

## Template for Competitor Analysis

Prepared by Stefano Messori, this document is intended as an accompaniment to the *Competitor Analysis MS Excel spreadsheet*. The spreadsheet, which is available as a free download (now also unlocked), was developed on the basis of Michael E. Porter's framework for competitor analysis. Outlined in this document are the instructions for the use of the spreadsheet and the basic materials needed to perform a competitor analysis.

The first download made available on my website featured a template for the performance of an industry analysis. In the accompanying documentation we indicated that in every industry the overall level of competition is determined by the sum of five competitive forces. In this new template we will highlight the role of two of the five forces, the *rivalry among existing competitors* and the *threat posed by new entrants*. We will do this by performing a competitor analysis.

### Michael E. Porter's Competitor Analysis Model

Porter's competitor analysis framework reveals that there are four fundamental components in evaluating a competitor's profile, namely: (i) the competitor's future goals, (ii) the competitor's assumptions, (iii) the competitor's current strategy, and (iv) the competitor's capabilities.

The interaction between these components is illustrated in the diagram below:

#### **What drives the competitor**

##### **FUTURE GOALS**

At all levels of management  
and in multiple dimensions

##### **ASSUMPTIONS**

Held about itself and the industry

#### **What the competitor is doing and can do**

##### **CURRENT STRATEGY**

How the business is  
currently competing

##### **CAPABILITIES**

Both strengths and weaknesses

##### **COMPETITOR'S RESPONSE PRO-FILE**

Is the competitor satisfied with its current position?  
What likely moves or strategy shifts will the competitor make?  
Where is the competitor vulnerable?  
What will provoke the greatest and most effective retaliation by the competitor?

Source: Porter, 1980. *Competitive strategy: techniques for analysing industries and competitors*. Free Press, 49 pp.

Understanding these four components will allow for an informed prediction of the competitor's response profile.

Usually companies develop a general understanding related to their competitors' current strategies, strengths and weaknesses. Much less consideration is usually directed at the left side of the chart, specifically the understanding of what motivates competitors' behaviour and their future goals, and the assumptions about their own situations and the nature of their industries.

It is important for companies to focus more on the components that drive competitors in the long run. In fact, only by anticipating possible competitor actions will a company be able to build a more stable position over time.

## 1) What set of industry competitors, and the actions they may take, are relevant for competitor analysis?

In this analysis we focus on the company's direct competitors; in other words, companies and organisations that offer similar products and services.

### 1.1) Competitor types

There are two types of competitor:

- **existing competitors:** competitors that have been in the industry for a relatively long time; frequently companies have a general understanding of this type of competitor
- **potential competitors:** competitors that may emerge onto the scene

There are a few important factors / processes that help forecast potential competitors:

- **entry barriers:** identify businesses that can overcome entry barriers cheaply
- **synergies:** identify businesses whose activities are characterised by natural synergies of the activities that your company performs
- **backward or forward integration:** identify businesses whose extension forward or backward could bring about a serious threat to your company

### 1.2) The need for monitoring

Actions that require constant monitoring include:

- **mergers:** mergers play a central role in business strategy as they can instantaneously boost a weak competitor into a position of prominence, or strengthen an already formidable one
- **acquisitions:** acquisitions can change the balance within an industry, possibly weakening or destabilising your company's position

Mergers and acquisitions can involve either established competitors or outsiders.

## 2) The need for a competitor intelligence system

### 2.1) Data

The following list highlights the different sources of competitor data:

