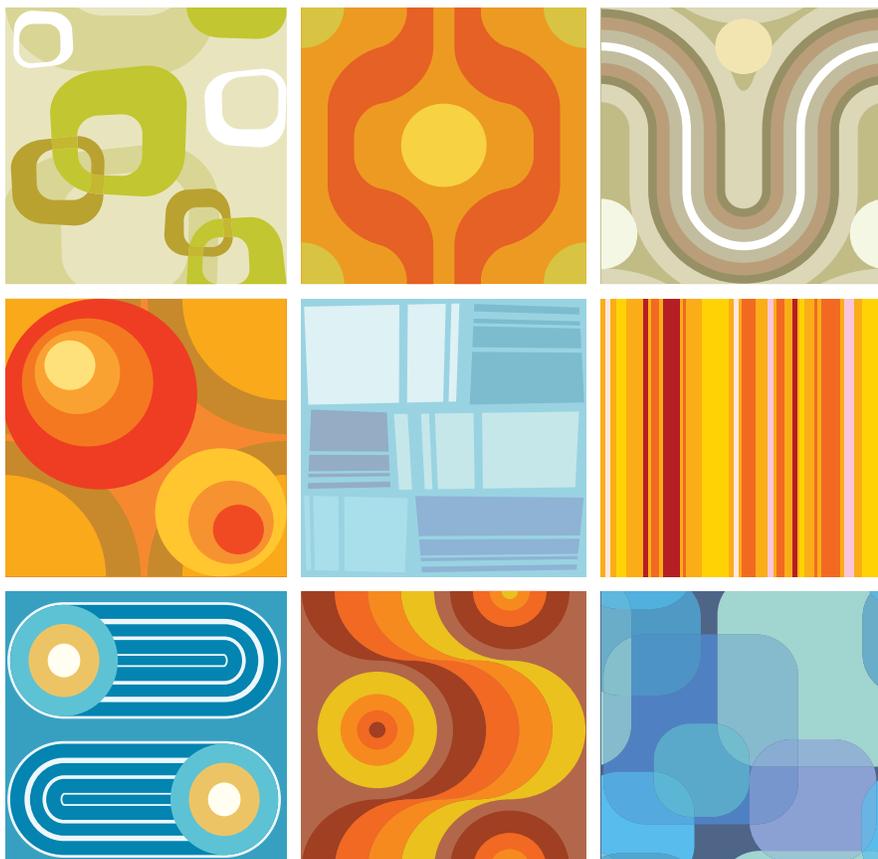


# The Art of Competitive Intelligence



Competitive intelligence, like visual art, can be understood in terms of focal point, texture, perspective, scale and proportion. As a discipline, it often requires intellectual courage, but the results can provide invaluable foreknowledge of changing market demands.

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In keeping with the theme of this edition of *Vue*, I have decided to present competitive intelligence as art. This discussion will look at various elements of art and apply them to CI. The elements that will be discussed are focal point, texture, perspective, scale and proportion.

## **Focal Point**

The focal point in art is the place to which the viewer's eyes are drawn. In competitive intelligence, the focal point is the key area (or areas) upon which most of the research effort is directed.

Very often in CI, the focus is on the marketing and selling of products and services: What are the competitors charging for their products and services? How are they bundling products with services like technical support, warranties, terms and conditions?

A painting may have a number of focal points or focal areas. The eye is drawn to one area and then moves around the painting to other areas that draw its attention.

In competitive intelligence, the focus of the research should be drawn to other areas of the business process, such as target markets (domestic and foreign), suppliers, strategic partnerships, distribution, employee training and retention, research and development, disruptive technologies, impact of new legislation, hiring and firing of key personnel, and finances.

Understanding of these and other key factors helps the CI professional to see the texture of the competitive environment.

## **Texture**

In art, texture is what a surface feels like, or the representation of a tactile sense.

In competitive intelligence, experience of texture is the awareness and understanding of the constantly changing nature of the competitive environment. What is important is to avoid being blindsided by unexpected changes in competitor capabilities and weak points in your own company.

Many companies develop images or myths about themselves. They tell the world (their customers, their competitors, and their employees) that they are best at what they do, that they are the best employers, that they have the right strategy to succeed, that they are always prepared to meet all challenges, and so on. (Anyone remember Eaton's, Pan American Airways, Countrywide Financial, Lehman Brothers?)

The objective of competitive intelligence is to break down the images, to disprove the myths, and to point out the potential for growth as well as the vulnerabilities of the players in an industry.

If a competitor decides to enter a market that no other company in your industry has entered, should your company do the same? Or would it be a fool's errand? What are the likely costs to entering that market? Will it be profitable for your company? What is the likelihood that the competitor will be successful – and why, or why not? What if the competitor is successful? Can you replicate that success or improve upon it?

If a new technology or business practice used in another industry or business sector is successful, can it be transferred to your industry and be a game changer? What will be the costs and risks of adopting this technology or business practice? Are your competitors thinking of adopting it?

### Perspective

Perspective is point of view. In art, it can be aerial, atmospheric, one-point, or two-point. In competitive intelligence, perspective can be seen as bias – in reference to the sources of information a CI professional uses during a research project.

Internal sources of information include salespeople, customer service representatives, the legal department, the human resources department, finance, purchasing, corporate librarians, corporate travel, operations, investor relations, media relations, information technology, market research reports, strategic partners, suppliers, distributors, product/account managers, and senior executives.

