

pursue, and, perhaps most importantly, identify its primary sources of competitive advantage. To be a viable company, a new venture must have at least one clear competitive advantage over its major competitors.

An example of a competitive analysis grid is provided in Table 5.5. This grid is for Greenvelope, the online wedding invitation start-up featured at the beginning of the chapter. The main competitive factors in the industry, which include online and traditional wedding invitation services, are cost, selection, customizable, presentation to invitee, turnaround time, no ads, green, and social consciousness/philanthropy. Some industry participants, such as Greenvelope, also engage in philanthropy. (As highlighted previously, Greenvelope gives 1 percent of its revenue each quarter to Mountains to Sound, a nonprofit organization that supports the greenway along the I-90 corridor of Northwest Washington State.) These factors are placed on the vertical axis of Greenvelope's competitive analysis grid. The horizontal axis contains Greenvelope and its four main competitors. In each box, Greenvelope rates itself against its main competitors. The purpose of this exercise is for a company to see how it stacks up against its competitors and to illustrate the areas in which it has an advantage (and has a disadvantage). For example, Greenvelope rates itself as superior to its competitors in terms of presentation to invitee and social consciousness/philanthropy. It will likely use this information in its advertising and promotions. An additional benefit of completing a competitive analysis grid is that it helps a company fine-tune its offering. For example, Greenvelope rates itself as "even" with its competitors on several criteria. It might use that knowledge to look for ways to up its game on one or more of these criteria to increase its overall competitiveness in relation to its competitors.

As this discussion shows, analyzing competitors is a complex and challenging process. But, the link between understanding competitors and how an entrepreneurial venture stacks up against them and the new firm's success in both the short and long term is clear and strong. In the "What Went Wrong?" feature, we describe the experiences of Digg. Once one of the hottest Internet sites, this firm competed in a rapidly emerging industry. While reading about Digg, keep in mind the actions firms should take to understand their competitors and to form a competitive analysis grid. In an overall sense, might more effective work in terms of understanding its competitors and their actions increase the likelihood of Digg's competitive success?

TABLE 5.5 Competitive Analysis Grid for Greenvelope

| Name | Greenvelope (electronic) | Evite (electronic) | Paperless Post (electronic) | Minted (traditional) | Local Stationery Store (traditional) |
|---------------------------------------|-----------------------------|-----------------------|--------------------------------|-------------------------|---|
| Cost | Even | Advantage | Even | Disadvantage | Disadvantage |
| Selection | Even | Even | Even | Even | Disadvantage |
| Customizable | Even | Even | Even | Even | Even |
| Presentation to Invitee | Advantage | Even | Even | Even | Even |
| Turnaround Time | Even | Even | Even | Disadvantage | Disadvantage |
| No Ads | Even | Disadvantage | Even | Even | Even |
| Green | Even | Even | Even | Disadvantage | Disadvantage |
| Social Consciousness/ Philanthropy | Advantage | Disadvantage | Disadvantage | Disadvantage | Disadvantage |