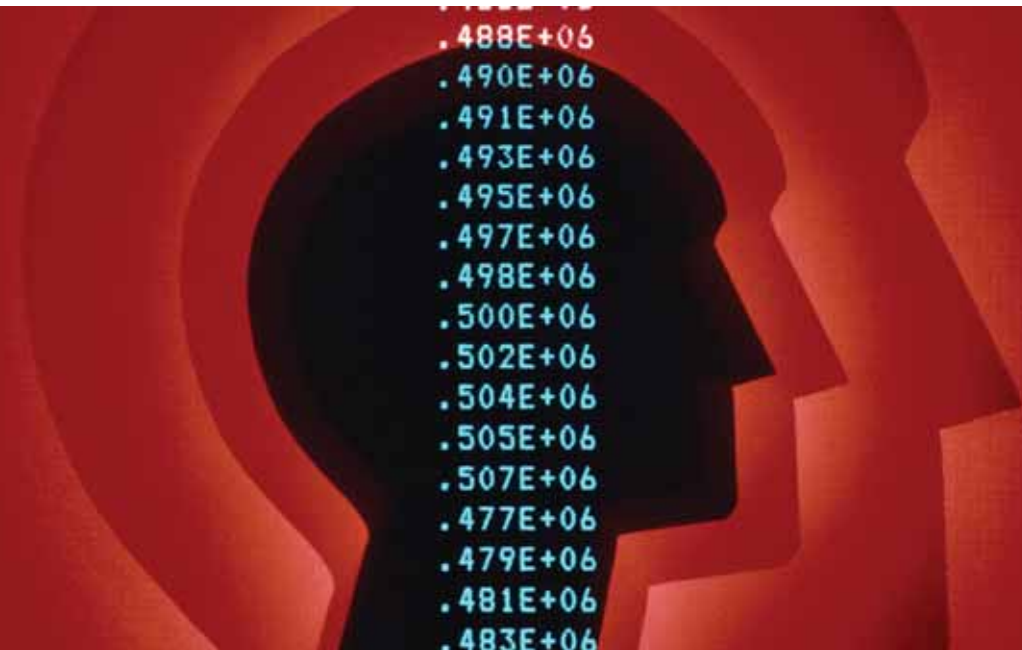


what's in a name?

competitive intelligence versus business intelligence

by Enrico Codogno



Fourteen years of experience as a competitive intelligence professional have led me to believe that it is important that research professionals be able to distinguish between competitive intelligence and business intelligence. These two terms are used interchangeably by many in MRIA to describe a wide variety of information gathering and analysis techniques. This, unfortunately, creates confusion where there should be clarity.

WHAT IS BUSINESS INTELLIGENCE?

Traditionally, business intelligence is the research of a company's book of business or clientele. Using a company's IT resources, a researcher would create a detailed profile of existing clients in order to

- analyze the clients (Who are they? Where are they located? What are their demographics/psychographics? etc.);
- analyze buying habits (Who buys what, when, and how often?);
- develop sales strategies (cross-selling, up-selling);
- develop new products and services;
- develop new ways to reach clients and deliver products and services;
- understand shopping habits, and so on.

In business intelligence, the emphasis is on using internal or other readily available information to develop insights on current clients and assessing past behaviour to predict future tendencies. It entails the use of computer software to present secondary or pre-existing data in

a graphical format, with the objective of developing tactics and strategies to influence future actions based on past activities. In short, business intelligence is akin to what used to be called knowledge management, customer relationship management, or data warehousing.

Business intelligence has a clearly defined meaning and role. It can serve a vital function in any corporation if it is used wisely. However, while business intelligence can be used as a resource for competitive intelligence (described below), it is not an equivalent to or substitute for competitive intelligence.

WHAT IS COMPETITIVE INTELLIGENCE?

My definition for competitive intelligence in its most all-encompassing form is as follows: Competitive intelligence is the gathering and analysis of primary and secondary data (but especially primary data) from a wide range of sources, and its dissemination to key decision-makers in a clear, succinct and actionable format.

