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## **Marketplace Audit**

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February 2009

As the chief executive responsible for decisions affecting your company's position in the marketplace, a vital continuing issue is the state of the knowledgebase as it implicates your business category, your competition, and your customers. Having an intellectual inventory of what's known and what needs to be discovered is as important as maintaining a physical inventory. To build and manage the knowledge within your firm, P.K. Data presents a checklist of those areas that should be considered most important.

## **Competition**

### **WHO IS THE COMPETITION**

A profile of key competitors including potential and offshore firms that may cast a larger presence in the future.

### **WHAT IS THEIR RELATIVE MARKET SHARE**

Estimate of the key competitors' relative share based on published information or developed and validated through trade interviews.

### **WHAT IS THEIR COMPETITIVE POSITIONING**

Evaluation of how the key competitors position themselves in terms of niche exploitation, advertising strategies, and user/reseller perceptions.

### **WHAT ARE THEIR COMPARATIVE STRENGTHS, WEAKNESSES**

Comprehensive SWOT matrix (strengths, weaknesses, opportunities, threats).

### **WHO ARE THEIR KEY EXECUTIVES**

Profiles and background information on the key decision influencers within each of the significant competitor firms.

### **WHAT IS THEIR PRODUCTION CAPACITY**

Commentary concerning the manufacturing capacity as it would affect future marketing initiatives and the degree to which the competitor firms are exposed with respect to potential shortfalls.

### **WHAT IS THE MANAGEMENT TOPOLOGY**

Management topology refers to the degree of democracy within the decision-making hierarchy. Is the process very authoritarian or very decentralized?

### **OWNERSHIP HISTORY**

Things to know include who owns the company now, how did they acquire it, what are their imperatives, and what are the prospects for change in the near future?

### **STATE OF TECHNOLOGICAL ADVANCEMENT**

Utilization review of technology in everything from office equipment and information processing to production and logistics. This also serves as a leading indicator of a competitor's market potential.

### **TURNOVER RATIO**

Recent key employee defections can be a telltale sign of change or instability within the organization.

### **THE WALL STREET VIEW**

Having publicly-held competitors allows a significant amount of detail to become available. The key is to have the right analysis available in a timely fashion.

### **ADVERTISING DEPLOYMENT**

Advertising deployment refers to a combination of strategy, creative content, media mix, and spending levels. Also, has the competitor made a recent change or repositioning that might signal something pertaining to larger issues?

**LEGAL HISTORY**

Court records can be a very revealing—and often overlooked—source of competitive information. Company details that may never have been discovered any other way can see the light of day through civil or criminal proceedings, regulatory hearings, rate cases, arbitration, Better Business Bureau mediations, etc.

**LEVEL OF COMMUNITY INVOLVEMENT**

Local citizenship can also point toward various marketing strategies. The extent and manner to which a firm gets involved in civic affairs, sponsors political causes, etc., can mark a potential direction for the future.

**OWNERSHIP OF IMPORTANT ASSETS**

It is also telling to see what important assets the competing organization holds, including patents and trademarks, unique production facilities, supply chain components, or rights to future processes and/or technologies.

**IMPORT/EXPORT DEPENDENCIES**

The extent of reliance on foreign markets says a lot about how a firm may react to changes in the domestic marketplace, and how they may respond in the event of significant overseas change.

**OFFSHORE PRODUCTION UTILIZATION**

The same is also true with regard to dependence on overseas production. Is the firm engaging in a lot of manufacturing that is based in third-world countries, which may in turn become more or less risky due to political or financial fluctuations?

**VALUE CHAIN PROFILE**

The value chain refers to the entire flow of goods and services from the competitor's suppliers through the firm itself and on to the ultimate end-user of the competitor's products. A complete view of the process on a comparative basis can betray possible weak points.

**KEY ACCOUNT PROFILE**

Who are the competitors' key accounts? How did they obtain the business? How vulnerable are they? How many of them are also your key accounts?

**PRODUCT INNOVATION DEPENDENCY**

Companies like Intel and Motorola are totally reliant on their future innovations in order to stay in business. Companies in more stagnant businesses are less exposed. Knowing the difference is important for exploiting potential flashpoints.