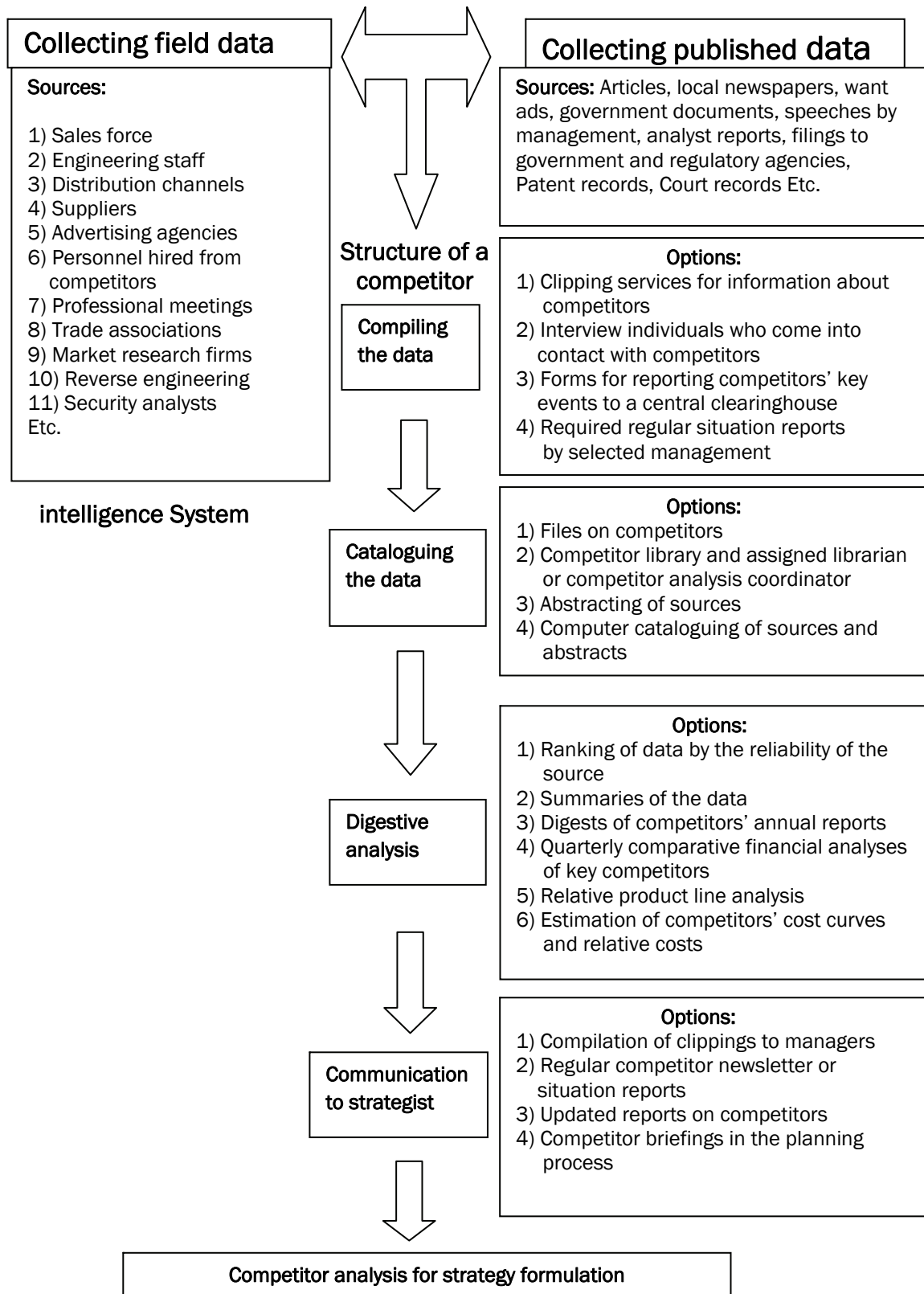
- public statements made by competitors at conferences, shows, trade fairs, etc.
- business press (business periodicals, magazines, etc.),
- data collected by the sales force,
- customers or suppliers common to competitors,
- examinations of competitor products, prices, displays, catalogues, brochures,
- knowledge gleaned from managers or other personnel who have left the competitor's employment.

### 2.2) Data collection process

Collecting the data necessary for a competitor analysis requires a rigorous and constant approach. Too many companies fail to collect information about competitors in a systematic fashion. Their ideas about their competitors are based on informal impressions, conjecture and intuition gained through the day to day modus operandi.

Only through the implementation of a competitor intelligence system will a company be able to ensure that the data collection process is efficient.

The steps that must be performed in developing the data for a sophisticated competitor analysis are described in the following diagram. Each company must adapt the following chart according to its particular needs, based on its industry, its staff capability, and its managements' interests and talents.



Given the numerous sources of data, and the various activities required for the implementation of an efficient competitor analysis, one person is usually not enough to manage the entire process.

There would appear to be no single correct way to collect competitor data. In the following are some ideas on how to organise the work. This can be done through:

- **a competitor analysis group** that is part of the planning department and performs all of the necessary steps;
- **a competitor intelligence coordinator** who performs the compiling, cataloguing and communication steps;
- **an informal system** in which the strategist does all of the data collection unofficially.

The size of the company will probably dictate the most efficient way to perform competitor analysis. For example, a small firm may not have the resources or staff required for a sophisticated process and one person, at most, will be responsible for the entire analysis. In a large and established company, on the other hand, there are sufficient resources for a more structured process.

(Source: Porter, 1980. Competitive Strategy: techniques for analysing industries and competitors. Free Press, 73pp.)

## 2.3) Communication process

Once the data collection process has been completed, communication becomes vitally important. The analysis will have been a waste of time if the results are not used for strategic purposes. Data have to be summarised and displayed in a formal document, presented in such a way that it is straightforward and meaningful for the management.

## 3) Conclusions

An analysis of each significant existing and potential competitor can be used as an important input for the forecasting of future industry conditions.

Every organisation can benefit from the implementation of a formal process of competitor analysis. All too easily useful competitor data can be lost or corrupted. Only an organised process will ensure the sufficient rigour and discipline that this analysis requires.

Only when the company staff have come to recognise competitor analysis as being a vital part of the overall strategy of the business (and not only a routine filling-in of a form), will it finally achieve its potential. The management team is ultimately responsible for the recognition amongst staff of the importance of competitor analysis.

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**Stefano's mission** is to restore the connection between local communities and the enterprises working in them by...

- ...enhancing strategic thinking within companies, organisations and institutions.
- ...reinforcing the idea of a 'win-win game' between businesses and local communities.
- ...expanding the value proposition of businesses, introducing social and environmental factors as a central part of their agenda.

Stefano constantly develops free resources – available from this [website](#) – to purpose of which is to challenge the status quo within organisations, and to foster their capacity for innovation.

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