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Best Practices for Managing the Competition

A Foot in the Door

Every entrepreneur and business has been there—just when it feels like everything has been figured out, another roadblock presents itself. Regardless of whether the business is entering a new market or managing an already established brand, competition is fierce all along the spectrum. While creating and maintaining a competitive stance may seem difficult, evolving with the market and avoiding common pitfalls will ensure that a business not only survives, but thrives in whichever area they focus. This Best Practices Guide for managing the competition will introduce proven tactics for avoiding dangerous missteps which businesses all-too-often take. Following the strategies in this guide should allow any business to break into any market, and grow once there.

For an entrepreneur with less experience, or a small business owner just starting out, understanding the competition within a market can prove challenging. Even for those with substantial experience in their industry, the practices described in this guide can serve as a helpful point of reference when evaluating a business's competitive stance. When a product or service is not performing up to set standards, the issue may not be with what is being offered, but rather, what *competitors* are offering. Without a clear plan to effectively grow and acquire new customers, existing brands may find it easier to retain their customers.

Breaking into the Market

In some cases it may seem easier to do what industry leaders are already doing well. The reality is that in many established markets, especially the Consumer Packaged Goods industry; more of the same does not result in a bigger share of consumers.

In order to create an early advantage when entering a market, it's necessary to set a business apart from the existing brands. This 2007 Harvard Business Review study explains how easy it is for giants in a field to prevent serious entry from newcomers, because of the resources and infrastructure at their disposal. The giants in each industry have a competitive edge because of special circumstances (barriers to entry) which they have designed. The study suggests that rather than taking on leaders through traditional approaches, it has proven more effective to pursue untapped or smaller groups of consumers to gain traction.

Performance and Entry in the Ten Most Profitable Industries (1990–2000)

Industry	Incumbents' ROA	Number of Entrants	Rate of Entry	Entrants' ROA	Profitable Entrants' ROA
Software	21%	675	90%	–4%	14%
Research Services	20%	16	67%	12%	14%
Semiconductors	18%	141	74%	6%	11%
Athletic Footwear	18%	3	43%	–5%	5%
Apparel	17%	9	47%	16%	26%
Beverages	17%	6	67%	–1%	9%
Testing Laboratories	17%	6	60%	7%	11%
Credit Rating Agencies	16%	10	71%	19%	23%
Grain Mill Products	15%	15	68%	5%	5%
Sugar & Confectionary Products	15%	8	42%	–3%	10%
Average of Top Ten Industries	17.9%	89	85%	1.6%	11.1%
Average of All Other Industries	3.9%	19	70%	2.3%	3%

Incumbents are defined as companies that were in an industry for the entire decade. ROA averages (including those in the bottom two rows) are weighted by incumbent companies' assets from 1990 to 2000. Rates of entry—the number of entrants divided by the number of companies in the industry from 1990 to 2000—are weighted by the number of entrants.

Harvard Business

"Games is probably the biggest industry today that has gone really social, right. I mean, the incumbent game companies are really being disrupted and are quickly trying to become social. And you have companies like Zynga."—Mark Zuckerberg

Take for example Red Bull Energy Drinks, where entering the market at the points of least resistance allowed the brand to build up a following and gain significant capital before taking on beverage industry leaders head on. By selling their beverage at bars and clubs, instead of in convenience stores and restaurants, they were able to create a consumer base in an incredibly difficult industry. Also contributing to Red Bull's success was their strategy of marketing their beverage as not a *cola* but as an *energy drink.* Their style of can, point of sale, price point and marketing strategy all screamed unique, and this approach has led Red Bull to an incredible 40% share of the multi-billion dollar energy drink market which it helped to create.

While there may not be a cut-and-paste strategy for entry into specific markets, there certainly seems to be a method to the madness. As was the case with Red Bull, breaking into, or even creating new markets has proven itself an effective method for competing in existing markets. Identify the weaknesses of the market titans and target consumer niches they may have looked over. After this is accomplished, create a contemporary, but more importantly a *consistent* brand image. Innovative branding will not only maintain a loyal consumer following, but will also create a strong foundation from which to build into further, existing markets.

