

Market Research

# Sizing Up The Competition: 5 Steps To Create A Killer Competitive Analysis

[← Back to Insights](#)

**Charge forward this year with a strategy to succeed and trump the competition. Your secret weapon?**

A tried and true approach to **business strategy**-competitive analysis. A competitive analysis can help you find new opportunities and strengthen any weakness. (And can be the difference between a year you get ahead and one you get left behind.)

*Don't know how to start? Don't worry—we've got you covered. We'll share with you the five steps to complete a thorough analysis and propel your business to success.*

So, what the heck is a competitive analysis, exactly? Let's jump right in.

## What Is a Competitive Analysis?

A competitive analysis (also called a competitor analysis) is the process of evaluating what your competitors are up to. It involves understanding their actions and what you can do in response. In a competitive analysis, you aren't just looking at surface-level differences between your brand and the competition, instead, you will be taking a deep dive into all aspects of their company. Through this analysis, you'll reveal their strengths and weaknesses and how your company stacks up against them.

## How To Do A Competitive Analysis

### 1. Identify Your Competitors

First things first, you need to figure out: *who's your competition?*

Start by creating a list of competitors. Focus on where your customers would go if they didn't buy from your company.

An easy way to get started is to do a basic Google search related to your product or services and review the results. From there, have candid discussions with your internal team, leadership, and sales teams. Those in direct contact with customers will definitely have an insight into your competition. Other tools to use include customer surveys or interviews that ask what alternatives they have considered before purchasing from you, as well as a CRM that captures closed/lost competitors.

Generally, businesses fall into **three categories of competitors**:

**01—Direct competitors:** they sell a similar product or service to a similar target customer. For example, Nike probably considers other athletic apparel companies like Adidas and Puma to be their direct competitors.

**02—Indirect competitors:** they sell a different product or service in the same category but target an audience similar to yours. For example, Nike probably considers Timberland and Converse to be its indirect competitors, as they all sell different footwear.

**03—Replacement competitors:** they sell outside your product category but satisfy a similar customer need. For Nike, a replacement competitor would be any brand customers turn to when they need shoes, including boat shoes or sandals.

Once you feel confident with your pool of competitors, you can move on to the next step of a competitive analysis.

## 2. Research Your A\*\* Off (a.k.a. Gather Information For Your Competitive Analysis)

Research is often the most time-consuming part of a competitive analysis and the most important step. Now that you know who your competitors are, it's time to learn everything about them, including **products**, services, and sales information. The data collected here will directly affect the outcome of your analysis, so don't skimp on the details—do your research. Understand the ins and outs of your competition

*What information should you be looking for? The things that you need to deep dive into include:*

- Pricing strategies
- Location
- Product offerings
- Company history
- Company size
- Target market
- Value proposition
- Product offerings/services
- Brand positioning

All of these details will give you an overall understanding of how your competition operates, what they sell, and how they sell it. Next, you need to understand your competition's target customers.

## 3. Profile Your Competitor's Target Audience

Knowing a competitor's customers is key to understanding their business. To understand their target audience, look at their mission statement, their messaging, who they interact with on social media, and focus on any customers they feature in their marketing. Use this information to map out your competitor and who they are trying to reach with their products or services. What you'll probably find out is that their audience resembles your target customer too.





## 4. Review Your Competitor's Marketing Strategy

Your competitor's marketing plan can show you the big picture of how their company works and what business strategies they use. This includes both traditional and digital advertising.

Ask questions to understand your competitor's marketing plan for each campaign. Some questions you should be asking include:

*What's the story they are trying to tell?*

*What value do they bring to their customers?*

*What's their brand voice?*

*How are they using content?*

*What is the user experience like?*

*What tools are they using?*

Analyze how your competitor is interacting online and what channels and platforms they use. Each online channel has a specific demographic of users, which can be separated out. Examine the content they create for each channel and how customers engage with this content.

## 5. Identify Where You Stand In The Market

The best way to know where you and your competitor stand is to complete a SWOT.

A SWOT analysis will help you identify your company's strengths and weaknesses, as well as your competitor's. Use the information you've collected to complete a SWOT of each of your competitors and your company. Ask yourself why consumers choose their products or services over yours. Also, highlight what sets you apart from the competition.

Once you're done, you'll have a complete picture of how you stack up against the competition and what changes you can make to outperform them.

# Big Gains For Your Brand From A Competitive Analysis

Whether you're running a small business or a Fortune 500 Company, a competitive analysis can help your business identify strengths and weaknesses, highlight market trends, and plan ahead for future growth.

**Identify your strengths and weaknesses:** Understand your strengths to boost your positioning in the market and leverage them to your target audience. But don't forget to pay attention to your shortcomings to know where you stand and [how to innovate](#) and improve.

**Highlight market trends:** Trends ebb and flow. [Market research in a competitive analysis](#) helps you pinpoint gaps in the market and jump on these opportunities while they're still hot.

**Discover opportunities for future growth:** A competitive analysis will help you identify strategies your competition uses to target buyers and provide value. By evaluating these strategies, you can enhance your long-term business strategy and avoid unnecessary pitfalls.

Source: Emerald.com

## Beware of Ignoring the Competition

*Do you remember Vine?* Maybe you do, maybe you don't. It was a social sharing app in which users could create six-second videos. Vine was very influential, had millions of users, and paved the way for platforms like TikTok. But, not everything went accordingly.

Vine failed as a platform for multiple reasons, but most importantly, it failed to research the competition and consumer trends. The short-form video became a staple for multiple products we use now, but back then, Vine didn't understand that consumers wanted slightly longer videos and failed to restructure in the face of competition. Competitors such as Instagram (and its 15-second video) offered similar products and had deep pockets that afforded them to move into Vine's market (and they did, quickly).



Caught off-guard, Vine lost because it didn't keep up with the competition and was **phased out**.

## Success Follows When You Understand The Competition

Brands that succeed in the fast-paced digital environment take the time to not only understand their brand position but also how they stack up against the competition. This information is key to helping them attract ideal customers and differentiate them from competitors. A great example of a company that does this well is **Chipotle**.

2017 to streamline online orders and payments. This included pick-up shelves and online orders. Being ahead of the curve helped Chipotle **skyrocket its revenue in 2020**. The company has made it a habit to monitor the competitive landscape, staying up-to-date with technology in order to be at the forefront of evolving markets

By engaging in market research and competitive analysis, Chipotle understands the tech and consumer trends of the market and what differentiates them from its competitors. While they may not be able to compete with the low-cost pricing of Taco Bell, they focus on **the quality of their ingredients**. Despite increasing food inflation prices, Chipotle continues to attract customers and grow **revenue**.

Fast food generally comes with a lower standard, but Chipotle has used competitive analysis to understand its customers want (high-quality ingredients, good flavor, and convenience) and deliver it.

## When Is It Time To Do a Competitive Analysis?

Whether you're starting a new business, launching a new product, or running day-to-day operations, a competitive analysis can be used at every stage of the process of a business strategy.

And if you've already done one, fantastic. Just don't be tempted to press snooze and walk away.