

Competitive Intelligence: An Ally to Traditional Market Research

For many years, advocates for either market research or competitive intelligence have declared their methods to be superior, thus setting off a cold war between the two methodologies.

In recent years, especially in North America, there has been a growing consensus that the two methodologies complement each other, providing different capabilities to serve the interest of clients. This maturity among research professionals has been improving the standards of actionable intelligence provided to key decision-makers.

What is Competitive Intelligence?

Competitive Intelligence is **NOT** industrial espionage and **NOT** simply the gathering of newswires or surfing the internet.

Competitive Intelligence is the ethical gathering AND analysis of data dealing with the competitive environment (including products, customers, competitors, new technologies, legislation, demographics, etc.) Analysis is used to transform data into actionable intelligence to guide corporate executives in their decision-making.

The competitive environment consists not only of known competitors and their activities (marketing and sales strategies, research and development, patents, mergers and acquisitions, strategic partnerships, and the hiring and firing of personnel) – but ***all*** factors that impact a company or industry

Among the factors that need to be considered are: legislation, the emergence of new technologies and new competitors, upgrades or new uses for established technologies, new markets, public opinion, the backgrounds of key decision-makers, shifts in demographics, the abundance or scarcity of raw materials or their substitutes, changing client demands, etc.

Internal & External Sources of Competitive Information

One of most important attributes of a Competitive Intelligence department is that it can create an internal and external network of information sources. Thus, Competitive Intelligence can establish a body of knowledge on the competitive environment by collecting and analyzing data from sources that sometimes do not communicate with each, even within the same company.

This contribution from Competitive Intelligence brings together information from a diverse set of sources, including market research reports and analyses of client data bases, and can be used to develop a profound understanding of the competitive environment.

An audit of internal sources of information can result in a wealth of information and perspectives on the competitive environment. These sources include:

- Frontline personnel (sales and customer service)
- Legal Department
- Human Resources Department
- Finance
- Purchasing
- Corporate Librarians
- Operations
- Investor Relations
- Media Relations
- Information Technology
- Market Research Reports
- Client Database (Business Intelligence)
- Strategic Partners
- Suppliers
- Distributors
- Product/Account Managers
- Senior Executives

External sources of information include:

- Senior Executive Biographies
- Financial Statements
- Patents
- Visits to Competitors' locations (includes Mystery Shopping)
- Published Market Research reports from third parties
- Journalists/Industry Experts
- Lobbyists
- Advertisement/PR firms
- Competitors' Suppliers & Distributors
- Competitors' Strategic Partners
- Executive Search firms
- Competitors' Employees (Eliciting Information in casual conversations)
- Competitors' Literature (Job ads, brochures, etc.)
- Government Agencies

Information obtained from all these sources needs to be analyzed. Analysis entails assessing its validity (understanding biases), categorizing, confirming and cross-referencing the data.

(A study of analytical techniques is beyond the scope of this article, but a reference will be provided below.)

Analyzed data is used to develop a body of knowledge of the competitive environment that is both wide and deep, and will serve as the basis for strategic and tactical planning.

Tactical Competitive Intelligence focuses on what competitors and other players in the competitive environment are doing now: prices, strategic alliances, mergers and acquisitions, legislation, etc.

Strategic Competitive Intelligence deals with what competitors and others in competitive environment plan to do in the future: research and development, new legislation, adoption of technologies not currently associated with your industry, etc. This would also include how the competitive environment will react to any new initiatives from your company.

Finding Monkey Traps

A second major contribution of Competitive Intelligence is the uncovering of what I refer to as “monkey traps”.

In some tropical countries, hunters make heavy pots with a hole large enough for a monkey to put in an open hand but too small to pull out a closed fist. Monkey food is put in the pot. The monkey puts in its hand to grab the food, but can't take it out. Even when he sees the hunters approaching he refuses to let go of the food and his hand remains stuck in the pot, and so he is easily caught, killed and eaten.

This describes how many business executives behave when they refuse to drop set assumptions and myths about their company's place in the competitive environment. They are overtaken by events instead of controlling events.

Competitive Intelligence is a form of reality check, a way of sweeping away misconceptions and blind belief of all aspects of the competitive environment with cold, hard facts.

Any CI professional who has conducted internal interviews of company personnel will likely find numerous monkey traps that are sustained by false assumptions and myths which make up the company's view of the competitive arena. Lower- and mid-level employees are usually the ones that are most aware of the myths and taboos of the company, since they are ones most vulnerable to being fired if they speak up and challenge them.

In this situation, the objective of the CI professional is to systematically gather all the information and present it in a way that is palatable to the decision makers and will give them a chance to change the company's direction.

One question to be answered by employees is their knowledge of its competitive environment. The main competitors may be known, but what about smaller competitors? Do they know about technological innovations or re-combinations that be used to set their company apart? Do they know of any innovative products or services that are being developed or tested? Are demographic and economic factors affecting the domestic and foreign markets?

Answers to these questions may reveal a series of monkey traps the company has set for itself.

The Cost of Ignoring Intelligence: “The Pentagon Papers”

Two popular beliefs regarding the US involvement in the Vietnam War is that the US aim was to defend South Vietnam from communism; and to prevent the “domino” effect, that is, if South Vietnam falls to communism then all of southeast (including Indonesia, the Philippines and Australia) will fall like dominoes into communist domination, specifically from China.

Both beliefs are false.

The Central Intelligence Agency (CIA) made it quite clear around 1964 that if South Vietnam should fall, there would not be a domino effect, that the US would still exert substantial power to prevent further communist advances into Asia, and that a united Communist Vietnam would revert to its traditional hostility to China. (Pentagon Papers, Chapters 5 & 6) Only the generals and

some influential right-wing politicians believed in the “domino” effect and their blind belief held sway. This led to long, bloody war in which millions died unnecessarily.

As for helping South Vietnam, when seeking to apportion the importance of US objectives, only 10% was given to helping the people of South Vietnam, while 70% was given to protecting US prestige as a world power (Pentagon Papers, Chapter 5). So the Vietnam War was not about helping South Vietnam or fighting communism so much as it was about US political and military prestige.

And yet the war continued on based on false premises, and this situation has continued to this day.

What happened within the government of a super power often happens within companies, where strategies and tactics are adopted based on delusion and blind belief and not on intelligence/knowledge.

Conclusion: Use All Weapons in the Research Arsenal

Whether your background is in Market Research or Competitive Intelligence you would enhance the quality of the information provided to your clients by diversifying the research methodologies you use. By using both Competitive Intelligence and Market Research methodologies, you can maximize their strengths as methodologies, while minimizing their weaknesses.

(Facts don't cease to exist because they are ignored. – Aldous Huxley)

Suggested Reading on Competitive Intelligence:

Business Blindspots by Benjamin Gilad

Strategic and Competitive Analysis by Craig S. Fleisher and Babette E. Bensoussan

Confidential by John Nolan

Competitive Intelligence by Larry Kahaner

Blindsided by Jim Harris

Enrico Codogno, President

Customer Foresight Group, Limited

111 Pacific Avenue, #1513

Toronto, ON M6P 2P2

Canada

T: 416-651-0143

enrico@customerforesight.com

www.customerforesight.com