

Step by Step Guide for Competitive Analysis

This step-by-step guide to writing a competitive analysis for your small business will walk you through how to identify what makes your competitors tick and plan what you can do to thrive among them.

Your Competitive Analysis: Preliminary Information

The first part of your competitive analysis only requires basic research. You'll just be looking up and making note of easy-to-find facts about your competitor's business. For this part, you'll need to have some idea about who your small business competitors are, where to find their website and social media pages, and perhaps have access to their offline marketing materials such as brochures, ads, and posters.

Step 1: List Your Competitors

Start by listing at least three of your main competitors. These are the businesses or people who provide a similar product or service to yours. They also tend to serve the same market.

It's also best to look for those businesses that are of a similar size as yours. For example, if you're a solo entrepreneur selling handmade potholders online, big chain grocery stores usually aren't your direct competitors, even if they might carry handmade potholders in their inventory. Instead, look for other small to medium scale producers of handmade potholders and similar kitchen accessories.

Step 2: Write a Brief Overview

Write a brief description of the competitor's business and why you think they're a competitor.

Also, how much do you know about each competitor in the first place? Do you know the business well enough to fill up most of the worksheet without research or do you have to dig deeper?

Note if you've made contact with each competitor, whether as a customer or by meeting them at industry events. Having that information near the top of your competitive analysis will help you quickly see how much you do know about your competitive climate.

Step 3: Know Their Target Customers

Next, identify the customers that your competitors tend to attract. You can do this by going through their marketing materials, social media pages, website, blog, seeing where they advertise, etc. This material will help you figure out who they are trying to reach.

Here are some questions you can work to answer as you attempt to identify your competitor's target market:

- **Based on your competitor's marketing message, what kind of customer does the viewer have to be for these messages to appeal to him or her?** What is their age range? Where do they have to be located? What's their profession, if any? What other customer demographics can you infer? You're essentially trying to come up with a "buyer persona", a character who best represents the person your competition is trying to reach.
- **Do their marketing materials appear gendered?** This just means: do the marketing materials specifically refer to men or women? This could be in the form of the language they use, the images, and illustrations in

their ads and other marketing content. Or do they appeal to a broader audience?

- **Are they targeting low, middle, or high income customers?** Look at their pricing information, including how they phrase it. If they use words like discounts, sale, affordable, or cheap, then they aren't targeting the high income crowd. Also look at the marketing materials themselves, whether it's a brochure or online banner. Are they attention-grabbing or elegant?
- **What is the main messaging of their marketing materials?** What common customer problems or goals do they often refer to? Let's say you're a pet sitter going through a rival business' brochure. There is a huge difference between a brochure emphasizing frequent real-time online updates, and another brochure emphasizing pet pampering and grooming. The group of clients who are attracted by frequent real-time online updates are often focused on the safety and welfare of their pets, while those looking for more pampering and grooming services are focused on comfort and appearance.
- **Do they have separate marketing messages for different segments?** Sometimes, you might see a stark difference between how your competitor markets their business for one type of customer versus how they present themselves to another type of customer. For example, if you're trying to sell services as a math tutor to high school students who are struggling to pass their math subjects, you'll be making a completely different pitch than you would to those students who need additional help with their SAT math so that they could get into prestigious universities. Your message to the struggling students might be closer to "I'll help you finally pass your math tests!" While your message to the other market will be similar to "I'll help you get into the school of your dreams!" Also, be sure to note if your competitor does something similar with their own customer segments.

Step 4: List Their Pricing

Don't forget to list how your competitors price their products and services. Include other information such as pricing for installment plans, pricing for product and service packages, as well as shipping fees. Note in your worksheet how their prices compare with yours—if you've already set rates for your products and services.

Deeper Competitive Analysis

Now that you know the basics about your rival businesses, it's time to dig deeper by looking into the strategies that run behind the scenes.

Step 5: Itemize Their Marketing Strategy

Though you and your competitors will be running your businesses independently, marketing is one of the areas where you'll be going head to head.

Most small businesses might not have the resources or the opportunities to execute detailed and expansive marketing plans, but your marketing is essentially the message that your customers' see. The more they are familiar with your message and find an affinity with it, the more likely they are to choose you.

This is why it's important to have an understanding not just of your own marketing messages, but your competitors as well. Deconstruct how their marketing works. Analyze the following:

- **Print Marketing** methods such as brochures, posters, billboards, etc. Make note not just of the content but also the materials. Do they use

high quality ink and paper? Are they glossy and in color or were they just photocopied?

- **Social Media.** Note the social media channels where each of your competitors have a presence. How many fans or followers do they have? How many comments or shares do their posts get?
- **Website.** What's the first thing visitors see in your competitor's website? Is there much text on the website, and if there is, what does it emphasize about your competitor's business? Do they have customer reviews and testimonials? Make note of the design as well. Is their website static and minimalist, or does it have animation and other interactive features? Apart from judging the copy, design, and features of the site itself, does the site rank well for relevant search terms that you think your potential customers could use? If you're selling handmade leather wallets, try doing a Google search for "handmade leather tool wallets" and see if any of your competitors are in the first few pages.
- **Blog.** Do they have a company blog? If they do, how often is it updated? Are there comments or social media shares on the blog posts?
- **Advertising.** Have you seen any of their ads online, in local newspapers, or in the yellow pages? What is the call-to-action on their ads, is it to call a number, visit a store, or check out a website? Are there coupons attached to the ads? What product features are they promoting?
- **Promotions, Sales, or Events.** Do your competitors hold any recurring sales, promos, or events meant to attract new customers? Do they attend trade shows or sponsor third-party events?
- **Partnerships.** Do they partner with other businesses or individuals? What types of partners do they choose and what do they typically cross-promote with these partners?

Step 6: Identify Their Competitive Advantage

Next, find out what makes each competitor unique. This is their “competitive advantage,” the aspect of their business that could help them outperform you and the other businesses on the list. What do they offer that the other businesses on the list don’t? Why would some customers pick them over you or your other competitors?

According to the [NFIB survey](#), the most common ways that small business owners compete is by providing the highest quality product or having better service. More than 80-percent of business owners indicate that they compete by using each of these two criteria.

Here are some other criteria you should be looking at:

- targeting an underserved market (these are the people whom most of your competitors don't address or explicitly sell to)
- targeting a highly specific market
- lower prices
- frequent discounts and promos
- location
- a long company history
- a famous or high-profile founder
- an interesting company story (interesting founding stories tend to be profiled by the media)
- compelling marketing (such as memorable imagery, taglines, or jingles)
- large online audience via their website, blog, or social media accounts
- broader range of products and services

As you’re filling up this section, you’ll start thinking about what your own competitive advantage will be. Go through the list above and try to spot areas where you can do much better than the competitors you’ve researched.

Step 7: Find Their Strengths and Weaknesses

This section serves as a summary and analysis for all of the research you've done so far. You'll review all the aspects of your competition's business and determine whether they are strengths or weaknesses. List their strengths and advantages under "Strengths" in the worksheet. Note down how equipped you are to deal with these strengths. Can you do better than them or would it serve you better to outdo them elsewhere?

The same goes for their weaknesses. Do their weaknesses present an opportunity for you? Will they be able to overcome these weaknesses easily? If so, how will it affect your business if a competitor turns their weaknesses into strengths?

If you need additional information for this portion, look for any reviews of each competitor's product or service. Search for their business name or products on social media and see what people are saying. This can help you see a business' weakness and strengths based on what their customers see.

This guide is thanks to: [How to Write a Competitive Analysis for Your Small Business \(With Template\)](#)