

IT'S ELEVEN O'CLOCK.... DO YOU KNOW WHAT YOUR COMPETITION IS DOING?

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In my last article for ASI (*Avoiding Misalignment between Corporate Strategy and the Sales Process* / February 2008), I wrote about the need for a company to capture feedback from its sales organization in order to assure that the corporate strategy was being factored into day-to-day sales activities. Through a Strategic Feedback Loop, management would be in a position to know what elements of the strategy were working and what needed to be revised based on changing market dynamics. One such dynamic that was superficially mentioned at that time was competition. In that no company operates in a vacuum, knowing who your competition is, where they are, what they are doing and what products they offer become crucial pieces of information. Yet, not enough concerted effort is put into collecting, understanding and using that information. To that end, we will cover here what Competitive Analysis is, where to find it and how to effectively use it.

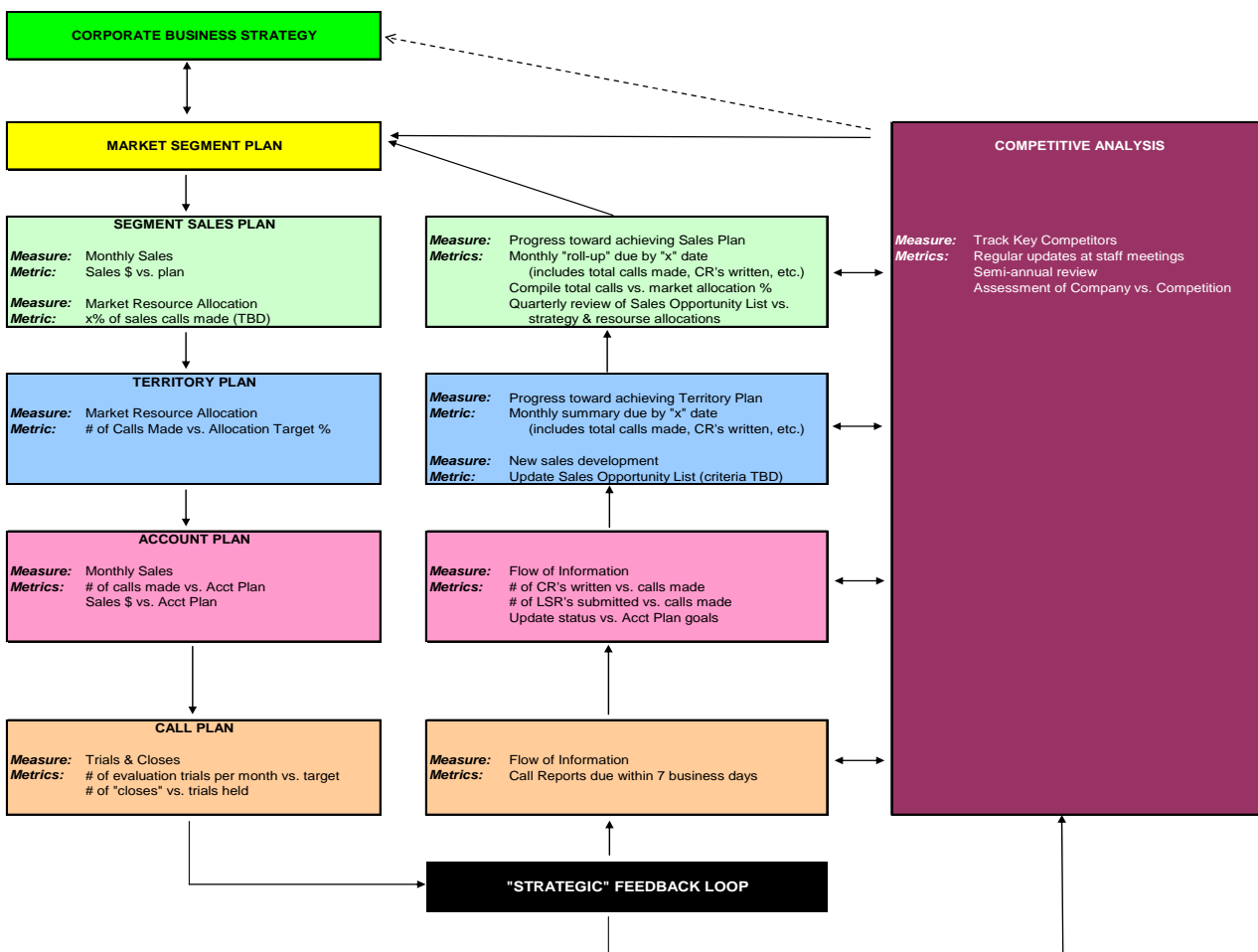
Competitive Analysis, also known as Competitive Intelligence, means different things to different people. Yet, one thing that it definitely cannot be is industrial espionage – the illegal gathering (i.e. theft) and use of proprietary competitive information, e.g. computer files, trade secrets, cost/financial data, etc. And while it may be technically legal to go “dumpster-diving” through a rival’s trash on public property, it certainly borders on the unethical. Instead, Competitive Analysis is a legitimate business practice and one that should be an important element of any strategic planning process. In that no plan is ever executed in a vacuum, the impact on – and the resultant response from – one’s competitors should be actively considered once a plan moves to implementation. This is not to suggest that a well-conceived strategic plan should be altered solely based on what the competition may or may not do, as that implies and assumes that they are doing all of the right things for all of the right reasons. You should, though, have a sufficient understanding of your key competitors such that their response will not be a complete and unexpected surprise. Competitive Analysis involves a lot of market research and really could be considered a form of benchmarking. It is as much about analyzing the completion as it is about identifying ways for you to make your strategic plan better and the underlying organization stronger.

