

See Your Future with Competition Analysis

L. Neal Freeman, MD, MBA, CCS-P, FACS

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Competition. It's the American way. But competition in ophthalmology is intensifying. A study published in 1995 in *Ophthalmology* -- written by Lee, et al. -- estimated a significant oversupply of ophthalmologists relative to the demand. Compounding the problem is the sinking rate of reimbursement for many eyecare services. These unfortunate circumstances apply negative pressure to the bottom line.

How should you respond to all of this? I think we realize that moaning and groaning just won't do. You must assume a proactive stance when faced with competition.

The good news is that some smart people have already thought through all of this. The literature is full of pearls from strategic visionaries, from ancient Chinese military experts to modern-day business professors.

My goal in this article is to present a coherent means by which you can use an analysis of your competition to enhance your market performance.

Creating a competitive intelligence system

The best way to achieve a logical analysis of your competitors is through development of a competitive intelligence system.

In this article, I'll present a "how-to" guide for developing a competitive intelligence system. You must follow five steps:

preparation

market analysis
information gathering
information analysis
information application.

The final product of this system is a series of reports outlining competitive activity in your marketplace.

For a competitive analysis to be effective, it must be ongoing and fully supported by the physicians in the practice, lest it die of neglect. It's important to make the necessary investment of time and money in this process. It will provide substantial rewards when properly implemented.

What are the goals of a competitive intelligence system? Sun Tzu, the great Chinese military strategist, who lived around 500 B.C., commented on this in *The Art of War*. He wrote, "If you know yourself, but not your enemy, for every battle won, you will suffer a loss. If you know your enemy and yourself, you will win every battle."

In other words, a principal goal of your competitive intelligence system is to discover the way your competitors think. Once you achieve this, it's easier to anticipate their moves. Additionally, knowing your competition will suggest potential opportunities for your practice and will highlight the need for defensive steps in some areas.

Step 1: preparation

One key to establishing and maintaining a competitive intelligence system is to appoint a Director of Intelligence. Your Director of Intelligence must have the ability to sift through information that is often useless or confusing. This person will ultimately assemble the information you collect into a coherent profile of the competition.

Depending on the size of your practice and your resources, it may be appropriate to establish a competitive intelligence team. Don't let the team get too large, however, because this jeopardizes the secretive aspect of some of its activities.

Step 2: market analysis

The second step in the development of a competitive information system -- market analysis -- answers the fundamental questions: "What are we competing for?" and "Who are we competing with?"

To answer these questions, first define the relevant market. This is the market for services that are the same or similar to what you're offering. Depending on your location, the market for substitute services may be included as well.

Next, identify your market segments. These are patients who share common characteristics. You can base segmentation on demographic criteria, such as age group or income level, or on geography.

Now it's possible to identify your competitors. Your competitors are those practices that are competing in the same market for the same patient segments. Direct competitors are those that compete with you head-to-head. Indirect competitors compete with you in one or more, but not all, service areas. For example, an oculoplastic surgeon would consider a rival oculoplastic surgeon to be a direct competitor and a general plastic surgeon to be an indirect competitor.

Hang a map of your service area and use colored pins to identify the office locations of your direct and indirect competitors. In addition to your present competition, try to anticipate future competition.

Step 3: information gathering

A significant amount of information about your competitors is available. You and your Director of Intelligence should access as many sources as possible to gather this information:

- carefully review your competitors' listings in the Yellow Pages

- examine your competitors' advertisements in print and broadcast media

- read the newsletters and other direct marketing pieces sent out by your competitors to prospective and existing patients, if possible

- regularly visit the Web sites of your competitors. A Web site is a great source of the most current information about a practice, assuming the Web master updates the site frequently.

read any articles written by your competitors, whether intended for professionals or for the public. Additionally, attend any lectures given by your competitors.

study provider lists prepared by managed care organizations to see which plans rival doctors participate in

send someone to the county office periodically to see if competing groups have filed any building permits

check the want ads frequently to note your competitors' recruitment efforts

keep your ears open. Pharmaceutical and equipment representatives are excellent sources of information. You can also obtain useful intelligence by speaking with current and past employees of the hospitals and/or surgery centers where your competitors work.

talk to your patients. It's possible your current patients were previously patients of rival groups. It's fair to ask what prompted them to switch to your practice. Additionally, you may find that a spouse or other close family member of one of your patients is being seen in one of your competitors' practices. This person, if asked, will very often be willing to share his experiences.

take advantage of the medical records released to your practice by other groups. Close review of these records may reveal a variety of interesting points. For example, you may be able to determine which referral sources regularly send patients to your competitors. Note: Listen carefully when interacting with these referral sources. They may disclose whether they're happy with the services your competitors provide.

call competing practices to find out when the next appointments are available for both comprehensive and limited exams. When calling, note how long it takes the receptionist to answer the phone. Assess his or her general demeanor and knowledge about practice protocols and activities. Find out how much time the practice allocates for each type of appointment.

have someone drive by the parking lots of your competitors' offices and count parking spaces available as well as the number

of cars in the lot. Repeat this at different times to get an idea of the total flow through the practice in a day.

determine the condition of your competitors' buildings. Is there evidence of construction, suggesting expansion?