In a constantly evolving landscape, the status quo can quickly be disrupted. Maintaining a share of market is equally, if not more important than garnering it in the first place. Reaching the consumer at every step of the purchase process is vital to completing sales, and leaving the consumer with confidence in their purchase will prevent customers from choosing a competitor the next time around. A study published in the European Journal of Marketing in which students were presented with a purchase-decision scenario found a strong correlation between the negative emotional feelings of post-purchase regret and brand switching. In other words, if businesses do not make a great first impression, there may not be a second chance.

Fielding a Team

Once customers are considering a brand, it becomes possible to connect with them, and promote the brand further. Although technology has overtaken a great deal of interacting with consumers, physical promotion still plays an enormous role in forming customer decisions. To reach customers at the point-of-sale, it is important to develop both a field team, and a field management strategy.

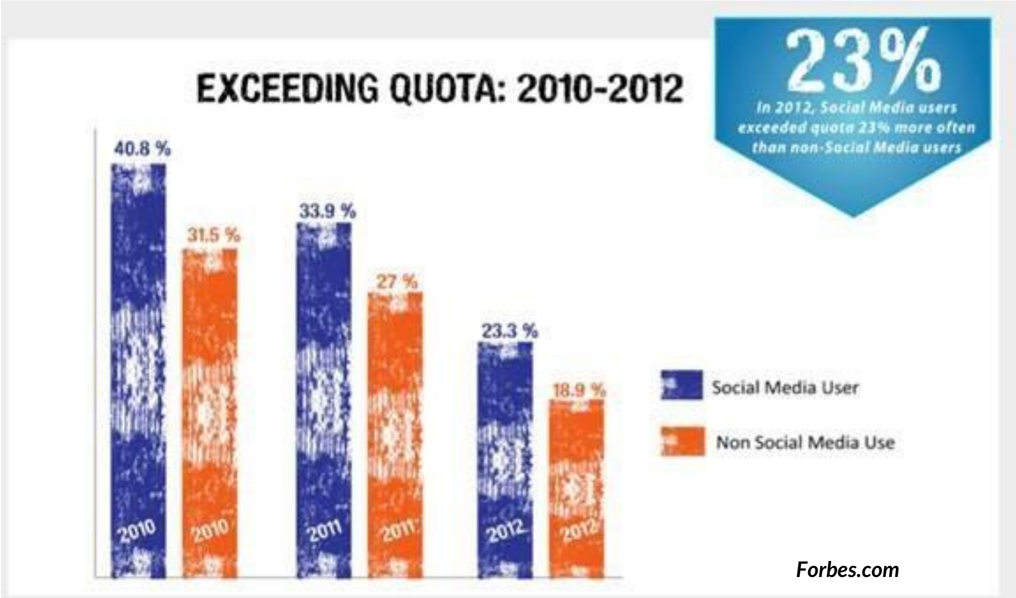
A field team well-versed in the spirit and direction of a product can personify a brand far beyond what other materials are capable of. As is the case with other facets of a business, brand image consistency is key when working with a field team. To manage this consistency, field team managers should work to educate representatives in the strategy and personality adopted by their business. A recent Harvard Business Review article which aimed to gather quantifiable metrics based on surveys and interviews with sales people states that “Every sales organization can be classified into a ‘Build,’ ‘Compete,’ ‘Maintain,’ ‘Extend,’ or ‘Cull’ stage based upon its development.” Each phase of development requires a unique strategy and structure of field team. During the build and compete stages, companies should look to establish themselves and then grow quickly. During the maintain stage, businesses should maximize profits and optimize their sales strategies. Depending on how well businesses perform in the maintain stage, they may either enter the extend phase—a phase of long term success—or the cull phase, where the business steadily declines in sales and growth.