**Category****SIZE OF THE MARKET**

These include the standard volumetrics of unit and dollar volumes, in the present, past, and future views.

**PRODUCT LIFECYCLE**

The classic product lifecycle—innovation, growth, maturity, and decline—is an important metric for evaluating any business segment, particularly where new investment is being contemplated.

### **INFLUENCE OF EXPORTS, IMPORTS**

A business category that is dominated by supply and demand issues of foreign markets is going to behave differently than one that is largely domestically based. This can have strategic importance.

### **CHANNELS OF DISTRIBUTION**

The go-to-market mechanisms are critical to any industry, and being able to speak to the mechanics of the various underlying segment intricacies is important to understanding the segment.

### **CHANNEL DYNAMICS**

It is also important to construe change within the channel. While some categories are experiencing ever greater degrees of disintermediation through such direct-to-user influences as the Internet, many other segments are becoming even more dependent on distributors, though in newer, different ways.

### **MARGINS**

Margin history across all channel components—producer, wholesaler, reseller—speaks volumes about the industry's business potential. This is a must-have piece of the category puzzle.

### **CONSUMER/END-USER PROFILE**

Every industry is subject to the whims of the ultimate user of the product or service. The most basic issues are, what does the consumer value, how do they use the product, what are their expectations, and how has all of that changed over time?

### **REGULATORY AND LEGAL ENVIRONMENT**

All industries are subject to various degrees of government oversight. Some, however, are more heavily scrutinized, which impacts compliance costs as well as the degree of market freedom... important concerns for future stakeholders.

### **INFLUENCE OF SUPPLY MARKETS**

Another variable in the essential understanding of a category is supply-side dependence. While this can shift widely by individual company, many industries share a common tendency and should be evaluated accordingly.

### **BUSINESS CYCLE SUSCEPTIBILITY**

Certain industries are also more directly influenced by the vagaries of the business cycle. For example, businesses catering largely to discretionary spending are going to be the first to cave during a business downturn. Other industries, like airlines, have a cycle all their own.

### **PRESENCE OF PROXY BUYERS/RECOMMENDERS**

Proxy purchasers make the final buying decision, even though someone else is actually going to use the product. Purchasing and utilization managers for large corporations often make proxy decisions, as one example. Successful marketing starts with addressing the right audience.

**PRICING MATRIX**

It's frequently instructive to create comparisons of pricing (and price sensitivity) among various constituencies in order to gauge volatility within the segment, which in turn supports assumptions about the product lifecycle.

**COMPETITIVE PROMOTIONAL STRATEGIES**

Part of the go-to-market story is how the industry touts itself. Some industries advertise almost exclusively to the trade, leaving the end-user franchise to the retailers. Categories that demand high-cost, consumer-direct campaigns can present a compelling set of challenges.

**VERTICALITY**

Degree of process integration is another essential industry metric. The more a business is reliant on the oft-changing supply chain, the more exposed it is to problems. Or, this could be an opportunity for a new entrant.

**LOGISTICS**

The physical transfer of product is a continually moving target. The software industry, the music business, and the publishing industry have all seen major changes in the way their product is sent to the ultimate end-user. This provides telling lessons for other industries.

**Trade Response**

Trade interviews are conducted with any and all participants in a segment—including buyers, brokers, distributors, reps, and jobbers—in order to foster a better, off-the-record understanding of some of the deeper issues. These “drilldown” exercises are sometimes critical to a strategic understanding of a given industry.

**SELL-IN STRATEGIES**

What have some companies done to successfully launch or restage a product into the marketplace? What would the respondents like to see in the future?

**COMPETITOR PERCEPTIONS**

What is the summary judgment regarding one or more of the key competitors? (This is often the case of ‘perception as reality’.)

**SEASONALITY**

What is the trade's sense of the product seasonality in terms of key buying decisions? When do they make their final commitments? What do they prefer in terms of upfront commitments from manufacturers?

**REVIEW CYCLE**

How often is the category reviewed for performance and changes? Who conducts these reviews?

#### **LINE REVIEW CONSIDERATIONS**

What factors weigh most heavily during category reviews? How important are margins when compared with such off-invoice factors as customer service and order fill?

