of Business	Location of Business	Product	Price (buy)
Haffa's Records	Campus area	New & used CDs	\$1-\$4
Sam Goody's	Strip Mall (outside town)	New & used CDs	\$3-\$4
***** Music & Clothing	Downtown	New & used CDs	\$1-\$4
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All the local CD stores sell used CDs, but charge a much higher price for them than us. Our five dollar prices will draw their customers. We also pay a higher price to our customers for used CDs (\$3-\$4) than all of these other stores, which are more interested in selling new CDs.