As an entrepreneur or small business working to gain traction in developed markets, the primary strategy of field representatives should be to reach as much of the target demographic as possible in order to garner support. To supplement this strategy, the field team manager should identify growth and build the field team accordingly. For businesses with an existing customer base in well-established markets, increasing productivity in both sales and field representatives is vital.

A great way to increase field representative productivity is to eliminate their administrative duties, if the situation allows it. If representatives are focusing their efforts on pushing paper and not on selling and promotion, efficiency will never be as high as possible. To complement this, businesses will want to consider equipping field representatives with the technological tools they need to succeed. Having internet access, mobile apps and the ability to communicate more effectively with management will better communicate the desired message or sales strategy of the product to consumers.

Constantly developing as an organization and implementing those tactics which have proven to work will not only keep sales up, but morale as well. This article published in the Harvard Business Review describes a G.E. study in which consumers were segmented based on criteria determined from past sales. *Those customers who fit the top 30% criteria for sales were three times more likely to purchase than those in the lower 70%.* A study like this can help to show exactly where field representatives should focus their efforts, as devoting time to a smaller, more reliable group of consumers may be more effective than tackling every potential lead. The overarching aspect of all of these strategies is strong communication and support for field teams, starting at the top. Leading a field team is very different from a traditional office management strategy, and leaders should be willing to adopt new strategies for handling their dispersed field team. If consumers are going to be excited about a product, then those people promoting the product at the point of sale should also be excited.

Training and support is not where field team strategies end however. In order to carry out the plan which has been established, field teams need the correct tools. Supplying innovative and exciting promotional materials and complete methods of communication help field representatives be more productive than they could on their own. Staying up to date with current sales strategies and innovating using tools such as Facebook, Twitter, and other forms of social media out in the field can prove very effective. Asking potential customers to 'like' a business on Facebook in order to receive an in-store coupon can help to drive online growth and in-store sales, and a recent article by Forbes.com describes a study in which 78% of salespeople utilizing social media outsold their peers. According to the study over half of the respondents (54%) who used social media tracked their social media usage back to at least one closed deal. Over 40% said they've closed between two and five deals as a result of social media and more than 10% of the respondents said; “Yes, It directly contributes to my closes.” Another important piece of the data the study revealed is that the social sties which have resulted in the most sales are LinkedIn, Twitter, Facebook, and blogging, in that order. Utilizing social media can complement other aspects of a business’s field team strategy well. By working with field teams to develop, carry-out, and maintain appropriate strategies, teams can be wildly successful, and have a huge impact on consumer opinion.



Setting Competitive Prices across Different Channels

One common pitfall among entrepreneurs and small businesses is an inefficient pricing strategy. There are so many variables at play, both in the market and in the minds of consumers that it is impossible to plan for every situation. A better understanding of which consumers shop at which locations is a great starting point for determining a competitive and aggressive pricing strategy. This technique, known as *channel pricing*, is great way to motivate consumers to act or purchase in a specific way.

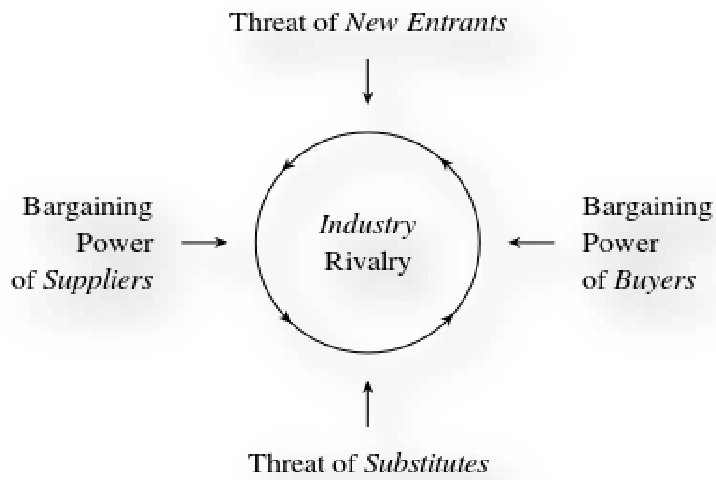
For example: a pricing strategy for a product in a gas station may be less aggressive than for the same product at a grocery store, depending on the situation. Similarly, in an online marketplace, where price comparisons are readily available to consumers, it may be necessary to adjust prices to accommodate global competition.