As discussed in the earlier article, the Sales Process is very dynamic and multi-dimensional. At each step of the way, there are defined Measures and Metrics that are created with the corporate strategy in mind. There is also a Strategic Feedback Loop. While in a lot of ways this should be self-evident, the fact is that many companies do not require a regular and steady flow of market information from their sales organization. So, where does Competitive Analysis fit into the Sales Process? It is another component of the Strategic Feedback



Loop (Figure 1) which provides that steady flow of crucial, timely information that is (1) vital to gauging the success of the overall strategy, and (2) crucial to making any strategic adjustments that may be necessary in response to changing market dynamics, technology developments, competitive responses, etc.

Figure 1



So what are we looking for and where do we find it? Well, frankly it is readily available and all you have to do is gather it. With today's electronically-connected world, so much information can now be easily found via the internet. Company websites routinely provide such things as annual reports and other financial reports, product data sheets and MSDS's, technology/product/market focus and associated case studies, etc. Internet searches often uncover trade journal articles with useful references to the competitor, press releases announcing new products and/or key personnel changes, patents filings, etc. At the

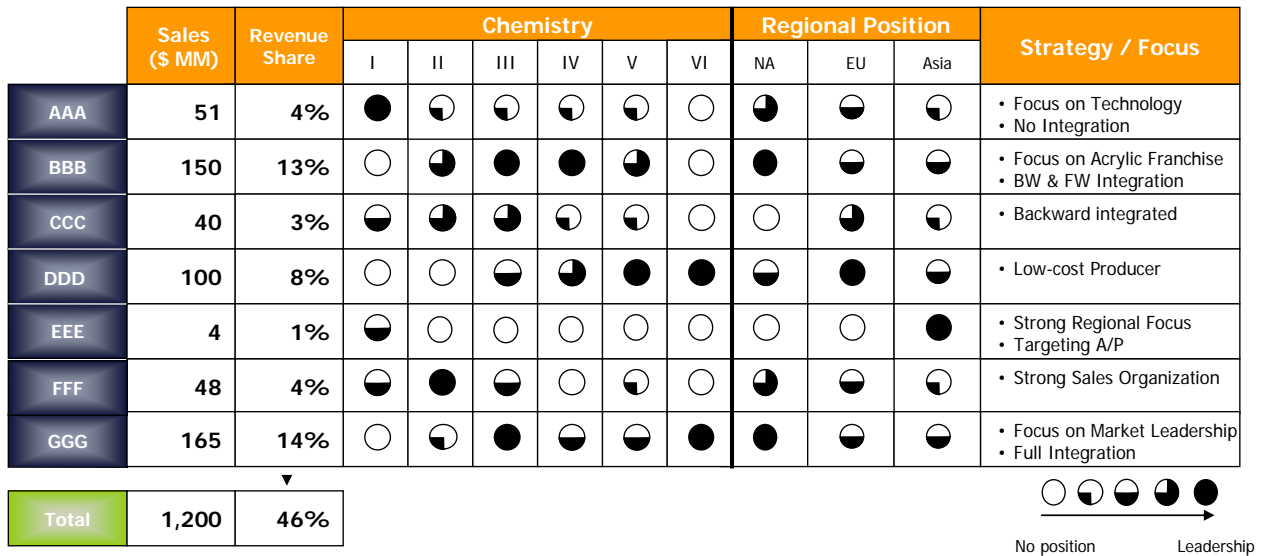


same time, your company likely already has a lot of competitive information available to them but doesn't quite realize it. If the Strategic Feedback Loop is functioning as it should, there should be a constant stream of disparate informational "tidbits" that individually may appear insignificant, but in aggregate are meaningful. This could be as simple as comments made by customers, other competitors or suppliers. It could be feedback on a competitor's successful, or unsuccessful, product evaluation.

Now that you have all of this data and information, you can begin to create a competitive market profile like that shown in Figure 2.