Examples of data sources (both from within and without the company) include:

- competitors
- suppliers
- front-line personnel (sales and customer service);
- financial and legal departments
- lobby groups and legislation
- industry experts' magazines
- patent applications and grants
- ads
- CEO biographies

- market research reports
- financial statements
- business intelligence (as defined above).

All of these sources of information can and must be used and synthesized to develop a full understanding of the competitive landscape.

Competitive intelligence involves innovative analytical methods to interpret developing patterns in the activities of all players in the market (competitors, customers, suppliers, governments, and so on). Properly applied, competitive intelligence brings together data from a very wide range of sources and synthesizes this data into a coherent and actionable analysis for key decision-makers.

The Role of Competitive Intelligence

Competitive intelligence professionals must provide company executives with an analysis of competitor activities. They must also develop scenarios based on impending or proposed legislation, the impact of developing technologies, major shifts in demographics and public opinion, the development of new markets overseas, and how those markets impact scarce resources.

In predicting competitor activities, the competitive intelligence professional must consider not only established competitors, but also up-and-coming competitors who may be developing a new product or service that could have a major impact on the entire industry. When Research In Motion first introduced the BlackBerry, the major telecommunications companies did not consider RIM to be a threat. The original BlackBerries had limited capabilities, and RIM itself seemed to be on the edge of financial ruin. RIM's technology improved dramatically, as did the appearance and capabilities of the BlackBerry. Now, telecommunications companies are playing a possibly hopeless game of catch-up. They missed the opportunity to truly compete.

Competitive Intelligence Is Dynamic

Competitive intelligence is dynamic and entrepreneurial. It cannot function as a bureaucracy, with its emphasis on predictable procedures and routines. Competitive intelligence thrives in highly competitive or innovative industries, in environments where each threat or problem is unique, where creative analysis and thinking are essential for survival and success.

Creating databases is a useless activity for the competitive intelligence professional, because such data has a short shelf life. What was valid a year ago, a month ago, or a week ago is now useless: situations change very quickly in this world.

Competitive Intelligence Is Insight

The essence of competitive intelligence is insight - assessing competitive situations from new perspectives rather than traditional practices. Competitive intelligence professionals can help executives through the recognition of new patterns of behaviour among customers, competitors and suppliers. Their tasks require them to immerse themselves in the competitor's persona.

AN EMPHASIS ON PRIMARY DATA

The emphasis of the competitive intelligence professional should be on primary research, what is often referred to as human intelligence, rather than secondary information. This is what gives competitive intelligence its edge over other forms of research.

Unlike secondary research, primary research is alive and current. It provides insights into the internal dynamics of competitors. It reveals harbingers of significant changes or developments within a competitor, such as mergers and acquisitions, expansion of sales forces, and the development of new products or technologies.

CODE OF ETHICS

In general, primary research in competitive intelligence (or mystery shop-

ping, as it is often referred to) is easily accepted in a consumer products and services setting. After all, observing signage, the professionalism of front-line personnel, and the availability and presentation of products and brands is regarded as harmless. However, when it comes to a business-to-business scenario, the attitude to competitive intelligence becomes jaundiced. It is seen as a form of espionage, especially when it comes to primary research.

I believe that competitive intelligence in a business-to-business scenario is legitimate and acceptable when professionals adhere to a code of ethics. This is the code I follow.

1. Never steal. This includes "dumpster diving" or other forms of digging through someone else's trash for documents, or other materials.
2. Never bribe, extort or coerce anyone into providing competitor information.
3. Never accept competitor information or documents, especially trade secrets, from an informant with a possible hostile intent (a disgruntled ex-employee, for example).
4. Never threaten or jeopardize anyone's career or reputation, intentionally or otherwise.

I believe in dos and don'ts, and I believe that you will have a good understanding of the scope of competitive intelligence if you recognize the don'ts.

Further sources of information on competitive intelligence can be found at www.academyci.com and www.bengilad.com

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