While the level of competition in each channel is important, the primary influencer of pricing in different channels should be margins and cost structure. Each retailer a product is sold through will have different distribution and overhead costs—not to mention different expectations of profit! A common challenge in entering a market is maintaining profitability when working with resellers. Oftentimes resellers will want a large discount on a product, because they have the leverage of a distribution platform. It may be necessary to concede some ground to resellers in this regard, but maintaining growth and profitability should be the most important factor in determining sales channels.

After the differences between various sales channels have been established, businesses should determine which pricing strategy to use for each venue. While there are dozens and dozens of pricing strategies, many are not applicable to every industry or product line.

One common pricing strategy for higher end items, such as new electronics, is known as *skimming*. With a skimming strategy, businesses target less price-sensitive consumers to purchase higher-priced goods. This strategy more-often-than-not sacrifices sales for profit, which may not be beneficial to the long term growth of certain brands.

At the opposite end of the spectrum is *penetration pricing*, where a price is set low (sometimes temporarily) in order to quickly gain market share. Oftentimes the price is raised up after the brand feels confident in maintaining their share of the market. The razor market in the United States often utilizes this pricing strategy, as a way to draw in consumers with cheap razor handles, and then sell blades at a huge profit. An added effect of this strategy is that it discourages other brands from entering the market. As referenced in the Porter Five Forces Analysis, low prices act as a significant barrier to entry.



A final strategy that is very common in the Consumer Packaged Goods industry is *High-Low Pricing*. With high-low pricing, products are sold at a higher price to project an image of higher quality than competitors, but are brought down to a competitive level through promotions such as clearance sales, coupons, or regular discounts. If this strategy falls in line with the brand character of a business, it can be a great way to achieve high growth and sales simultaneously.

In-Store Promotional Tactics

Once a business has broken into a market, trained a field team, and set up an effective pricing strategy across all potential channels, a great deal of focus should be put on driving sales and growth higher through different methods. In-store promotions are some of the easiest ways for Consumer Packaged Goods businesses to further promote their brands.

While traditional promotions may include coupons and displays, thinking outside the box and really grabbing the consumer's attention is what will ultimately create buzz around a product. For example: grocery store check-out app Qthru allows consumers to purchase products by scanning them with their smartphone, and then paying within the app, avoiding long lines. It also allows individual brands to offer promotions through the app, giving special discounts and added incentive to consumers. Brazilian clothing retailer C&A displays its in-store clothing with E-hangers which show many 'likes' each article of clothing has on Facebook, blurring the lines between social media and in-store promotion.

Target Your Promotions

You usually can't run the same promotions across all channels. Different retail venues and different demographics will prefer different promotions. Keep the retailer and eventual consumer in mind when designing promotions.

C&A’s E-Hangers

An important idea to take away from each of these examples is that advertising and promotion is quickly moving toward a mobile platform, and allowing consumers to interact with brands through their device can allow businesses to suggest other products in the same store, or encourage certain buying habits. Staying innovative and evolving in-store strategies will prove to be invaluable as, according to new figures from comScore, smartphone and tablet penetration are rapidly on the rise globally, hitting 65% in the U.S. earlier this year.

Putting Together the Pieces

While effectively managing the competition can be difficult for entrepreneurs and small businesses alike, careful planning and attention to each of the key areas outlined in this guide should help set a course for success. Entering a market with a consistent brand image, motivating and training an effective field team, strategically setting pricing points, and using innovative and effective in-store promotions will ensure that a brand not only competes, but thrives in whichever direction it is taken.

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