Analyze Your Competition

If you need help getting started in developing a competitive analysis for your small business, the U.S. Small Business Administration suggests asking yourself the following questions:

Who are the five direct competitors nearest to your location? (Direct competitors offer the same products and services as your business.)

Who are your indirect competitors? (Indirect competitors offer different products or services, which could be purchased as an alternative to your products or services.)

Are their businesses growing, steady or declining?

What can you learn from their operations or from their advertising?

What are their strengths and weaknesses?

How do their products or services differ from yours?

When it comes to collecting the actual information about your competition, things can get a little bit trickier. Andy Birol, president of Birol Growth Consulting, a Solon, Ohio-based consulting firm for small businesses, suggests seven easy ways to learn about your competition:

1. Become their customer. Buy anything you can from them, especially if you can truly consume it. And be an active customer. The more you buy from them the more they will tell you.

2. Become their vendor. Find a problem they have and offer a solution. Sell it at a price they cannot resist. Ask them to fill out a credit application.

3. Befriend their vendors, customers, bankers, accountants and lawyers. The more obscure the information you seek, the more likely those who know it will tell you.

4. Scour your competitor's Web site, Meta tags—which provide information about the Web page and often influence how search engines index the site—and keywords, as well as those of their competitors. When it comes to shameless self-promotion, Web sites are a primary venue. And when someone or some business is talking about themselves, rarely do they know when to stop.

5. Join chat groups on your competitor's business and ask customers, employees and vendors about the strong feelings they are posting. There is nothing more flagrant than a damaged customer. They are looking for someone to listen to them and you can be just the person to fit the bill.

6. Run a credit report; ask the Better Business Bureau or the Bureau of Consumer Affairs for references on your competitor. Companies love to sing the praises of those who have unusually served them.

7. Call their sales and marketing departments and tell them you are a researcher wanting to do a profile on their company. Even when asked for your name and company they probably will still tell you what you want to know. Keep your comments positive and open-ended, which will encourage them to brag.