

Competition

Survival – the name of the game

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"The days of monopoly and oligopoly are becoming a thing of the past in Ireland, and globally also."

The days of monopoly and oligopoly are becoming a thing of the past in Ireland, and globally also. This is good news for the consumer as it means that in general prices will decrease as markets become more competitive. It's not such good news for companies who have occupied a monopolistic position previously, or those who have been operating as part of a monopolistic group, as an oligopoly. As the market becomes more competitive every business needs to react accordingly and develop competitive strategies to ensure that they retain if not increase their market share as the market adjusts.

Typical examples of industries in Ireland that are becoming more competitive are the telecommunications and banking industries. Both of these industries are becoming more competitive but for different reasons.

'EIRCOM ENJOYED A MONOPOLY ON THE PROVISION OF LAND LINE...'

For many years Eircom enjoyed a monopoly on the provision of land line telecommunications services in Ireland. This type of industry was typical of what is known as a natural monopoly

where the start up costs of the industry are so large that it is more economically viable for one company to invest in its development and then become the sole service provider to ensure that they achieve a return on their investment. Consequently Eircom (or The Post & Telegraphs as it then was) invested in the infrastructure to facilitate the telecommunications services and in return had a monopoly on the provision of these services to Irish customers.

In recent years however we have seen the introduction of many telecommunications providers. While few if any of these companies have their own infrastructure they are purchasing space on the existing infrastructure and selling it on to customers are reduced rates. Intensive marketing strategies are being used by these companies to establish themselves as major competitors. In fact the marketing tool of cold calling has greatly increased with the introduction of these companies and is something that few of us have been spared from!

'LARGE FINANCIAL INSTITUTIONS HAD A HUGE LOYAL CUSTOMER BASE'

Within the banking industry, while monopoly

was not the issue, the Irish market had a small number of large financial institutions that had a hugely loyal customer base. Therefore each of the financial institutions had a group of customers who became customers for life. This was during a period of recession in the economy when borrowing was a much more difficult task than it is today and customers who had been facilitated with mortgages or business loans at a time of high risk for the banks remained loyal to those who supported them through the difficult period.

However, as the Irish economy began to boom and it became easier for personal and business customers to be approved for loans the customer base became less loyal and this resulted in the increase in competitiveness within the banking sector. Coupled with this, new methods were developed to facilitate the easy movement of customers from one bank to another – a task which previously had been very arduous. The most recent development in the banking industry of free banking is a direct result of the market in which these companies were operating becoming more competitive and shows how even the most well established

businesses have to adapt to competition and develop innovative marketing strategies to retain their position within the market.

‘STRONG CUSTOMER LOYALTY IS CRUCIAL’

It’s during a time of increasing competition that good customer relationship management will stand to you. If you have well established customer relationships you will be able to withstand the onslaught from companies that are directly targeting your market. Despite being ever shrewder and well informed, customers will not necessarily always leave their current provider when a cheaper alternative comes along. In fact, if you have been successful in building and maintaining strong customer loyalty it will take a lot more than price to persuade your customers to go to another provider. This is not just true in the services industry, but is also the case in retail.

Sligo has seen tremendous development in recent years, particularly in relation to the number of multi-national “high street” stores that have come here. While these stores have enhanced our shopping experience and attracted new customers into the town, those well established fashion outlets, pharmacies and opticians that existed previously have

retained their loyal customers through providing personal and high standards of service which their customers appreciate. Therefore surviving competition is possible and is not something that is to be feared. It is however something that requires monitoring and responding (at the risk of sounding like a security company!).

To ensure that market share is not taken away from your business either by existing competitors or new entrants to the market it is absolutely crucial to undertake competitor analysis to understand what the strengths, weaknesses, objectives and strategies of your competitor are. It is also important to decide which competitors to attack within your marketing strategy and which to avoid. For example the price war that we saw some years ago between Dunnes Stores and Quinnsworth was a fair match, but any local shopkeeper would be well advised to avoid such competitors and focus their efforts on becoming the best supplier within their own category. It is also worth considering if your competitor is a direct substitute for your product or service or if you can focus on an aspect of your product or service that they do not offer or which you know is superior.

‘DON’T PRETEND YOUR COMPETITORS DO NOT EXIST’

The worst strategy you can take in relation to your competitors is to pretend that they do not exist or that they do not pose a threat to you. Remember that once you face the reality and carry out comprehensive competitor analysis you will then be able to cultivate a marketing strategy that will allow you to retain your market share if not expand it. Competitor analysis is best carried out by somebody independent from your company as they will be more impartial and realistic about the threats competitors pose and the strengths of your business.

The good news is that you can survive competition with a strategic marketing plan and a little bit of imagination.

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