

Effective Use of Competitive Intelligence for SMEs

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TechnoCentre
18 October 2002

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Competition - a Definition

- ◆ **“Competition is anything and everything which will send the dollars from your door”**

*Deborah Sawyer, CEO of the
Infropation Plus Group*



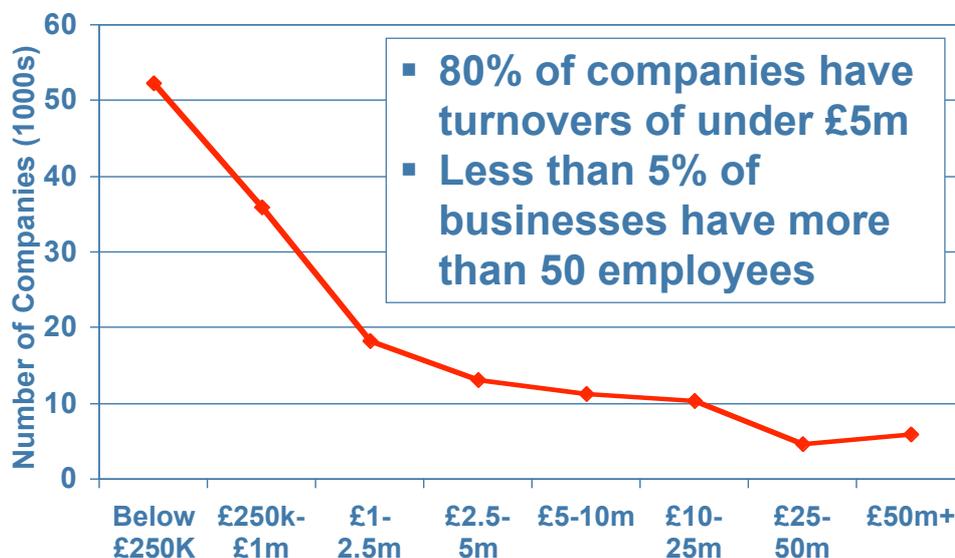
Why Do Organisations Need CI

- ◆ Customers know your competitors' strengths
- ◆ Customers know your weaknesses
- ◆ Competitors may know something you should also know
- ◆ You may know something that you don't want your competitors to know
- ◆ Something may be happening that nobody yet knows, but that you should know

“It is pardonable to be defeated, but never to be surprised.” *Frederick the Great*

Isn't CI just for big companies?

Sales Turnovers of UK Companies

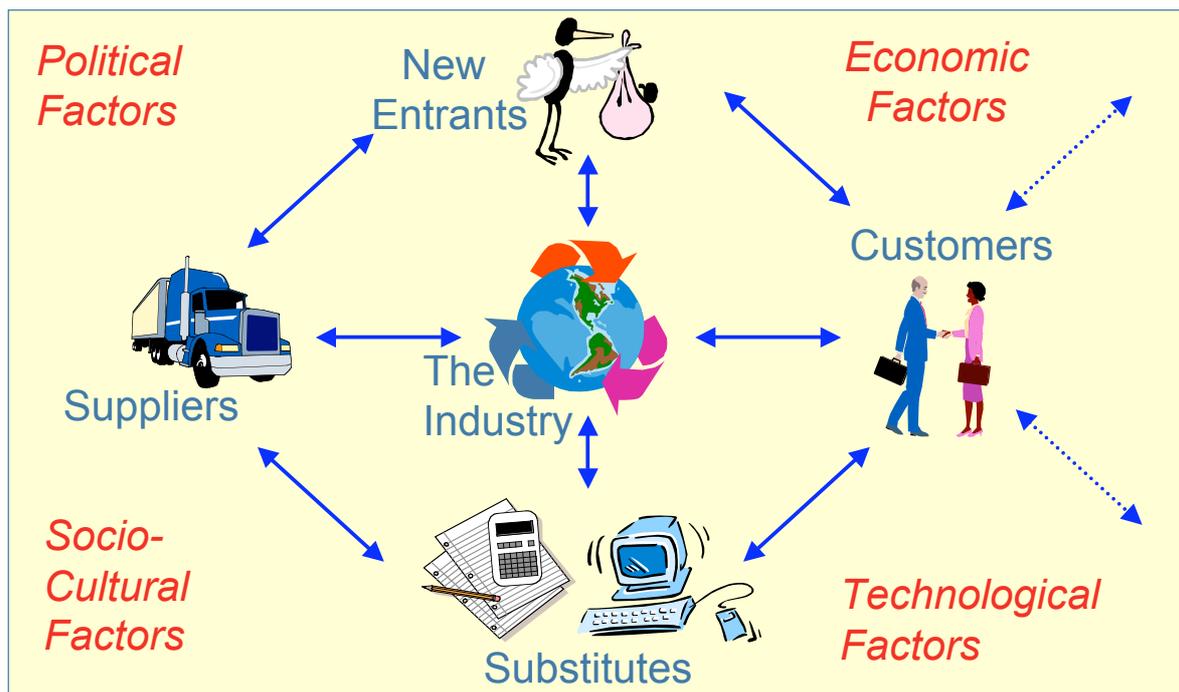


Source: Dun & Bradstreet, March 2001

The Value of CI

- ◆ Define the organisation's competitive advantages
- ◆ Identify, and correct weaknesses
- ◆ Protect against threats - including pre-empting likely competitor actions, irrespective of their size
- ◆ Leverage opportunities to increase sales
- ◆ Prepare for the future

