



COMPETITORS: KNOW AND UNDERSTAND

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Annotation:

In the most general form, market research includes two levels: macroeconomic analysis and the study of the so-called "working environment", which includes consumers, intermediaries in sales channels, suppliers and competitors. More often, the emphasis of the marketer's efforts is shifted towards consumers and partners, but competitive analysis takes a back seat. As a result, a market player may have a fairly poor idea of who his competitors are and how they work. There are objective reasons for this.

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Working with a competitive environment is not the easiest, but it is a very important part of the functionality of a marketer

Why is competitive analysis so difficult to do?

This question accompanies any marketer who is engaged in market analysis in one way or another. But it is especially acute for those specialists who work in poorly structured markets, where it is often not completely clear who is a competitor at all, and how to collect reliable information about it. In digital markets, the situation is simpler, but even there this problem is systemic. Here are some thoughts on this matter.

1. Competitive analysis is psychologically uncomfortable, especially for business owners and team members who are "rooting for the cause".

It is always quite difficult to look at those who compete with you "on the same field", especially if they are more successful. Rationally, everyone understands that this is important, but emotionally it is unpleasant to learn information about the achievements of your competitors, to see how they have advanced, to realize that in some ways you are lagging behind. Once again, remember the frenzied pace of the market, and how tired you are of this chase without a clear final result.





If you are an owner or a "manager with high responsibility", then these feelings visit you. If you are a marketing analyst, you can abstract yourself from such an unspoken competition, but you are forced to give information in a way that meets the expectations of your superiors, and therefore you will have a desire to dose your "objectivity".

This approach can develop into a desire to "hide your head in the sand", which has quite serious consequences, up to the loss of business. On the other hand, there may be an inadequate assessment of competitors through the prism of self-confidence based on past achievements and successes, which can become the "Achilles' heel" of any market leader.

In simple terms, competitive analysis is difficult to do, because it is not very pleasant to once again put yourself in the "zone of discomfort", especially if you do not understand why it is necessary.

In such cases, it is especially important to look from the outside and attract outsourcing, since the third-party observer is devoid of the experiences of a "market participant" and is relatively independent of the management and owners of the company compared to a full-time marketing employee.

2. Competitive analysis requires a lot of time and resources, and the results obtained are quite difficult to verify.

The study of the competitive environment is a labor-intensive and quite expensive event, especially for small and medium-sized businesses. Episodic and superficial assessments of competitors can be made by the head or owner of the business, the head of the sales department, but there is a high risk that the low representativeness of such an observation will lead to incorrect conclusions, and, consequently, a wrong understanding of the market and its position on it.

When a marketer or other person responsible for the study of the competitive environment makes a plan for such work, it becomes clear its scale and cost. It may be necessary to purchase databases of customs statistics, industry research, the implementation of competitive intelligence tools, etc., which entails large financial costs. And often there is simply no one and no need to justify them: the manager does not want to increase costs, and the marketer does not have the motivation for this work – very ungrateful. After all, a large amount of information obtained about competitors is difficult to check and verify.



In many ways, this situation is explained by the following reason why competitive analysis is so difficult for business.

3. The level of qualification and motivation of the manager and performers to conduct competitive analysis.

The study of competitors is difficult, among other things, because this type of activity is one of the most demanding for the qualifications of both the task manager (management) and the performers. The study of the competitive environment in many markets is closer to art, since it requires the ability not only to know what to look for and where, but also how to extract this information correctly and in accordance with the requirements of the legislation. This requires special competencies of the marketer, and the entire team of the organization, since buyers, salesmen, and even technical personnel should become "scouts". Objectively, a very small proportion of marketers of enterprises, especially those working mainly in the field of advertising, are able to solve these intellectually and emotionally complex tasks, which is not facilitated by the lack of a clear motivation for this.

Moreover, even many marketing research companies are quite reluctant to study competitors in those markets where there are no well-developed information collection systems (which, by the way, often give ambiguous and contradictory results). It is easier to interview consumers or form a focus group than to be sophisticated in obtaining systematic information about the customer's competitors. Therefore, in complex and unstructured B2B markets, saving the drowning is the work of the drowning themselves. At least without a clear statement of the task and writing a competent technical task, it will be difficult to get really useful and representative information even from research agencies.

4. Lack of understanding of the value of information about competitors and the mechanism of its use in the company's work.

It is difficult to set yourself up to perform complex and lengthy work if you do not understand its meaning and purpose. Moreover, it is always easier to refer to the fact that I already know everyone in my market, or that it is impossible to collect any useful information without spending a lot of time, and therefore it is not worth starting. Sometimes it is really not worth starting, since collecting information without its subsequent systematization and use is ineffective (this is also true for irregular work). The idea that the knowledge of consumers is much more important than the knowledge of competitors is quite common in business.



This is largely due to the fact that the mechanisms for converting information about consumers into management decisions are more developed and widespread. But it does not mean that information about competitors is less useful. And here's why.

