

## Competition Can be Good

In the business world, minimizing the competition may seem like a good idea.

Yet research and reality have found that competition actually may strengthen a market for competing businesses. Studies have found that as competing businesses move closer together, both increase their returns. Think about it: Wal-Mart and Target often will be closer together than you might expect. Coffee shops and fast-food restaurants also locate in the same areas.

These examples occur because of the positive relationship resulting from economic or business clusters. These relationships, while not a perfect correlation, occur more than what you would expect. They also occur even if similar types of businesses are grouped together for other reasons, such as they are along a highway interchange or in a mall or business center.

“People wonder why this happens,” says Glenn Muske, the North Dakota State University Extension Service’s rural and agribusiness enterprise development specialist. “One important reason is that you are establishing the area as a destination, one location where you can look at and shop for a specific type of good or service. No longer must one drive from one location to another because things are grouped together.”

Other advantages of clustering may include easier connections with suppliers and/or trucking companies. It also offers choices beyond that of a single store. Business owners may take advantage of joint marketing campaigns and even friendly competitions. For example, several communities have one location for all of the new-car dealers.

“Restaurants also have capitalized on this trend,” says (Insert name and title) of (Insert county). “A certain town or an area of a community becomes known as the place to go for food or a specific type of food.”

Competition also drives everyone to stay up to date on product lines, store appeal and, most importantly, customer service.

“Yet while business clustering often works, you cannot take it as a guarantee,” says Muske. “For one thing, communities need to be a certain market size to support two stores as opposed to just one. Obviously, if you can make the area a destination, there still needs to be a certain volume of potential customers to support the supply.”

A related concern is the possibility of oversaturation. If one is good and two are better, shouldn’t three or more stores all selling the same basic assortment of goods do even more? Not always. It comes back to total market need.

Finally, one store may have certain competitive advantages that might make breaking into a market difficult, if not impossible, for competitors. Another store may want to locate in the same area, but overcoming that advantage may just keep that from happening.

However, communities should not shy away from developing and encouraging competition. It can have amazing results. And as it grows for one segment, this traffic increase can be used to develop other opportunities.

For more help in defining your competition, check with your local Extension Service office at [insert phone number and email address]. Also visit NDSU's small-business support website at [www.ag.ndsu.edu/smallbusiness](http://www.ag.ndsu.edu/smallbusiness) and sign up for the monthly newsletter. Or check out Facebook at [www.facebook.com/NDSUextsmallbiz](http://www.facebook.com/NDSUextsmallbiz) or Twitter at @gmuske. Another online resource is [www.eXtension.org/entrepreneurship](http://www.eXtension.org/entrepreneurship).

Joining groups such as your local chamber of commerce can be helpful. The Small Business Administration and its related organizations, such as the Small Business Development Centers and SCORE, also can be valuable resources.

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