

Information – A True Competitive Advantage



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U.S. companies, including those in the home improvement industry, continue to be challenged by increased globalization, new technology, industry-wide consolidation and a lagging economy.

It is interesting to note that over the years certain manufacturers continue to grow, successfully meeting these challenges and increasing their sales, share and profits with their current products while adding new products to their line. This raises the question—what are they doing differently to achieve these results?

This is the central question examined in the best-selling book “Good To Great,” in which author James Collins and his team of researchers identified 11 companies that dramatically elevated and then sustained their performance. These companies “generated cumulative stock returns that beat the general stock market by an average of seven times in 15 years, better than twice the results of a composite index of the world’s greatest companies, including Coca-Cola, Intel, General Electric and Merck.”

The good-to-great companies were evaluated against specific comparison companies that did not perform at that level as a means of identifying differences.

The distinguishing characteristics of the great companies are described throughout the book. Also included are pertinent observations regarding the importance and

use of information. For example, “the good-to-great companies displayed two distinctive forms of disciplined thought. The first is that they infused the entire process with the brutal facts of reality. The second is that they developed a simple, yet deeply insightful frame of reference for all decisions.”

The author goes on to state that “both sets of companies (good-to great and the comparison companies) had virtually identical access to good information. The key then is turning information into information that cannot be ignored.”

With this as a backdrop, the purpose of this article is to look at the performance of companies that compete in the home improvement industry and have incorporated, to varying degrees, competitive retail sales information into their marketing and sales efforts.

METHOD

More than 30 home improvement companies were selected that have been using competitive retail sales information for several years. Each company incorporates this information into their business through their planning, market implementation and evaluation processes.

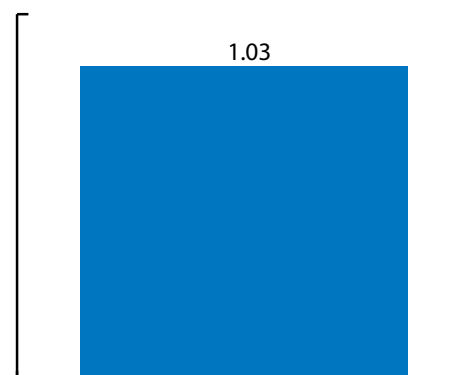
These manufacturers market their products predominantly through the home improvement channels, and their products represent a cross-section of the store in categories such as electrical, hand and power tools, household cleaning, lawn and garden, paint and sundries, hardware and plumbing. These companies’ total annual dollar sales range in size from multi-million to multi-billion with many companies competing in multiple categories. The analysis included more than 70 product categories in which they compete.

Each company’s annual dollar sales and share were identified for each category. The annual share point change versus the prior year was then identified for each category. Next, the average share point change across all the companies and categories was calculated.

FINDINGS

As seen in the graph below, these companies achieved an average share point increase of 1.03 share points over the prior year. Stated slightly differently, if the company competes in a \$100 million dollar category, on average its share increased 1.03 share points resulting in an additional \$1,030,000 in sales.

Average Annual Share Point Change
Retail Dollars
Aggregate of More than 30 Companies



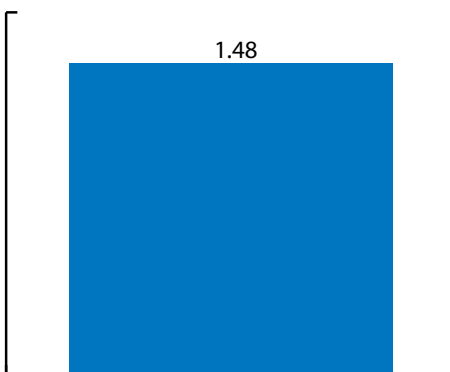
Achieving this level of share increase is important, particularly in categories experiencing low growth where share increases are often the primary means of building the business.

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Further analysis revealed a group of companies performing better than the others. One of the common characteristics of these eight companies is their aggressive

Average Annual Share Point Change
Retail Dollars
Aggregate of Category Management
Companies



use of competitive retail performance information in their marketing and sales efforts. They have done so by weaving the category management process into the fabric of their decision-making processes and operations.

The share point change for each of these eight companies and their categories was determined. An average annual share point change was then calculated from this group of companies/categories.

On average these companies increased their share 1.48 share points—a larger increase than the entire group of companies—suggesting that category management is one of the approaches a company can utilize to improve its performance.

CONCLUSIONS

It is becoming increasingly clear that in the home improvement industry,

category management, when properly employed by the channel members, provides a clear and practical means to generate and sustain incremental category sales and profits. One of the key components of this process is insightful market place information that, when acted upon, helps drive the competitive advantage.

Each year category management becomes more evident within the home improvement industry. This trend will continue and, one might predict, will accelerate as channel members recognize the increased importance of this process and its fact-based decisions and their positive results.

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