

## DEALING WITH COMPETITION: KNOWING YOUR ENEMIES

By Cliff Ennico

As my readers know, I frequently judge business plan competitions throughout the United States. Just about every time I do one of these, I hear an entrepreneur say that his business plan “has no competition.”

Every time this happens, the audience laughs. Why? Because they know better. Every business has competition. If you don't have competition, you are probably so far ahead of where things are now that nobody will understand or buy understands your product or service. As the saying goes, you are “so far ahead of the curve” that you have “disappeared from view.” Home-delivery drones, anyone?

Seriously, though, I understand why some entrepreneurs think they will not encounter competition. There are two basic reasons for this delusion:

- younger entrepreneurs have been taught to believe that competition and aggression of any kind is evil – they believe we are now living in the world of John Lennon's “Imagine,” and that everyone will fall down and worship the entrepreneur's plan as soon as it is made public;
- more commonly, though, the entrepreneur who says he or she “has no competition” simply hasn't looked hard enough to find them.

Competitors come in four basic varieties. Let's look at each of them.

**The “Enemy.”** These are the easiest competitors to spot. They are doing exactly the same things you are doing, targeting the same customers, and trying to satisfy the same fears and passions you are trying to satisfy (if you doubt that marketplaces are ruled by people's fears and passions, check out my award-winning video at <https://www.youtube.com/watch?v=mNe7hUAkx4M> – it will change your life)

If you are operating a pizza parlor on Main Street, all of the pizza parlors within a five mile radius of your business are “enemies.”

**The “Substitute.”** This is a trickier competitor to spot. The “substitute” doesn't look anything like you, but targets the same customers and tries to satisfy the same fears and passions you are.

If you are operating a pizza parlor on Main Street, the other local pizza parlors are “enemies,” but the Chinese takeout place across the street may well be a “substitute” – if people are looking for a quick lunch, they can choose between a slice of pizza and an eggroll, can't they?

To find “substitutes,” ask the question: if people can no longer afford my products and services, what cheaper products and services would they buy instead?

**The “Big Box”.** A “big box” competitor is someone who is much larger than you, who targets the same customers, and tries to satisfy the same fears and passions. They may not be in your market as yet, but if they ever did come into your market, they would use their economies of scale to wipe you out.

Examples of “big box” competitors are:

- “big box” retailers such as Home Depot, WalMart and Costco;
- “casual dining” restaurant chains such as Olive Garden, Chipotle's, and Applebee's;
- chain stores such as “The Gap”;
- franchises of any kind (yes, these are “Mom and Pop” businesses at the local level, but they are backed by a national advertising program and can do things to promote their businesses you can only dream of).

The only way to compete with a “big box” is to offer your customers something they don't. Here are some examples:

- there's a Home Depot within 10 miles, but your local hardware store sells light bulbs, garden hoses and other common household items and is more conveniently located than the Home Depot – the local contractors will always go to the Home Depot to save money when they buy pallets of lumber, but if someone is looking to buy just one light bulb to replace the one in the bathroom that just burned out, they will not travel 15 miles and wait on long lines to save 25 cents – they will buy from the local store;

- brick-and-mortar bookstores are disappearing from the landscape, except in one place. Airports. If you are flying to Europe or Asia and forgot to bring a book with you for the flight

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You always want to know where the nearest “big box” competitor is, and how soon it will be before they open an outlet in your face.

**The “Obsoleter.”** Yes, I know. That’s not a real word (unless I’ve just coined it now). But it’s the best word I can think of to describe the most insidious, and sometimes the most powerful, type of competitor.

An “obsoleter” is a person, a company or a technological innovation that will make your products and services obsolete.

Right now, the Internet is the biggest “obsoleter” for many brick and mortar businesses. Buying online is so much more convenient (and often cheaper) than buying in the physical world. You can find anything you want online, often with free shipping. If people can buy the stuff you sell online, you will sooner or later be out of business.