By the time you've accessed these sources, you should have an extensive body of information. The informational categories should include:

extent of doctors' training

office hours

office locations

staffing by ophthalmologists, optometrists, or both

services offered

patient age ranges accepted

fees

payment policies, including whether credit is available

insurances welcomed

participation with managed care plans

practice expansion plans.

You'll still need to determine your competitors' clinical volume. This may be easier than you think.

By now, you should have reasonable information regarding the number of patient appointments per hour your competitors schedule, as well as the number of doctor-hours available for clinical care. Your intelligence regarding the length of time necessary to book various types of appointments should give you a good idea of the saturation level of your competitors' schedules. Finally, some quick calculations should give you an accurate estimate of your competitor's clinical volume.

If a competitor operates at only one hospital-owned facility and you share privileges there, it shouldn't be difficult to calculate his surgical

volume. (If he operates at a variety of facilities or a private surgery center, it will of course be more difficult to determine this figure.) Information from equipment vendors may be helpful in these instances.

Step 4: information analysis

Next, take the following steps to analyze the information:

Filter the information so the most accurate picture emerges. (Unfortunately, a fair amount of the information you've gathered will be misleading.) Your Director should establish a file on each competitor with relevant subcategories including doctors' credentials, seminars given, and future plans. He should replace old information as new information becomes available.

Attempt to identify your competitors' strengths, weaknesses, goals and present strategies. You can determine strengths and weaknesses based on observation alone. But assessment of your competitors' goals and present strategies will require more insight. A meeting involving several of your doctors and/or key practice managers will often lead to thoughts on goals and present strategies that may not be apparent when just one person is analyzing the situation.

Try to predict your competitors' future strategies under various scenarios. What are your competitors likely to do if the ophthalmic environment remains stable? What will they do if the refractive surgery market continues to increase? How will they react if reimbursement for cataract surgery continues to decline? Sun Tzu said, "What is of supreme importance in war is to attack the enemy's strategy." Your competitors' strategies will reveal areas of vulnerability that represent opportunities for you. They'll also tell you which of your moves are likely to trigger a quick response.

Step 5: information application

The last step in your development of a competitive intelligence system is putting the information you've gathered and your analysis of it to useful purpose. This must include an effort to understand your competition. Practices in your area may be competing on one of more of the following bases:

product line

reputation

networks/linkages with other providers

technical quality

patient/customer service

price.

The last of these, price, deserves elaboration. Price includes not only the monetary amount charged by the practice for providing certain services. Price also includes the costs incurred by patients to access the practice. For example, the price of visiting the doctor to a busy businessperson will be less for a practice that offers weekend or evening hours compared to practices that are only open during the customary workweek.

It's essential to consider the patient's view of the competitive landscape. You'll find a perceptual map helpful in this regard (see above). A perceptual map is a two-dimensional grid on which you place two attributes important to patients on the respective axes. Then, place various practices in your market on the map, according to patient perceptions. This map is useful because it highlights unserved or underserved market segments and suggests opportunities for market thrusts.

In the example provided, the two dimensions chosen are price and technical quality. The practices, represented by different letters, occupy positions on the perceptual map. The map suggests the market currently lacks a practice positioned low on price.

After you study your perceptual map, you'll probably uncover several potential opportunities for your practice. You'll also see the need to bolster your practice in certain areas.

One key to success in the competitive environment is to achieve sustainable differentiation. You must continually seek ways in which your practice can more effectively satisfy the needs of one or more patient segments. It's difficult to achieve this sustainable advantage for all customer segments. Therefore, niche marketing is preferred over mass marketing as the way to obtain the best market position.

Carefully consider which segments you want to target. This will play a large role in determining performance.

Once you've decided what you want to achieve vis--vis the competition, you must decide how to implement your strategy. To use another military analogy, you have three basic options: frontal assault, flanking or encirclement.

Frontal assault. This is a head-to-head confrontation with a competitor, in which the strongest will prevail. If your skills as a cataract surgeon are superior to those of your competitor and you can deliver the service with efficiency at a lower cost, a frontal assault may be the best approach. However, this is likely to be expensive -- and it may lead to many casualties.

Flanking. The idea here is to take advantage of your competitor's weaknesses. He may lack certain capabilities. Geography, for example, is a point on which you may be able to outflank your competitors. If they don't serve certain areas of the county, it may be possible to establish relationships with optometrists who have offices in these areas. Additionally, you might be able to obtain staff privileges in hospitals presently underserved by ophthalmologists. However, this approach is unlikely to succeed if the various practices in your market have covered most locations and areas of service.

Encirclement. This means doing essentially what your competitors are doing, but on a larger scale. Using this strategy might involve hiring more doctors and opening more offices. This may work if your competition can be overwhelmed. But it comes with the risks inherent in expansion.

Your particular situation will determine which technique is most appropriate.

End game

The development of a competitive intelligence system isn't easy. However, it's not necessarily expensive, and the information it provides can be invaluable. It's a way for smart practices to use their resources to obtain the maximum number of market advantages. For practices striving to survive and thrive in the future, it's a tool to develop and continually nurture.

The system outlined here should serve you well in the uncertain days ahead.

L. Neal Freeman, M.D., M.B.A. specializes in ophthalmic plastic surgery with Florida Eye Associates. He teaches and writes extensively on applying business administration ideas and techniques to medicine.