

# Firms must correctly identify the competition

Do you really know who your company's major competitors are? Surprisingly, the vast majority of small business owners and managers do not.

This week's column focuses on the importance of identifying competitors whose operational activities affect your firm's success now and in the future.

Competition is a way of life among American businesses. The smart small business owner or manager thrives upon a competitive situation — viewing it as an opportunity rather than a problem.

"If there wasn't anyone else to compete with, the challenge to do my very best would be gone," said Mary Jo Schenk, owner of Maude's Gourmet Carry Out. Schenk's shop is surrounded by four national fast food chains and two independents within a quarter mile.



focus: small business

Mary DiPaolo

"NONE OF my neighboring food outlets are really major competitors. As a matter of fact, we're serving distinctly different customer markets, although I get a lot of spillover business from each of them."

Like Schenk, business owners and managers may determine who their major competitors are by first evaluating the structure and size of the customer groups, or markets, being served.

"A large majority of my customers buys pizza," Schenk said, "yet

there's a Pizza Hut right across the road. I could say Pizza Hut is a major competitor, but it really isn't."

"The way I operate is very different as are the needs and wants of customers who buy my pizza. It wouldn't matter if there were 50 pizza parlors on this corner because I know my market, and I do everything to satisfy it."

BEYOND THE ability to identify similarities and differences among the customer markets being served,

analyzing industry structure also helps locate a company's major competitors.

Using the restaurant industry as an example, a small independent would determine if the competition primarily includes national fast-food chains, regional chains, other small restaurants or sit-down facilities within a large department store or

deli.

Directness of competition is yet another area to assist business owners in identifying major competitors. Many products and services may be substituted for others.

THIS IS especially true when the customer need being satisfied is more emotionally or ego-based. A retail florist, for example, may be in

direct competition with a nearby gift shop, restaurant or candy store.

Mary DiPaolo is the owner of MarkeTrends, a Farmington Hills-based business consulting firm. She is also producer and host of the cable television series, "Focus: The Small Business Environment."

## Upscale Detroit houses becoming more popular

Favorable interest rates and renewed consumer confidence spurred house sales throughout the Midwest late in February and paved the way for an excellent spring selling season, according to Coldwell Banker, the country's largest real estate company.

"Sales and traffic were sluggish due to unusually bad weather and

concern about the economy during the first several weeks of 1988. Then, activity picked up during the last six weeks of the first quarter," said Barbara Wagner of Coldwell Banker.

She expects that a shortage in supply could occur this spring.

"TRADITIONALLY, SPRING is the peak buying period, and with fewer homes on the market in the Midwest, impulse buyers could find a modest increase in prices on existing homes."

"We could see new homes in short supply since most developers are only building pre-sold homes. Buildings have become very cautious since the stock market crash last October."

"Homes are especially affordable in the Midwest, and the cost of living is much lower than many major metropolitan hubs elsewhere." The

three hottest markets in the Midwest are Louisville, Ky.; Columbus, Ohio; and Detroit.

"ALL THREE are attracting corporations, and the corresponding influx of transferring buyers is further escalating demand for housing."

"We may see some increased price appreciation by mid-April, but because homes are so affordable to begin with, the market should remain strong throughout the second quarter."

The Detroit market, which has been depressed in recent years, has bounced back in response to the revitalized auto industry.

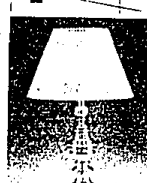
"There's a greater demand for upscale homes in Detroit, as new and rejuvenated industries provide more jobs and bring consumers into the city."

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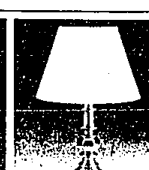
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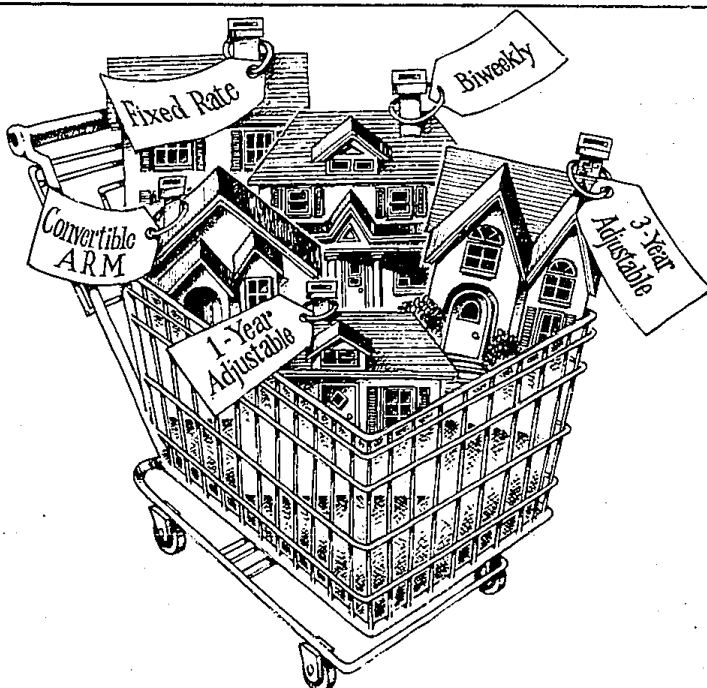
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