

Competitor Analysis - Meaning, Objectives and Significance

Organizations must operate within a competitive industry environment. They do not exist in vacuum. Analyzing organization's competitors helps an organization to discover its weaknesses, to identify opportunities for and threats to the organization from the industrial environment. While formulating an organization's strategy, managers must consider the strategies of organization's competitors. Competitor analysis is a driver of an organization's strategy and effects on how firms act or react in their sectors. The organization does a competitor analysis to measure / assess its standing amongst the competitors.

Competitor analysis begins with identifying present as well as potential competitors. It portrays an essential appendage to conduct an industry analysis. An industry analysis gives information regarding probable sources of competition (including all the possible strategic actions and reactions and effects on profitability for all the organizations competing in the industry). However, a well-thought competitor analysis permits an organization to concentrate on those organizations with which it will be in direct competition, and it is especially important when an organization faces a few potential competitors.



Michael Porter in **Porter's Five Forces Model** has assumed that the competitive environment within an industry depends on five forces- Threat of new potential entrants, Threat of substitute product/services, bargaining power of suppliers, bargaining power of buyers, Rivalry among current competitors. These five forces should be used as a conceptual background for identifying an organization's competitive strengths and weaknesses and threats to and opportunities for the organization from its competitive environment.

The main **objectives of doing competitor analysis** can be summarized as follows:

- ✓ To study the market;
- ✓ To predict and forecast organization's demand and supply;
- ✓ To formulate strategy;
- ✓ To increase the market share;
- ✓ To study the market trend and pattern;

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- ✓ To develop strategy for organizational growth;

- ✓ When the organization is planning for the diversification and expansion plan;

- ✓ To study forthcoming trends in the industry;

- ✓ Understanding the current strategy strengths and weaknesses of a competitor can suggest opportunities and threats that will merit a response;

- ✓ Insight into future competitor strategies may help in predicting upcoming threats and opportunities.

Competitors should be analyzed along various dimensions such as their size, growth and profitability, reputation, objectives, culture, cost structure, strengths and weaknesses, business strategies, exit barriers, etc

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