Once you have identified the four different types of competitor (identified in last week’s column), you now have to develop a strategy for crushing each and every one of them.

No matter what business you are in, your success will come to some extent from the failures of others. And you can’t just sit around and wait for them to make mistakes. You have to put pressure on them until they do.

If you are looking to raise capital from investors, you will need to understand and clearly articulate your advantage over your competitors. Your competitive advantage should also be part of your “elevator pitch” and all of your marketing materials. Simply put, you need to be able to explain to people what makes your business better, different and more likely to survive over the long haul than other businesses.

Most businesses think they are better or different than other businesses, but you would be surprised: your actual advantage in the marketplace may be quite different than what you think it is.

Here are some examples.

**A Better Product or Service.** This is what people most commonly think of when they think of “competitive advantage.” Your product or service is simply superior to others’. This may well be true, but unless you have patent protection or there are “barriers to entry” (such as government regulations or a licensing requirement) for other people who want to get into your business, your success will soon spawn “copycats” who will eat into your business. To stay ahead of “copycats,” you will have to make constant improvements and changes to your products or services. Sooner or later, you will get tired, fall down and they will catch up and eat you.

**Your Pricing.** People do not want to pay “by the hour” or “by the day” anymore. They are willing to pay reasonable fees for services, but they want to know up front, to the penny, what these will cost. They want flat fees – write one check, and you’re done. Service businesses and professionals that can learn how to make money on flat fees will conquer their competition.

**How You Deliver the Goods.** People are also basically lazy. They don’t want to work to get your products and services. They want convenience. Give it to them, and you will beat your competition. If you are a local pizza parlor, offer to deliver every single order to your customers’ homes. On a rainy Friday night, people do not want to pack the kids into the SUV and drive to your store to pick up a pizza that’s already ice cold.

Don’t require a minimum purchase – deliver ALL the pizzas for a slight additional charge.

**Your Location.** Position your business so you are close to your customers. People will not travel more than 5 miles to attend a gym or buy a pizza. If the residential neighborhoods are located in the north end of town, don’t rent space in the south end of town where the other businesses are.

If you are an antique store, rent space in a mall where there are other antique stores. People like the idea of “one stop shopping,” especially for art and antiques.

**Who You Are.** Do you speak Spanish, Chinese, Polish or Albanian? Your community probably has numerous ethnic communities that are not being served adequately by local businesses because of a

language barrier. Let them know you “speak their language” and you may find thousands of loyal customers your competitors can’t reach.

Here’s a trick question: what three words are guaranteed – GUARANTEED – to double your business if you add them to your business cards, stationery, website and other marketing materials?

The three words: “se habla espanol.”

**Your Personality.** Your personality may be your strongest competitive advantage, especially in personal service businesses. People are often frightened of dealing with lawyers, accountants, architects, plumbers and other professionals because:

- they are afraid they are going to be overcharged;
- they are afraid the professionals will be looking down on them because they need their services; and/or
- they are afraid the professionals will sell them services they don’t really need.

There’s an old saying among lawyers that “a laughing jury never convicts.” Any middle school student who was ever picked on by bullies will tell you that making them laugh prevents many a beating.

If you have the ability to reach out to your customers, invite them into your world, make them comfortable (or even laugh), and show them you put your pants on one leg at a time just like they do, they are much more likely to buy your services than your competitors’.

At the end of my law firm website at [www.cliffennico.com](http://www.cliffennico.com), I’ve added a simple call to action: “still have questions? Please call or e-mail. I don’t bite.” Yes, I know, it sounds really hokey, but I get tons of business because of it.

My competitors don’t.

Cliff Ennico ([www.succeedinginyourbusiness.com](http://www.succeedinginyourbusiness.com)), a leading expert on small business law and taxes, is the author of “Small Business Survival Guide,” “The eBay Seller’s Tax and Legal Answer Book” and 15 other books.