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## Canadian Industry Research

# Researching Your Competition

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Every business has competition. Other companies may not offer exactly the same product/service as you, but they are still competing for the same available dollars in your market. Think of the benefit of your product and service and then consider who else can provide that same benefit to your customers. There is only so much money in a consumer or business budget and a family or company must decide how best to spend it. Your competition is every company that is in some way vying for those same "benefit" dollars.

***Most businesses have direct competition.***

***This is a good sign!***

It means that a market already exists. In a recent Statistics Canada survey 40% of successful businesses identified more than 20 competitors.

You must find out everything you can about your competition. How is your industry currently performing in your chosen market? (See [Industry Sources Research Guide](#))

How many companies are you competing against? How does each one of them advertise? Are they all appealing to one demographic segment or industry type or have they developed diverse customer bases? What is their market share? Who are the "big players"? Who has established their company as synonymous with the industry in your

### Research Tip

#### Talk to Your Customers

One of the best sources of competitor intelligence is to talk to your customers.

Often they will be able to alert you to marketing initiatives and competitor strengths.

market? For example: what pub is the neighborhood pub? What personnel supplier is most known to businesses? What women's clothing store attracts the greatest traffic?

Talk to people in your community. Local politicians can be helpful in identifying major players in the local economy. Ask your M.P., your M.P.P., your local councilor. If it is an election year even better!

You can also consult business directories. Many even indicate when a company started operations. These directories can be found in most major reference libraries. You can also use online mailing list companies such as [InfoCanada](#) and [Dun & Bradstreet](#).

Do not neglect to look at local advertising media. Does your competition advertise in the local newspaper? What sorts of ads do they run? What aspect of their business do they highlight? If you are planning on offering wedding videography services but find your competition is advertising a wider range of video services such as training videos, video transfer etc, you may want to reconsider your own operations. Your competition may be telling you that the wedding video market alone is not large enough to sustain a business.

Consult the Yellow Pages in the same way as the local paper. Find out how many ads are listed under your industry. What companies have paid for a large or oversized ad? What is the message of the ad? Look at previous years. (Most libraries archive previous issues) Can you identify any companies that are no longer in operation? Where were they located? What products/services did they advertise? What companies that you know about are not listed in the Yellow Pages? Remember the Yellow Pages are a form of advertising. It costs money. Not every company that exists will be listed there.

### ***What if my competition is self-employed and does not advertise?***

Many consultants operate by word of mouth. Do they have a web site? Sometimes web sites provide a great deal of information about a company. Visit their site and look at it as an advertisement. Talk to some of their clients directly. Find out what their reputation is. What services do they offer? What prices do they charge? Keep in mind when you are speaking with their clients to never criticize your competition. You want to foster a company image that relies on your own accomplishments not the failings of your competitors.

Industry trade shows are another excellent way of assessing your competition and

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networking. Attend any shows that are related to your business.

Another strategy is to search periodicals for company profiles or news releases.

Entrepreneurs and businesses are often highlighted especially in local newspapers and magazines. You can access periodical databases at your local library or through your local library's web site. Also consult industry sources directly. Industry periodicals and corporate annual reports often publish market share data. Make sure you consult all sources related to your industry.

Finally do not forget to contact your market. What businesses do they currently use? Who are they aware of? Where would they look if they want to hire services similar to your own?

### ***What if I have no competitors!***

If you find your product/service does not have any direct competition you will have to educate your market as to why it should incur new expenses in order to purchase your product/service. Although it may seem a huge advantage to operate in a market where you are the only supplier, chances are your customers will not immediately see the advantage of using your product/service. Even if what you are offering has proven successful in another city, there will still be the need to explain to your new market what your product/service does and how it will benefit them. This in itself can prove more costly in both time and money than capturing a share of an existing marketplace. Research the state of your industry in your business location. Find out whether your industry is recognized in your chosen market.

Finally do not neglect to consult the resources referenced in the [Business Market Research Guide](#) and the [Researching a Market Location Research Guide](#). They are also relevant for researching competitors.

***Once you know who your competition is, determine what their strengths and weaknesses are.***

Many new entrepreneurs can easily list off the weaknesses of their competitors but they refuse to acknowledge their strengths. The very fact that your competition is in business

and you are not is a strength in their favour. Be objective. Ask current customers/clients why they use a particular company's products or service. Is it convenience? Location? Price? Customer service? Customer loyalty? Any of these reasons demonstrate a particular strength of your competition. All will require concentrated effort on your part if you want to attract a particular market share to your business. Your product/service alone will not be able to overcome your competition's established advantages. If you are to effectively compete, you need to know why your competition is successful.

According to a Statistics Canada survey, the top three reasons that growing small and medium sized firms give for being able to outperform their competition are:

- 1. Customer service**
- 2. Flexibility in responding to customer needs**
- 3. Quality products**

Price was actually sixth on the list. It does not matter what industry you are in, if your customers are happy, they will return again and again. How does your competition perform on customer service? To be successful you will have to outperform them.

***Do not be afraid to contact your competition directly.***

The worst they can say is "Sorry, I can't help you." or "Go away!" In an ideal scenario they can provide you with insight into your market, advertising trends and industry issues. In some sectors "competitors" trade information quite freely. A good example is independent toy stores. As long as your independent toy store is not located directly next to mine, you are not as big a competitive threat as Wal-Mart, Zellers and Toys R Us. If we can all help each other compete successfully against the big three we can all be successful.

If a local competitor refuses to talk with you, contact competitors outside your local market in a nearby city. This can help to remove the concern of local competition and still provide you with useful insights in key factors that within your competitive market.

Keep in mind when you are talking to competitors that you do not discuss financial information. This is a topic that nearly every company prefers to keep private. Do not stifle a potential source by insisting on sensitive information. There is a great deal of insight competitors can give you beyond financial such as marketing strategies, product/service expectations of the market, good suppliers etc. Use these sources for the information they can provide. Also make sure you provide any information you have found as well. Sharing data and resources can help to foster a successful relationship.

***Market share is one of the most commonly sought after pieces of market information.***

Unfortunately in Canada no single organization collects comprehensive data on this topic.

Advertising periodicals are one of the most consistent sources of market share information. Both [Marketing Magazine](#) and [Strategy Magazine](#) regularly include market share data in their articles. This data however is generally national in nature. You can search these periodicals online via their web sites however you need a subscription to access the full text articles over the Internet. If you find relevant articles and do not wish to subscribe you can access both of these periodicals in most major libraries.

Another source of market share information is the *Market Share Reporter* (Gale Publishing). This is an annual compendium of U.S. market share data that also includes some Canadian figures.

You can also try contacting any relevant Industry Associations. They may be able to suggest a research firm that tracks market share with your sector.

Our [Source Lists](#) contain references to market share data from all the sources indicated above as well as other publicly available references. [Search your industry sector](#) for relevant information.

Of course most entrepreneurs are really not interested in national market share. Their concern is with a local market. In nearly all cases you will not be able to find any published data and will have to estimate this information for yourself. To do this you will need to have an estimate of your local market's size and a sales estimate of each of the competitors servicing it.

For the consumer market you can use the [Survey of Household Spending](#) to get a rough estimate of local market size. For business market estimates you will have to rely on any industry estimates you can find by talking to competitors, colleagues and suppliers within your market.

For most small and micro businesses an actual market share figure is not as important as simply understanding the overall size of the local market, the number of businesses actively pursuing that market and which of the businesses are considered the "key players". In other words basic competitive intelligence!

Next: [Price Movements](#)

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