The Competitive Environment



CI Objectives

Competitors

- ◆ Understand
 - What drives the competitor
 - What the competitor is doing and can do
 - What the competitor is likely to do next
 - Where is the competitor vulnerable
 - What are the competitor's assumptions
 - Who else is (or could be) a competitor
 - How the competitor will react

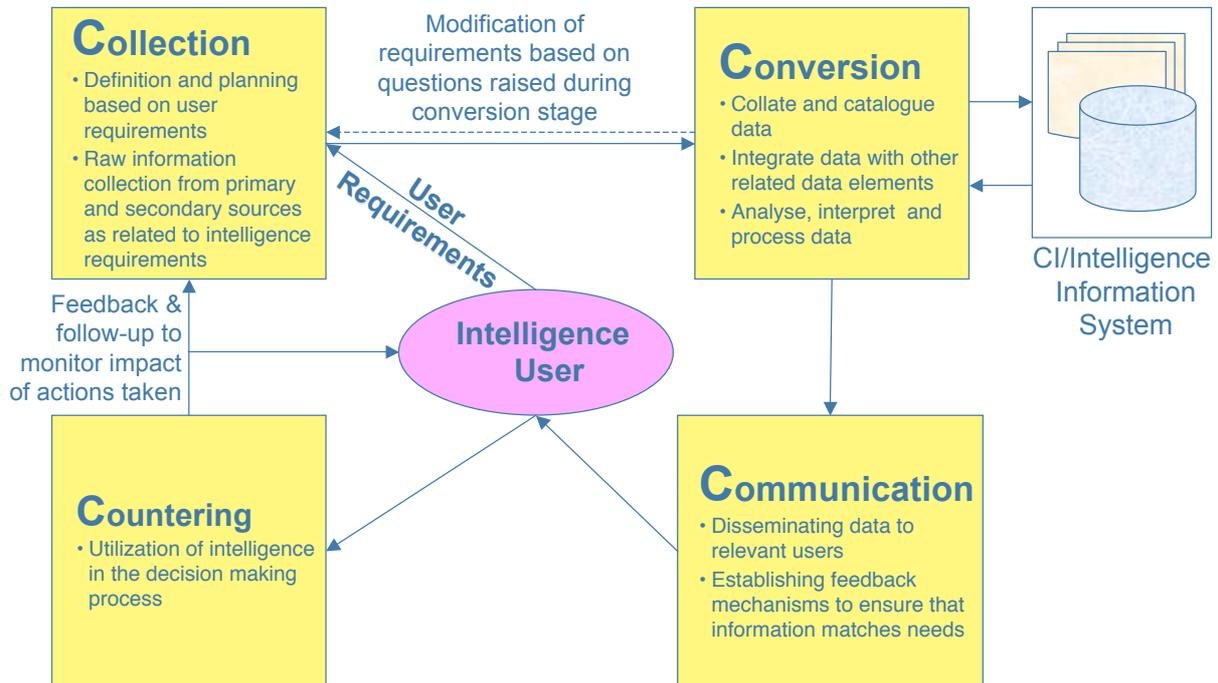
Environment

- ◆ Understand
 - Drivers for change
 - Threats from outside the industry
 - Industry trends
 - Impact of new technology
 - Impact of environmental changes
 - Social, political, legislative, economic...
 - Impact of the business environment on the company, the industry and its competitors

Business Blindspots

- ◆ Unchallenged Assumptions
 - “It worked last year”
- ◆ Corporate Myths
 - “We’ve always done it that way”
 - “That’s just the way it is”
- ◆ Corporate Taboos
 - “The boss founded the company. He knows the industry inside out”.

The 4C's™ CI Process Model



Key Intelligence Topics

- ◆ **Defines a particular set of needs for a particular CI user**
 - Involves interviewing CI users to identify what information they need for decision making
- ◆ **Three types:**
 - Strategic decisions and actions
 - Focuses on specific investment, competitor strategy, etc.
 - Early warning topics
 - Asks “What could happen?” or “What if?” type questions
 - Key player descriptions
 - Looks at “who is who” and “what are they doing now, and why”
- ◆ **The KIT process allows for a targeted approach to CI**
 - Collect information that is wanted and that will be used in decision making
 - Time efficient and helps avoid information overload

Finding Information Sources

Understand why information becomes available



Where it might be obtained and what cannot be obtained

Rule of Thumb
Where money changes hands so does information

Information Sources

- ◆ **Internal Sources**
 - Sales, Marketing, Production....
- ◆ **External Sources**
 - **Primary Information Sources**
 - Customers, Competitors, Suppliers, Ex-employees, Business networks, Industry Experts....
 - **Secondary Information Sources**
 - Online: The Internet, Host Databases, etc.
 - Offline Sources: Directories, Newspapers & Magazines, TV & Radio, Business Link resources, DTI information....

