

THE ART OF WAR WITH YOUR COMPETITORS

You can use Sun Tzu's ancient strategies for winning battles in today's competitive marketplace.

We all know a company's first impulse when bracing for an economic downturn is to cut costs. While electrical distributor revenue and profitability are at risk during an economic storm, cost cutting can only take a distributor so far. It's a short-term strategy. Revenue growth comes about during an economic downturn by intelligently taking market share. You don't win the war in your market by cutting costs — you do it by taking share from your competition.

You can learn how to take share by studying lessons on military strategy published in the year 500 B.C. by Sun Tzu in his book "The Art of War." Sun Tzu recognized the importance of changing conditions in a competitive environment and positioning strategies. Even today under the most competitive of circumstances, most electrical distributors do not have any set strategy for analyzing their competition. The essential component of any sound corporate strategy is thoroughly and objectively analyzing your competition; benchmarking your performance versus the competition from your customer's viewpoint; and positioning your company accordingly.

These five tools can help you to assess your competitor's strengths and weaknesses in every target market

By Thomas J. O'Connor



(mid-size commercial contractors, large commercial and industrial contractors, residential contractors, manufacturers, utilities, institutional, etc.) to develop both offensive and defensive actions:

1. Know your enemies — Competitor profiling
2. Rate your enemies — Competitor analysis
3. Rate yourself versus your enemies — Customer satisfaction benchmarking survey
4. Position your enemies — Competitor positioning strategy
5. Defeat your enemies — Strategic positioning strategy

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1. Know your enemies. This saying comes from "The Art of War." If you know your enemy, the strategic challenge is to use that knowledge to force him to fight on your terms. Strategy is always about applying one's own strength to an opponent's weakness. The best way to do that is to first construct a "Competitor Profile" like the one on page 60, which will help you compare your company in broad categories versus your key competitors.

This profile provides an informed basis for developing positioning strategies to achieve competitive advantage.

The Competitor Profile contains detailed information such as ownership and management structure; number of branch locations; hours of operation; number of employees; and major suppliers.

To build this profile you can gather information from manufacturers, outside agencies, etc. To obtain market share data, your best resource is Herm Isenstein, president, DISC Corp, Orange, Conn. Isenstein sells a user-friendly electrical industry software product called DataSearch that allows you to enter your sales data. The program will then automatically generate market share once your sales are entered into the system. This software is widely used by electrical distributors, reps and manufacturers.

Some resources on the Web that can be a great source of information for competitor research include Dun & Bradstreet (www.dnb.com) and Hoovers (www.hoovers.com). Superior knowledge of competitors provides a legitimate source of competitive advantage.

2. Rate your enemies. Once you have compiled your Competitor Profile, the next tool to employ is a "Competitor Analysis." A sample worksheet is provided on page 60. You must first determine a competitor's Key Success Factors (KSF) shown in the worksheet. Utilizing the data you have collected in your Competitor Profile and using the scoring system shown in the worksheet, rate each competitor on each of the Key Success Factors. Add up the scores in the columns to determine the overall strength and weakness of each competitor relative to one another. In this example, competitor "A" is the leader in competitive pricing; competitor "B" is the best at order-fill rates; and competitor "C" had the highest overall rating of 35 points.

3. Rate yourself versus your enemies. Once your Competitor Analysis is completed, you should conduct a third-party "Customer Satisfaction Benchmarking Survey." Three reasons

CUSTOMER SATISFACTION BENCHMARKING SURVEY

In this survey, your customers rank your company 1-5 (with "5" being best) in each Key Success Factor by answering this question: "Compared to other electrical distributors (insert your company's name) is"

	Quite a Bit Better	A Little Better	About the Same	Not Quite As Good	Not Nearly as Good
Competitive Pricing	5	4	3	2	1
Order-Fill Rates	5	4	3	2	1
Order Accuracy	5	4	3	2	1
On-Time Delivery	5	4	3	2	1
Emergency Delivery	5	4	3	2	1
Counter Salespeople	5	4	3	2	1
Inside Salespeople	5	4	3	2	1
Outside Salespeople	5	4	3	2	1
Convenient Locations	5	4	3	2	1
Convenient Hours	5	4	3	2	1

exist to use third-party customer satisfaction research.

