

Competitive Intelligence

A person wearing a dark suit and a fedora hat is holding a large, dark, rectangular sign. The sign contains text. The background is a dramatic sky with a sunset or sunrise, and numerous small, brown, paper-like objects are falling from the top of the frame. The overall tone is serious and professional.

The old saying, “A little competition never hurt anyone” is generally true when it comes to doing business. However, a little ignorance about your competition is another story. Not knowing exactly who your competitors are and what they’re up to could very well have a negative effect on your bottom line. Monitoring the competition should be a key activity in every business, but it’s especially vital for day spa owners because the nearest rival spa could be only a block away. That spa is probably competing not only for your current customers, but for future ones too. To protect yourself, you need to keep a close eye on your competition—and be sure to offer every customer who walks through your door that little something extra.

Keeping tabs on the competition helps spa owners maintain a strong business and a healthy industry.

By Susan Palmquist

Linda Hanson is a Dallas-based management consultant and former product manager for Max Factor, where she routinely monitored competitors to ensure she was aware of their pricing, promotions, products and packaging. To this day Hanson believes that frequently and routinely checking on competitive activity is one of the most overlooked aspects of running a business, and that it should be part of any owner's annual business plan and marketing strategy.

Jim Stroup, a San Diego-based management consultant and author of *Managing Leadership* (iUniverse, 2004), insists that monitoring competitors is a vital factor in every area of business, from long-term strategizing to daily operations. "You want to know who they are, how they present themselves to their (and your) customers, and whether they have any specialty niche marketing approaches," says Stroup. "Everything from product to pricing campaigns should be part of your immediate knowledge of your competitive environment."

Not knowing what's going on competitively in your immediate area and in the day spa industry as a whole can lead to surprises that catch you unprepared. Amy Kobs, owner of Tuscany Spa & Salon (www.tuscanyspaandsalon.com) in Cincinnati, has discovered that, just north of town, a newly built development is spawning lots of new spas. While she isn't overly concerned,

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she knows she'll now have to keep a critical eye on the situation to be able to assess her position—and re-strategize if necessary.

Here are some key areas to consider when evaluating your competition:

Pricing. One obvious reason for monitoring the competition is to test your prices against those of other spas to ensure that you're not either undervaluing your services or asking much more than the going rate for your area. Kobs conducts a complete price analysis of other spas in her area and stays within the desired range. She isn't at



the top end, but she isn't at the bottom either.

It's important to deal with competitive price activity proactively. "A competitor's undetected price change can move customers away from your business before you can react," reminds Steve Waterhouse, president of The Waterhouse Group, an Orange Park, Florida, company that helps businesses increase sales and maximize profits. "An increase in your competition's sales efforts can allow them to capture business that you lack the resources to capture yourself. Furthermore, lack of knowledge about your competition can cause your customers to see you as misinformed, which costs you more business."

Unfriendly tactics. Another reason to keep a sharp eye on the competition is that they could be doing something you don't like—something that may even be hurting your business. For example, what do you do when you discover that a competing spa is saying negative things about you or your services, things that could drive away your clients?

"If you're on friendly terms with your competitors, it's easy enough to just pick up the phone and talk to them when you're unhappy with something they're doing—but if that's not the case, you may have to go the legal route," says Marty Fahncke, president of FawnKey and Associates, a Salt Lake City-based business management and advisory firm that assists

Healthy Rivalry

Two spa owners who know all about the competitiveness of the day spa business are Amy Kobs, owner of Tuscany Spa & Salon in Cincinnati, and Hollie Olson, owner of Celebrity Spa Services in Vancouver, British Columbia. Both are doing business in growing areas, and both are facing competition from other existing spas while bracing for still more new spas setting up shop. Does this mean business has to turn cutthroat for them to survive?

Not necessarily. Olson says many of her former employees have opened spas of their own and remain on very friendly terms, with each going out of their way to help the other. The same goes for her relationships with various other spa owners in Vancouver, which is close to Portland, Oregon, a city Olson says has seen a huge growth in population in the last few years.

Kobs' area of Cincinnati has also seen a healthy growth during the two years she has been in the industry. But instead of regarding other spa owners as rivals to avoid, she meets with them on a regular basis. She says they're even planning on holding a spa week together.

There might be some truth in the saying, "Keep your friends close and your enemies closer," but for these two spa owners, remaining on friendly terms with their closest competitors is a strategy that rivals none.

businesses in finding growth opportunities.