External sources of information include senior executive biographies, financial statements, patents, visits to competitors' locations (including mystery shopping), third-party market research reports, journalists, industry experts, lobbyists, senior management, advertisement/PR firms, competitors' suppliers and distributors, executive search firms, frontline personnel, and government.

Keep in mind that each source of information has its own bias but can also come up with unexpected information. The view of salespeople, for example, is skewed insofar as salespeople want to give the clients what they ask for (so they may claim that the company is lagging behind the competition, even though this may not be true). However, they also come across competitors' salespeople and, in casual conversations, may find out new information about the competition – for example, that a certain company is on a hiring binge to get new salespeople because (a) it wants to drive out competitors in a specific geographical location by enhancing its presence, or (b) it is losing or firing salespeople.

In short, theirs is a ground-level, near-horizon view of the competitive environment. On the other hand, these salespeople are often the individuals most impacted by changes in the competitive market place. They are less likely to believe the myths the company has created for itself. In this regard, they have a sharp understanding of how the client is impacted by management decisions.

The perspective of those in management positions is that of an aerial point of view, with a more distant horizon. Their interest is in developing the products and services needed to compete in the changing market. For them, strategic partnerships, suppliers, distribution, and R&D are the main focus. Sometimes, however, they do not have an understanding of how their decisions impact the customer.

CI research takes these different, often competing, views into account.

### Scale and Proportion

In art, scale is the size or mass of the portrayal in relation to the object portrayed, and proportion is the size relation among portrayed objects. Sometimes, an artist will represent objects in disproportion to achieve a desired effect.

In competitive intelligence, scale and proportion can be used to state whether the research has tactical or strategic objectives.

Tactical CI deals with short-term issues and objectives. It is focused on the here-and-now, on what competitors are doing in the present. The focus is on the gathering of information on such things as pricing and bundling, number of sales reps or locations, target markets, and strategic partnerships. This type of CI research concentrates on reacting to competitor actions on a short-term basis.

On the following page is a table illustrating tactical competitive intelligence that compares competitors according to product and service bundles, capabilities, and pricing.

Strategic competitive intelligence deals with long-term, existential issues. It can be reactive if the focus is on developing foreknowledge of a competitor's long-term strategy and putting in place resources to counteract that strategy.

**Table: Tactical Competitive Intelligence Comparing Server Co-location Providers according to Products and Service Bundles, Capabilities, and Pricing**

Products/Services	Telco 1	Telco 2	Telco 3
<b>Geographic Coverage</b>	west & central	national, with 17 co-location sites in major Canadian cities	nationwide, with data centres in Toronto (2) and Vancouver
Term: 1-year MRRC	yes	half locked cabinet for \$367	1-year terms
Term: 2-year MRRC	yes	half locked cabinet for \$348	
Term: 5-year MRRC	no	half locked cabinet for \$257	
Term: Other	yes, 3 years	none	
<b>Setup Fees</b>	range: \$995 (for half and full rack), \$1,000 (for an 8' x 8' cage), \$2,000 (for an 8' x 12' cage), \$3,000 (for an 8' x 16' cage)	\$999	half of the cabinet price, therefore ranging from \$162.50 (for a quarter cabinet) to \$275 (for half cabinet) and \$400 (for a full cabinet)
<b>Half Cabinet</b> Space: 24" (w) x 36" (d) x 38" (h) Connectivity: One 10Base-T Ethernet port  Power: One redundant AC power circuit with 12 outlets	\$1,150/month, \$1,035/month and \$920/month (for 1-, 2- and 3-year contracts, respectively)	\$367 for half cabinet; special package includes space half cabinet, AC power, 10Base-T circuit for \$695	37" x 34" x 19": \$550  15 amps
Connectivity: One 10Base-T Ethernet port	refer to details in co-location sheet	yes, for \$94	100MB Fast Ethernet
<b>Full Cabinet</b> Space: 24" (w) x 36" (d) x 77" (h)	\$1,875/month, \$1,688/month and \$1,500/month (for 1-, 2- and 3-year contracts, respectively)	\$624	78" x 34" x 19": \$800
<b>Bandwidth</b> Option 1: Top bandwidth used (per Mbps, 1 Mbps minimum)	T1 access provides for 1.5 MBps and up to 10 MBps	from \$350/MBps to \$150/MBps, depending on volume	for quarter cabinet, prices range from \$350 (for 25 MB) to \$525 (for 200 MB)
Option 2: Data transferred (per GB, 100 GB minimum)	unlimited	\$400/100 GB, additional GB at \$3.80/GB	refer to separate pricing sheet
Business-day hourly rate?	\$100/hour, billed in 15-min increments, minimum \$50/session	\$85	monthly rates only
Minimum charge?	\$50/session	\$85	price per server: \$600/month
Off-hours hourly rate?	\$100/hour	\$125	
Minimum charge?	\$50	\$250	

Strategic competitive intelligence can also be a proactive process whereby a company might consider changing its entire business model. Extreme examples are Nokia (which started off as a manufacturer of paper, pulp and communication cables, and is now famous for its wireless communications devices) and 3M (which started off as a miner of abrasive minerals, and is now known for its adhesives, laminates, medical products, and optical films).

### Conclusion

Competitive intelligence is a versatile set of research approaches that are limited only by the imagination and skills

of the CI practitioner. It is a discipline that often demands intellectual and intestinal courage to promote and exercise. The results, however, can guide a company through difficult economic times by providing foreknowledge of the changing demands of the market.

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