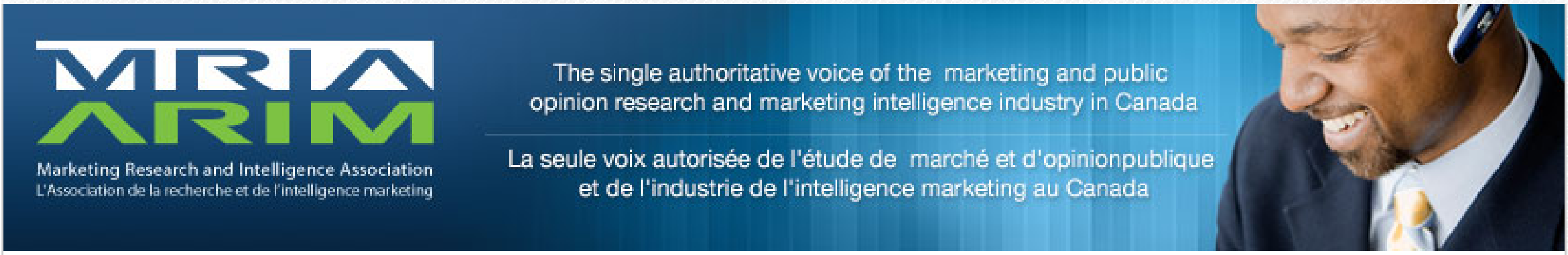

Special Applications Research

Competitive Intelligence: multi-faceted research

by Enrico Codogno

The real strength of Competitive Intelligence (CI) comes in the analysis. Analytical methodology used in CI varies with the sources of data that are being investigated. This allows the CI analyst the ability to use multiple sources of data to provide decision-makers with a comprehensive analysis of market conditions.

In this article we will discuss various forms of analysis that are used within the CI profession and demonstrate the flexibility of CI as a research tool.

CI as a Consumer of Information
Competitive Intelligence is a method of taking information from a wide range of sources and, through the use of analysis, condensing a massive amount of information into user-friendly, actionable intelligence.

Accordingly, Competitive Intelligence does not provide information but rather consumes information. This is important for CEOs and other key decision-makers who are often overwhelmed with information.

Competitive Intelligence can be used to concurrently analyze information from a wide range of information sources such as:

- financial statements;
- prices;
- technology reports;
- demographics;
- human resources;
- legislation;
- CEO biographies;
- market research reports;
- chemical analyses.

The Purpose of CI Analysis
The main purpose of CI analysis is to answer the "So what?" question.

For example, the government is planning a change in legislation that could impact your industry. What will be the likely impact of the legislation and how prepared is the company to survive and thrive under the new legislation?

Or, a competitor has hired a CEO from a different industry, who built a reputation as an aggressive buyer of smaller competitors. What's the likelihood that this CEO will use the same tactics again? How successful will the CEO be and what impact will this have on your company?

While Competitive Intelligence cannot predict the future, it can provide decision-makers with likely scenarios. With this intelligence, decision-makers will be in a better position to:

- determine whether the company is prepared to meet those challenges and, if not, how to prepare it to face them;
- cull any less important efforts and investments and properly support those which are critical to the long-term viability of the company; and,
- be in a better position to sacrifice short-term or narrowly focused performance measures to ensure higher-level strategic success.

Examples of Analysis
Below are examples of different types of analysis that can be used in Competitive Intelligence. Some of the analysis is quantitative, some is qualitative, but the principle factor is that the CI analyst has a profound knowledge of his/her company and industry.

In fact, the CI analyst should have a deeper understanding of the company and industry than anyone else in the company, including the CEO. Accordingly, the CEO and all other key decision-makers within the company should consult with the CI analyst before any important business strategy decisions are made.

From this vantage point, major business decisions should not be put into action without CI input.

Also, no one form of analysis by itself should be considered sufficient. A CI professional must perform several different types of analyses before presenting key decision-makers with a report on competitors or market conditions.

Each form of analysis provides a point of view from one particular angle or on one particular aspect of a competitor or market situation. To get the whole picture, or as many pieces as possible of the picture, the CI professional must use a series of analytical techniques.[1]

Example: CEO Biographies
Very often, the business behaviour of companies can be linked to the personalities of the CEOs. For example, a CEO whose background is in sales and marketing can be expected to be more aggressive than one whose background is in accounting.

In another example, a competitor may have a CEO who came from another industry. While in that industry, this individual used a tactic that led to great success. In all likelihood, the CEO would want to use the same tactic with the new company.

If the tactic included the buying up of smaller competitors, the CI professional would examine the likelihood for success in the new industry.

- Does the competitor have the resources?
- Are there any signs that the competitor is moving to create the required financial resources?
- Do the financial statements of the competitor indicate a move towards having the necessary cash available for a major purchase?
- Will the shareholders support such a move?
- Will there be any industry resistance?
- Is the government going to intervene?
- What are the risks?
- What can be done to counteract such activity?
- Is any action required?

By answering these and other questions, the CI professional can provide key decision-makers with the likely scenarios resulting from the competitor's actions.

Example: Legislation and Financial Institutions
In recent years, there has been a great deal of debate over the pros and cons of bank mergers, or of mergers between banks and insurance companies.

For a CI professional, there are different aspects to take into account.

- Would the federal government be more willing to allow a merger between two banks or between a bank and an insurance company?
- What would be the political ramifications of each scenario?
- What would be the ramifications for the banks and the financial industry?
- What would be the economic consequences?
- How many head-office jobs would be lost in a bank-bank merger versus bank-insurance company merger?
- How would a merger affect the bank's ability to compete domestically, in North America, and overseas?
- Would the government react by allowing more foreign competitors in the Canadian market?
- Is it politically feasible to expect any decisions from the federal government over the year, two years, five years or ten years?

Again, by examining the political situation and the various questions being debated, the CI professional can provide various likely scenarios and their attendant consequences.

Example: Strategic Analysis and RRSPs
Strategic CI can be used to examine the raison d'être of a company and to reshape its long-term strategy.

For example, for a company selling RRSPs, strategic analysis can start by asking "Why do people buy RRSPs?" One answer may be that they want to achieve a high quality of life for their retirement years. This may prompt the question "What does high quality of life look like?" Is it group activities? Recreation? A resort-like facility? A special community exclusively for retirees? Are there enough retired people who have the wealth and the good health who have this vision of retirement, and who can make this a viable business?

If the analysis indicates that this is a viable business idea, the company may develop from a seller of RRSPs to a provider of high-quality retirement communities.

Conclusion

The various forms of analysis that can be conducted within a CI framework can permit a CI analyst to exploit various sources of information. This flexibility to use different sources and analytical techniques shows that competitive intelligence can provide a multi-layered analysis of competitors, clients, technologies and other factors that can impact on a company, that are simply not possible using other research methods.

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[1] A good source of different analytical techniques can be found in Strategic and Competitive Analysis by Craig S. Fleisher and Babette E. Bensoussan.

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