Figure 2

Profile of Competitors



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While this is useful, the real value only comes from truly analyzing and understanding what all of this information really means. Unfortunately, it is this effort that often takes a back seat to the day-to-day activities – with the information remaining more or less inconsequential. And yet, with a concerted effort, you could instead extract meaningful things about your competition like:

- ***Are they market leaders or followers?*** This will give you a little insight into their overall strategy and whether they are proactive or reactive. It might also give you an essence of the underlying corporate culture.
- ***What markets do they really focus on versus merely participate in?*** No one likes to lose any business, but this will give you a sense as to which markets will garner the strongest response to any sort of competitive incursion, i.e. the proverbial “line in the sand”.
- ***Do they sell on price versus quality, performance and/or service?*** This will give you an indication as to how they might react to such a competitive threat – particularly if they are a “reactive” company.
- ***What is their core technological competency?*** Companies are rarely good at everything and understanding where your competition is strong, as well as weak, will allow you to plan accordingly. This doesn’t mean that you shy away from their strengths, but instead look for ways to offer a more compelling value proposition.
- ***Where do they appear to be spending their R&D time and energies?*** Looking at patent filings offers a glance into where they may be heading in the future. That doesn’t suggest that your company should blindly follow. It will definitely reduce the surprise, though, when they launch a brand new product line or “pop-up” in a new market. It will also allow your organization the chance to have a competitive response at the ready.
- ***What type of sales organization do they have? What are their channels to market?*** This will reveal where they are vulnerable due to a lack of suitable coverage and where you might enter a market via an “unlocked back door”.
- ***How will they react – or not react – to your plan?*** The true test of a well-conceived plan can be measured by its resiliency to real-world market dynamics. Understanding how your competitors will likely response to your new market presence will allow you the ability to build in that effective “counter-punch”.

So, again, how do you do this? First, information gathering needs to become a standard component within all facets of the Sales Process. Next, information for each competitor needs to be compiled to facilitate analysis. A proven method is to assign a sales and marketing



team for each competitor such that any and all information flows to one spot. Then, on a routine basis, the team presents the latest information, what they think it means and predictions as to where they think that competitor is headed. Previous “predictions” can also be revisited and reviewed in light of the newest information as a way of refining future predictions. Over time, teams can also begin to build organization charts of the competitor to better understand their management structure and to identify position vacancies (and the resultant exposures). Representatives from the technical staff can offer input regarding product strengths and weaknesses and a benchmark on how well your products measure up. The most important aspect, though, is to factor all of this into the strategic plan. Do you need to make any adjustments where your plan isn’t quite working as well as it could now that you have a fuller appreciation of the competitive landscape? Are there plan modifications that should be made to now take advantage of a competitor’s weakness and/or vulnerability that your Competitive Analysis has uncovered, e.g. a serious product shortcoming, or a significant gap in sales coverage?

Finally, regarding your competitive targets, do not limit your focus to the “usual suspects”. Instead, be mindful of the entire market space and look out for the potential “shark attack from below”. As everyone within the industry knows, adhesives have become a very viable and well-accepted method for attaching metal substrates. Yet, it is highly likely that the suppliers of mechanical fasteners never saw this coming until it was too late.

To again paraphrase the famous Prussian General Carl von Clausewitz in his classic book *On War*, no plan survives contact with the enemy. As such, strategic plans are never meant to be static, particularly in a competitively-dynamic, global marketplace. The recent economic downturn has only heightened those competitive pressures as companies struggle for survival and search for sustainable business. Without a disciplined effort to gather and analyze all types of crucial market data in a timely manner, companies risk creating “blind spots” that could quickly become costly vulnerabilities.



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Rick Jones joined The ChemQuest Group, Inc. as Vice President in 2006. He spent the previous twenty-nine years in the coatings and adhesives industry working for PPG Industries, Valspar Corporation, Lord Corporation and Sovereign Specialty Chemicals/Henkel Corporation. His entire career has focused on business management, marketing and technical sales within automotive, aerospace, industrial and wood markets. Rick has extensive knowledge and experience in creating successful business strategies, and successfully launching profitable sales and marketing programs for technical products into domestic and international OEM markets. Rick is a member of the Adhesives and Sealants Council, National Paint and Coatings Association, Society of Protective Coatings and RadTech. He holds a B.S. degree from Allegheny College (Meadville, PA).

The ChemQuest Group, Inc. is a strategic management consulting firm that has been a respected source of information pertaining to the coatings, adhesives and sealants markets since 1980. It has continually monitored the changes in market size, technology developments, raw material trends and the emergence of growth opportunities in these complex, fragmented industries. The firm is “top-line” focused, offering such services as strategy development, market analysis and mergers & acquisitions. ChemQuest is headquartered in Cincinnati, OH and has offices in Raleigh, NC; Columbus, OH; Boston, MA; London, England; Düsseldorf and Hamburg, Germany; Guangzhou, China; Buenos Aires, Argentina; and Cairo, Egypt.

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