- When using a third-party research firm, survey respondents can be assured of complete anonymity and confidentiality, so they tend to answer in a much more honest and frank manner.

- Research shows survey response rates are higher when you use an outside research company.

- An outside company provides a higher degree of objectivity to the data collection and analysis.

I use the Customer Satisfaction Benchmarking Survey worksheet on this page as a standard component in my company's client survey research. For each of the items listed, your customers should circle the appropriate number in each column to determine how your company compares to other electrical distributors on that item. The Customer Satisfaction Benchmarking Survey should be sent to all your active customers, and your results should be analyzed by customer type (primary, secondary, and tertiary customer); by market (contractor, industrial); and by branch location.

4. Position your enemies. Competitive positioning defines exactly how

you will differentiate your product and service offering for every competitor in every market. A good competitor positioning strategy addresses in comprehensive detail two key questions:

- What specific actions could every competitor in every market take that would result in them taking market share from you?

- What specific actions should you take that will result in taking market share from every competitor in every market?

5. Defeat your enemies. Now that you thoroughly know your enemies, have rated your competitors and yourself versus your competition and have positioned your competition, your final step is to target each customer segment: large commercial and industrial contractors, mid-size commercial contractors, small residential and contractors, MRO, OEM, etc.

With each targeted customer segment, you should detail your current market share, market share goal, current share of your company's overall gross margin, and projected share of your company's gross margin goal. Next, outline the decision-maker "needs and pains" with electrical distribution

COMPETITOR PROFILE

Rate your company against its biggest competitors in these key categories.

Competitor Profile	Your Company	Competitor A	Competitor B	Competitor C	Competitor D
Ownership/Management Structure					
Branch Locations					
Hours of Operation					
# Employees					
Major Suppliers					
Market Share					
Overall Customer Service Strengths & Weaknesses					
Residential Market Strengths & Weaknesses					
Commercial Market Strengths & Weaknesses					
Industrial Market Strengths & Weaknesses					
Institutional Market Strengths & Weaknesses					

COMPETITOR ANALYSIS

Rank your competitors 1-5 (with "5" being best) in each Key Success Factor.

Key Success Factors	Competitor A	Competitor B	Competitor C	Competitor D	Competitor E
Competitive Pricing	5	2	1	2	3
Order-Fill Rates	1	5	2	3	3
Order Accuracy	1	4	2	2	2
On-Time Delivery	1	4	5	3	3
Emergency Delivery	1	3	5	3	3
Counter Salespeople	2	3	3	5	3
Inside Salespeople	2	3	3	3	5
Outside Salespeople	2	3	4	3	5
Convenient Locations	3	3	5	2	3
Convenient Hours	3	3	5	4	3
Totals	21	33	35	30	33

for each targeted customer segment. As a third-party research firm, we define decision-maker "needs and pains" for each of our distributor client's targeted customer segments by receiving customer feedback from the following two open-ended questions on Farmington Consulting Group's Customer Satisfaction Benchmarking Surveys:

- What are your top growth inhibitors and Key Cost Drivers that challenge you most?

- What are the Top 3 actions that your company can take over the next several months that will help you grow your business and reduce your key costs?

Once this is completed, you can for-

mulate and position your value proposition for each targeted customer segment. A value proposition is the unique value your company offers to its customers that your competitors do not.

These are unique and unprecedented economic times. However, with this economic unrest come opportunities for strategic positioning and execution. The key to your survival as an electrical distributor is not simple cost cutting – it's to intelligently know your enemy and stake out both offensive and defensive positions that defeat your opponents. Sun Tzu's views on strategy are still relevant today: "If you are ignorant of both your enemy and yourself, then you

are a fool and are certain to be defeated in every battle. If you know yourself, but not your enemy, for every battle won, you will suffer a loss. If you know your enemy and yourself, you will win every battle." ■

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