#### **RECENT VENDOR CHANGES**

What suppliers have recently lost eminence with key distributors or retailers? Why?

#### **RECENT VENDOR AWARDS**

What category members enjoy prestige vendor status with key retailers or distributors? How did they get it?

#### **FINANCIAL STRATEGIES**

What are some of the category tricks of the trade with regard to off-invoice activities, including shelf allowances, rebates, co-op, slotting fees, promotional antes, etc.?

#### **IMPORTANCE OF CATEGORY TO RETAILER**

In the overall scheme of things, how vital is this category to its retailers? Could the largest accounts just as easily be out of it tomorrow?

#### **HOW IS POS MANAGED, SERVICED**

Who handles the point-of-sale environment for the category at retail? How is POS perceived? If largely by field services, why? If heavily managed by the retailer's own department staff, why?

#### **WHO ARE THE THOUGHT LEADERS**

Who are the most credible leaders of an industry? How do their decisions affect the overall business segment? How can they be reached?

### **Consumer Response**

Drilldowns among an appropriate consumer sample are often the result of needing critical information that nobody else has ever asked. It's often best to go right to the source.

#### **PURCHASE CONSIDERATION**

What is the timeframe and the activity set when shopping for a product in this category? Where does the consumer go to get information and to physically shop for the product?

#### **RETAIL USAGE**

With so many channel options these days, where exactly does the consumer go to buy a product, and to what degree do they cross over, i.e., shop initially in information-intensive channels (department stores) and then buy in more of a DIY environment (discounters)?

#### **PRODUCT/USER USAGE**

How is the product actually used by the consumer or other end-user? How does this differ from the expectations of the producer?

#### **INTERCHANGEABILITY**

How interchangeable is the category product? How easily could the consumer readily make a substitution? What would drive that conversion?

#### **BRAND ATTRIBUTES**

How strong are the brand perceptions in this category on the part of the consumer? What are the brand playback triggers?

**DEMOGRAPHICS**

What are the more important consumer demographics, such as average age, household income, education, and occupation? How closely do these features correlate? Is there a potential to cluster the most important consumer groups? What are the lifestyle implications?

**LIFESTYLE**

How do the main users of the category output live? How does that possibly differ from other industries?

**MEDIA CONSUMPTION**

Understanding media habits gives a definite edge to the media buying process. What do the category customers read, watch, log on, or listen to? Where do they play? Where do they learn?

**OTHER PRODUCT USES**

What other uses have the consumers found that might be instructive in helping to develop new products, or to reposition existing ones?

**PRICE SENSITIVITY**

How likely are consumers to change based on an incremental change in the product's acquisition cost?

**SWITCHING/LOYALTY**

How entrenched are the consumers or other end users? What will it take to keep them or convert them?

**ADVERTISING RECALL**

What do the consumers with a given product category recall about competitive advertising claims? What scores high in terms of believability and purchase motivation criteria?

**OVERALL USAGE SATISFACTION**

How does user satisfaction score, relative to comparable measurements in other categories? By extension, how susceptible is the category to new entrants, or to other category alternatives?

**We use every tool in the box to provide you with the most complete picture of your marketplace.**

**OUR SERVICES INCLUDE:**

Category Research- We subscribe to over 100 private online services providing up-to-the minute access to magazine and newspaper articles, journals, newsletters, technical papers, legal proceedings, and a wide range of financial information.

Executive Response- We have developed a proprietary database of business contacts, which we use to conduct high-level interviews with industry analysts, distributors, buyers, competitors, regulators, editors, and other experts.

Consumer Research- We can conduct everything from large-scale surveys to attitude and usage polling to group and individual test environments. Additionally, we maintain our own proprietary user panels to ensure sample integrity.

Geomarketing- Over 80% of all business decisions have some geographic component. It only makes sense to portray the marketplace like any other place—with a map.

Competitive Intelligence- Full-scale, continuous monitoring of the competitive bandwidth so you are always up-to-date on current events within your industry.

M&A Due Diligence- A complement to legal and financial due diligence, a marketplace reconnaissance can often forewarn of potential asset-eroding surprises in the channel.

**And for more information on all of P.K. Data's services, check out our corporate Web site at [www.pkdata.com](http://www.pkdata.com).**