

Checklist: Comparing your costs against competitors

<i>Cost area</i>	<i>Key questions</i>
Product or service	How does our product or service compare with competitors as assessed by our target customers? What benefits does it offer? At what price?
Purchasing	Could we buy-in product rather than make it? What do our competitors do?
	Do we have economies of scale in purchasing?
Labour costs	How do our labour costs compare? Is labour an important part of our total costs? What happens if the process is more mechanised? Do we have some special employees that are crucial to the business and, if so, what do they cost both in terms of pay and in terms of contribution to the business?
	Is our company more or less unionised than competitors?
	What about incentives compared to our competitors and other benefits?
	Do we have a history of 'legacy costs' like pension agreements and health insurance agreements that make us less competitive?
Research costs	Is this important for company development? How much does the competition spend?
	Are we more or less effective than competition in our research effort? Why?
Raw materials	Are raw materials a major part of total costs? Do we have any special raw materials that are small in number but expensive and crucial to production? Do we use the same quality of raw materials as our competitors? Does this have a major effect on costs?

	How does our mix of products or services compare with competitors? What would happen if this mix changed?
	Are there any special links between our competitors and their suppliers? For example, on technical or quality standards. How do our own arrangements compare?
	Do our competitors share their purchasing with another area of their business that would reduce their total costs? Do we or could we do the same?
Processing and manufacturing	Do we use the same processes as our competitors? And at the same cost? Do we have the same overhead costs as our competitors? If they are different, why and how?
	In production, do we produce the same volume from the same plant of the same age as our competitors? In so far as we are different, what impact does this have on our costs?
Distribution	What dealers do we use to distribute our products? At what cost? What does our competition do? Special linkages?
	What other means of distribution could we use, e.g. web-based? How does this compare with our competitors?
	If we are exporting from one country to another, what tariffs and other barriers apply? How does this compare with competitors?
Customers	Do we sell high value items to a few customers or do we sell lower value items to many customers? What are the implications for our cost structure, e.g. high value items may mean strong and well-informed sales force whereas low value items may imply simple volume selling with higher marketing costs.
	What level of service do we currently offer customers? In delivery time? In sales force calling? How does this compare with competitors both actual and potential?
	What is our level of marketing investment? How does this compare with our competitors? Do we outspend competition and, if so, for how long? How did our competitors react to such spending?
	What formal and informal links do we have with our customers? At what cost and benefit? Are such links important?

Checklist for identifying company strengths

Note that company strengths are more important than weaknesses in strategic management. The reason is that you can *build* strategy on such strengths, whereas weaknesses are essentially a problem that may or may not be relevant to strategy development. This argument is consistent with the resource-based view explored in Chapter 4 of the text.

Main area	Questions
Market share	How do we measure up to competition?
	Any areas that we dominate or at least have a strong share?
	How do our marketing strengths and investment compare with our competitors?
Market growth	Are we involved in some growth markets? Are they swallowing cash or merely providing the growth all the companies need for survival?
	Are we mainly involved in declining markets with a struggle to survive?
Product quality	Are our products and services good value for money? Do we have a good quality record in relation to the price of our goods or do we have a record of customer complaints?
Leadership	What is the record of company leadership? Dominant or collective? Visionary or lazy? Risk taking or risk averse? Strong at choosing and supporting new senior managers? Smooth succession over time? Ethical?
Management and workers	Do we have a good industrial relations record? How does our management resource compare with our competitors?
Financial strengths	Are we financially sound or are we stretched? What has been our profit record and earnings per share record over the last few years?

	Do we have any 'difficult' shareholders?
Production costs	Are we a least-cost producer? (Not necessarily the lowest) What is our record on plant investment? And other capital investment? How do we compare with competitors?
Distribution	Do we have adequate and cost-effective distribution to our identified target group? Are our competitors under any pressure in this area? How do our costs compare?
Research and development	Is this important in our industry or service? How does our record compare with competition? Are we cost-effective?
Innovation	Is this important in our industry or service? How does our record compare with competition? How are we organised to innovate? Does the company support innovation, even when fails?
Investment practice	What is our record on company investment? How does it compare with competition?
Profit performance	What is our profit record? How does it compare with competition? What is particularly good about it? And what could be done better?
Clarity of purpose and objectives	Does the company state these clearly? Are they known to those involved and responsible for delivery? Are they measurable? Alternatively, do they have milestones and other means of assessment?