Why do we need to do competitive analysis?

In order not to waste too much time on the description of the basic provisions that are already clear to everyone, going back to the great saying "who owns the information, owns the world", let's move on to some less trivial ideas.

1. Competitors are always or almost always much smaller than consumers, and they give a better picture of the industry / market.

The value of information from competitors is important because it allows you to get more systematic and representative data on the market relative to the study of consumers. By looking at modern markets through supply, rather than demand, it is possible to capture a larger share of it over the same time, and, consequently, to improve the quality of assessments of the state of affairs on it.

2. Forecasting future technological / product market trends.

There are different points of view on the philosophical problem of the primacy of supply and demand, but for business practitioners, especially those working in B2B markets, the importance of forming new offers from manufacturers has long been clear. Studying consumer demand, it is much more difficult to see the future product structure of sales, while knowing the development plans of competitors allows you to "keep your finger on the pulse" of product innovations with less cost, and therefore at least keep up with the market.

3. Search for sources of organizational efficiency improvement.

Here we are talking about benchmarking as such. It can be carried out not only on direct competitors, but it is in any case a pleasant bonus. It is always useful to know the "life hacks" of your rivals, especially if they can be improved and implemented in your business.

4. Vision of corporate trends and market structure.

This task is important for medium and large businesses, as competitive analysis allows you to quickly track the procedures of mergers and acquisitions, assess the value of your company and competently catch the moments of "business bifurcations"-diversification, buying and selling assets, even leaving the market.



5. Optimization of costs for working with the market.

This area of work has many aspects, but you can give one that explains why competitive analysis is important, for example, to promoters. To develop an effective advertising campaign, it is useful to know how key competitors will build their promotion in order to attack free niches, devalue the advertising messages of competitors, and so on. Such information significantly reduces the cost of an advertising company with a higher efficiency.

In fact, there are many more theses confirming the importance of competitor research. But even these examples give a serious reason to think about the importance of this system work. The question arises – how to approach its organization.

General logic of competitive analysis and selection of tools

One of the most important messages for organizing a system for collecting information about competitors is to fix the fact that competitors are both opponents and partners in the development of the market. On the one hand, successful competitors take away your piece of the general pie, and on the other-increase this pie, offering the consumer a high-quality product that provokes further demand. As the institutionalists say, this is a non-zero-sum game. That is, the victory of one is not always equivalent to the loss of the other. Then the competitors can be considered not only as opponents, but also as partners in the development of the common field of the game. In the analysis, it is necessary to place such accents that bring qualitatively different dividends within the framework of partnerships and collaborations.

The second important question is how to outline the area where we are looking for our competitors, so that we can analyze them later. Such boundaries should be drawn according to different criteria. Geographical – at first glance, the simplest, but with the development of modern forms of trade and marketplaces, local markets are becoming less common. The boundary where a random purchase from a company from the other side of the world becomes a trend in consumer behavior is set individually.

Then there is a more complex criterion – the boundary between competitors within the market of a certain product and the markets of substitute products. Whether and how deep it is necessary to penetrate into the analysis of companies offering substitutes, and which substitute products are the most dangerous or promising for us as a direction of business diversification. There is no universal answer to this question, but it should be remembered.





Finally, the hardest part is competitors within the market, where there are niches and clusters of companies with similar market strategies or products that are more homogeneous for this market. Who do we consider a competitor, and who is no longer there? What is more important – the type of product, the business strategy, or maybe just the amount of revenue? Again, everything is individual. Moreover, the list of competitors may change for a specific task and aspect of the study.

It is extremely important to choose the right list of competitors, since a large number of them leads to a decrease in the quality of each study and an increase in costs, and an unjustified reduction in the list can provoke low representativeness and incorrect results.

The third basic point is that competitive analysis should be systematic, and the information should be updated with optimal frequency. At the same time, different information may have different periods of updating, for example, the list of competitors – annually, and data on their prices – monthly. The longer the observations are made and the database is formed, the more interesting patterns can be found during the analysis.

Fourth, it is necessary to build a clear mechanism for converting the received and systematized data in support of management decisions. At the simplest level, you need to create a system of reports and the frequency of their submission to interested managers. It is also desirable to consolidate the key links between the recorded events in the market and the reaction of the company's management system. For example, if the market share of one of the competitor's changes by more than 25% in a year, a meeting on this situation is necessarily prepared and held to take retaliatory steps.

Fifth, a system of tools for collecting information about competitors from the market is being formed. It may include working with data collected by third parties, surveys, control purchases, working with competitors' counterparties, and other numerous tools, but it is especially important to clearly define the list of internal competencies of the organization in order to compensate for important but weak "links" with external resources.

Following this simple logical sequence, you can create a successful model of competitive analysis, which will definitely contribute to the strategic development of the company and increase the efficiency of operational activities.



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