How to Deal With Your Number 1 Nemesis

One of the first decisions you must make as an entrepreneur is how to deal with your competitors. It is an aspect of your business that you may continue to revisit as it grows and expands into new markets. The good news is that there is no shortage of advice. Opinions range from one extreme to the other.

For example, Henry Ford once said, "The competitor to be feared is one who never bothers about you at all but goes on making his own business better all the time." On the other hand, McDonald's executive Ray Kroc said, "If any of my competitors were drowning, I'd stick a hose in their mouth and turn on the water."

I’d like to advocate a middle ground. The competition certainly can’t be ignored. Most business leaders I know credit their competition with keeping them on their toes and prompting them to continually innovate. In my experience, however, a smart, "high-road" approach is likely to garner equal or better results than "death to the enemy" positioning or complete avoidance. Here are four steps that I have found key to taking down your No. 1 nemesis.

1. Pick the right rival. Though you might believe your direct competitor is your rival, take a macro view of your industry and business category. You may be surprised to see that your true rival doesn’t even offer the same goods and services but rather something that captures customers' fancy. For example many fast food restaurants woke up slowly to the fact that their competition didn't come solely from within their ranks. The more upscale Starbucks, with its superior coffee and inviting surroundings, was stealing market share from them in the morning and other day parts. It is no accident that McDonald's and others started brewing gourmet coffee and espresso drinks and offering free Wi-Fi.

2. Find your nemesis' weaknesses and exploit them gently. Do research to find out your rival's weaknesses. Is the firm known for bait and switch strategies or shoddy products? Has the competition's brand become tired? Then instead of focusing on the negative, craft a message that makes customers question rather than outright dismiss the competitor's value. Don't fall into the trap of disparaging the competition outright. This gives an adversary free advertising and can have a negative impact on your own company's reputation in the eyes of customers. Instead, use your messaging to put a question in consumers' minds. Then it is in customers' hands whether to buy from your rival. Also consider a humorous critique, ads that lightheartedly poke fun at the competition. A mean-spirited negative approach is not required to win the hearts and minds of customers.

3. Never stop innovating. Nothing is more effective in helping a company stay ahead of its rivals than new ideas that are executed well. For example, re-examine your company's positioning and product offerings at all times. Do customers associate your goods and services with only one gender or age group? Consider how you can expand your company's reach. Sometimes this can be achieved with a simple product tweak. Other options may require investment in new talent or equipment. Find the right direction, allocate resources and get your employees on board to embrace the new approach.

4. Live in your customers' shoes. What values are embodied in your product or service? How can every interaction be imbued with the values your customer has come to appreciate? Start by working hard to create a bond with customers by consistently communicating with them through various channels, whether discussing how the company delivers more than it promises or quickly owning up to and correcting a mistake. I like to be a one-man market research department conducting my own surveys. I often engage strangers in conversation at an airport or a hotel to get a feel for others' opinions. I sometimes become an informal mystery shopper inside my own stores as well as those of the competition to see what works and what needs improvement. If I'm struck by an idea or observation I take it back to my team to see what my staff can implement. Overall, it is important to really understand your customers to truly build loyalty -- and not offer gimmicks.

Obviously, your personality will influence your approach to competition. Someone with an ultra-aggressive personality will have trouble scaling back a response just as those at the other extreme will have trouble going into attack mode. As I have discovered over the years, however, there is a happy -- and effective -- medium.