

# Let your competitors teach you

## Study and learn from your competition for business success

By Dean Poeth

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The February jobs report indicates that some companies have started hiring again, and the economy may be on the upswing. Yet when you get an email from a friend saying he just lost his job because his employer went out of business, it is a reminder that, for many, there are still difficult times ahead.

A business's survival in the global market place often requires the ability to learn and adapt. Surprisingly, it is often our competitors who teach us the most. Competitive advantage can result directly from our ability to let our competitors teach us and our willingness to act on what we learn.

During a battle, a general studies the enemy lines in order to adjust the position of his own forces to gain a competitive advantage. Many of our offshore competitors apply this same principle to business, studying U.S. products to learn from them. An example of this is BYD Auto, a Chinese auto manufacturer that reportedly has a staff of 1,500 engineers who purchase, disassemble and study competitors' cars. BYD then uses this information to improve its own designs.

### **CASE IN POINT**

General Pencil of Jersey City, N.J., is a next-door example of how it is important to learn from a competitor and change in order to survive. Started in 1861, General Pencil's primary product had been the common yellow Number 2 pencil many of us used in school.

In the mid-1990s, General Pencil began to see imported pencils being sold for less than their cost of raw materials. More than half of General's employees were laid off as they continued to lose market share. During this time, most U.S. pencil manufacturers went out of business, but General Pencil was able to survive by studying their competitors' products. As a result, they found that while these imported pencils were very inexpensive, they were also of comparatively poor quality. General Pencil applied what it learned to change its business and began manufacturing specialized, high-end pencils used by artists. By adapting its product to one that was more competitive, the company was able to survive.

A similar example exists in the Japanese automotive industry. In 1950, an engineer from Toyota (a small and mostly unknown auto manufacturer at that time) went to the massive River Rouge manufacturing plant outside Detroit. There he spent three months studying Ford's mass production techniques that had enabled Ford to capture the world automobile market years before.

The engineer brought what he learned back to Japan and later improved upon Ford's methods. The competitive advantage Toyota has today had its genesis in what that engineer learned from Ford more than 60 years ago.

## **TV "MADMAN"**

One of the masters of learning from a competitor and adapting a product to gain competitive advantage was a person most people today have never heard of. His name was Earl "Madman" Muntz, and he manufactured television sets during the 1940s and 1950s. At that time, even a small-screen television was large, complicated and very expensive. Muntz realized there was an untapped market for a simple and inexpensive TV, so he purchased, disassembled and studied many of his competitors' sets. He used what he learned to design his own set that he sold for half the price of his competitors. With such a low selling price, business at his struggling TV manufacturing business exploded and he was able to sell sets as fast as they could be produced his factory.

Muntz's prices were so low his competitors accused him of unfair competition. Being an enterprising and flamboyant businessman Muntz turned these criticisms into an advantage, and used their label of "madman" in his advertisements.

## **KNOWING YOURSELF**

In 600 BC, Chinese General Sun Tzu wrote, "If you know your enemy and you know yourself you need not fear the results of a hundred battles." Earl Muntz understood his strengths, he studied his competitors, and he used what he learned to gain competitive advantage. This helped his small business grow and thrive.

New York small businesses continue to face stiff competition from both domestic and offshore competitors. Learning from your competitors, and then acting on what you've learned, can help New York businesses survive the current global economic downturn.

Study your competitors' products and let them teach you.

*Dean Poeth lives in Glenville and is an adjunct professor at Union Graduate College.*

<http://poeth.com/>

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