If you do suspect that a competitor is bad-mouthing your spa, "It's probably a good idea to determine if the disparagement is coming from the top or from the competitor's employees," says Michael L. Antoline, a Champaign, Illinois-based attorney and expert on legal issues in the spa industry. "Most savvy businesspeople don't want the hassle and will tell their employees to put a lid on the criticism. On the other hand, if the dirt is being dished with the competitor's blessing, it's time to get tough. The cause of action is for business defamation and the competitor can be held liable for damages for untrue statements about your business, your services or your personnel. A warning letter from your attorney usually does the trick."

Opportunities. Fahncke says that another reason for keeping close tabs on your competition is to see where they might be stumbling. If you're able to detect where your competitor is falling short, you then have the opportunity to pick up where they left off and, in essence, turn their failure into your success.

Info You Can Use

In the spa industry, finding out about your competition is relatively easy. You can physically go into another spa and play potential customer, which most business experts recommend. (This is perfectly ethical.) Or, you can hire outside help in the form of a market research firm or consultant. Either way, the key is to gather as much detailed information about as many of your competitors as you can.

After you've gathered your information, begin to honestly compare and contrast your business to theirs. You might realize that they're always so crowded because of their big weekly specials or the eye-catching coupons they're placing in the weekly newspaper. Then determine how to respond. Should you try to match them product for product, price for price and service for service? There are lots of arguments for and against

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doing just that, but the general consensus is that it's best to avoid getting into a service price war with your competition, which tends to hurt everyone. (Just ask people in the airline industry!) Plus, it could end up hurting you even more than everyone else.

"Your competition could be owned by a corporation with deep pockets, or a business with a bigger cash reserve than yours, so matching price—or even charging less—is a sure way to go out of business. Price should never be the only factor that sets you apart from your competitor," says Jaynie Smith, author of *Creating Competitive Advantage* (Random House, 2006) and president of Smart Advantage in Hollywood, Florida.

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Viva La Difference!

Trying to match your competitors too closely and carbon copying what they’re doing can be one of the few pitfalls of competition monitoring. In your eagerness to compete, it’s all too easy to fall into the trap of losing your own unique business identity. “These days, too many businesses try to be like everyone else in their industry and end up becoming just a commodity,” says Smith. “You have to create your own identity. Think of three or four values you offer your customers that your competitors don’t. There’s always something that sets each business apart.”

While many day spas offer similar services and packages—especially in any given region of the country—there are plenty of ways to set your spa apart from the pack. “Think about what makes you unique, especially to your clients,” suggests Hanson. “Offer them something you know your competition

can’t do or aren’t doing for them. It doesn’t have to be expensive—just get creative. It could be something as simple as remembering their birthdays with a card and coupon.”

Hollie Olson, who owns Celebrity Spa Services (www.celebrityspaservices.com) in Vancouver, British Columbia, faces a lot of competition in her area, so she decided to add some less-typical services like permanent makeup and machine-assisted facials. She also makes a follow-up phone call to each new customer to make sure he or she was happy with the service. Kobs went another route and opted to use a different product line to distinguish herself from other spas in her area.

Constant Vigilance

Even after you’ve established your unique identity amongst your competitors, you can’t just sit around and wait for another shift in the marketplace.

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Competition monitoring is a proactive process. On the other hand, you can't become so obsessed that you let your competitors keep you from looking forward and staying

plugged in to what the public wants.

"Becoming preoccupied with the competition can lead you to lose touch with your customers," says Fahncke. "You've probably seen the

TV commercial where everyone's sitting in an office trying to come up with a new idea, when suddenly someone asks, 'What would so-and-so do?' Then it shows another company that asks the very same question, and so on. By the end of this commercial each company is so obsessed with what its rivals are doing that none of them are focusing on what they need to do for their own customers. That's exactly what can happen if you worry too much about your competitors. You spend more time focusing on their businesses than you do on your own."

Waterhouse agrees, contending that even though worry keeps you on your toes, riding out some competitors' activities to their conclusions can prove that the worry probably isn't worth your time and energy. Hanson advises business owners to seriously analyze everything first. "Something your competitor is doing might not be feasible for you to do," she points out. "You have to ask yourself, 'How will taking on this service or promotion impact my business?'"

Drew Stevens, Ph.D., president of Getting To The Finish Line, a sales leadership consultancy in Eureka, Missouri, offers these final words about competition: "You can't afford to be reactive to everything. When it hurts your profits and your service, when you feel you have to play catch-up or keep up with the Joneses, you might as well close the door. Competition calls for two things: 1) always being present, and 2) always trying to overcome flaws." ●

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