

order dealers from all over the country, and online dealers from around the world, as that is where your potential customers shop now.

ASSESS THE COMPETITION

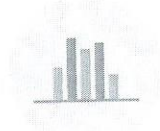
When preparing the competitive analysis portion of your business plan, focus on identifying:

Who



Who are your major competitors?

What



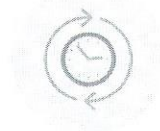
On what basis do you compete?

How



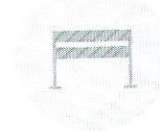
How do you compare to the competition?

Future



Who are your potential future competitors?

Barriers



What are the barriers to entry for new competitors?

Competitive Position

It is tempting to want to judge your competition solely on the basis of whether your product or service is better than theirs. If you have invented a clearly superior widget, it is comforting to imagine that widget customers will naturally buy your product instead of the competitors' and the money will roll in.

Unfortunately, many other factors will determine your success in comparison to other manufacturers of widgets. Perhaps their brand name is already well-known. Perhaps their widgets are much cheaper. Perhaps their distribution system makes it easier for them to get placement in stores. Or maybe customers just like the color of your competitors' packages better.

The objective features of your product or service may be a relatively small part of the competitive picture. In fact, all the components of customer preference, including price, service, and location, make up only half of the competitive analysis.

The other half of the equation consists of examining the internal strength of your competitors' companies. In the long run, companies with significant financial resources, highly motivated or creative personnel, and other operational assets will prove to be tough, enduring competition.

Thoroughly Evaluate Your Competition

Two Competitive Analysis worksheets on pages 124–125 help you evaluate your competitive position in terms of both customer preference and internal operational strengths.

The worksheets enable you to give greater or lesser importance to each competitive factor, depending on the significance of those particular aspects. To complete each worksheet, give each factor listed a maximum possible number of points, ranging from 1 to 10, with 1 being least important to your overall target market and 10 being the most important. Place the maximum number for each factor in the Maximum Points column.

“You can't be 5% or 10% better than the competition. You have to be 10 times better. There's a huge lethargy factor — you don't get people to change their bank account, or whatever you're trying to get them to change, if you're 10% better; you've got to be 10 times better.”

Andrew Anker
Venture Capitalist