Human Sources vs. Published Sources

Human

- ◆ People
- ◆ Often closer to competitor
- ◆ Timely
- ◆ Low(er) financial cost
- ◆ Discrete
- ◆ Ethical issues in collection
- ◆ Reliability may be difficult to assess
- ◆ Subjective

Published

- ◆ Hardcopy or Electronic
- ◆ Often historical
- ◆ Often higher cost
- ◆ Bundled
- ◆ Minimal ethical issues
- ◆ Easier to assess reliability
- ◆ More likely to be objective

Data Available on the Internet

- ◆ **Industry / General Information**
- ◆ **Company Information**
 - Prospects
 - Customers
 - Competitors
 - Suppliers & Other Stakeholders
- ◆ **Human Information**
 - Employees
 - Industry Experts

Key Internet Sources for CI - 1

- ◆ Search engines & directories - Finding information
 - **Google, Altavista, Wisenut, Teoma, Yahoo!, Looksmart...**
 - **AskAlix, Thomson, 192, BT Directory Enquiries...**
- ◆ Industry portals and vortals - Industry information
 - **Verticalnet, About.com, Industry association sites...**
- ◆ Financial sources
 - **Corporate Information, Hoovers, Carol, Companies House, EBR, SEC...**
- ◆ Sources for R&D / Patents
 - **European Patent Office, US Patent Office, Delphion, Nameprotect, Derwent, Micropatent....**
- ◆ Key news sites / newsfeeds
 - **FT.com, Northern Light, Factiva, Lexis-Nexis, Moreover....**

Key Internet Sources for CI - 2

- ◆ Job search sites
 - **Monster, Topjobs.net....**
- ◆ Alerting services
 - **Netmind, Trackengine, Spyonit...**
- ◆ Newsgroups / Mailing Lists / Discussion forums
 - **Google newsgroup search, Stockmarket investment sites, industry sites....**
- ◆ Translation services
 - **Babelfish, Systrans...**
- ◆ Government / European Union sites
- ◆ Competitor web sites
- ◆ Supplier web sites
- ◆ Customer, prospect and other stakeholder web sites

Trade Shows & Conferences

- ◆ **Trade shows and conferences provide major opportunities to gather CI covering a variety of aspects in one place**
 - CI available from
 - exhibit floor, hospitality suites, conference sessions, product briefings....
 - Cost-effective information collection
 - Allows “real-time” validation of fact vs. opinion and truth vs. rumour
 - Allows the CI analyst to contact competitor staff directly in an ethical and non-confrontational environment
- ◆ **Trade shows and conferences are public events**
 - All information freely supplied can safely be regarded as public domain unless otherwise classified!

Trade Show Information

- ◆ **Plans & Intentions**
 - Products, technologies, alliances & marketing initiatives are on show
- ◆ **Changes**
 - Pricing & distribution detail
 - Personnel & organisation details
- ◆ **Organisation**
 - Can pick up information on competitor culture, morale, promotional (and other) costs, strategies, customers, suppliers...
- ◆ **Industry experts**
 - Trade shows offer opportunities for enhancing industry contacts - analysts, journalists, competitor customers and suppliers in an open environment

Service Industries

- ◆ Intangible - how to measure quality
 - Depend on people so quality may not be reproducible
 - Service may be dependent on location and time
- ◆ Can be difficult to find hard information
- ◆ Customer responses particularly important
- ◆ Often industry is fragmented - with many competitors
- ◆ Often substitutes and alternatives to service offered by non-traditional or indirect competitors
 - Advertising agency versus PR agency
 - CI consultancy versus Market Research agency versus Management consultancy



Converting Information Into Intelligence

- ◆ What are the competitor's future plans?
 - What product launches are imminent?
 - What are gaps in the market not being addressed?
- ◆ Where is the competitor vulnerable?
 - What are the competitor's capabilities?
- ◆ Where am I vulnerable?
 - How do I protect myself?
- ◆ What areas does the competitor view as strategically important?
 - Where should I not attack?
- ◆ How will the competitor react to market change?
 - How will the competitor's management react to change?

And so on...

Communicating Intelligence

Who?	What?	When?	How?
Top Management	Strategic assessments, news, etc.	As news appears. Regular assessments	Full analysis. Summary profiles. News alerts.
Marketing	Full information on competitor - especially products and services	Regular briefings	Competitor profiles. Product comparisons. Full analysis. News alerts.
Sales	Product comparisons & benchmarks. Sales tactics used.	As relevant changes occur, etc.	Product comparisons. Competitor profiles.
Other Employees	Positive / motivational information on wins, etc.	On positive news	Company newsletters or briefings, etc.

Communication

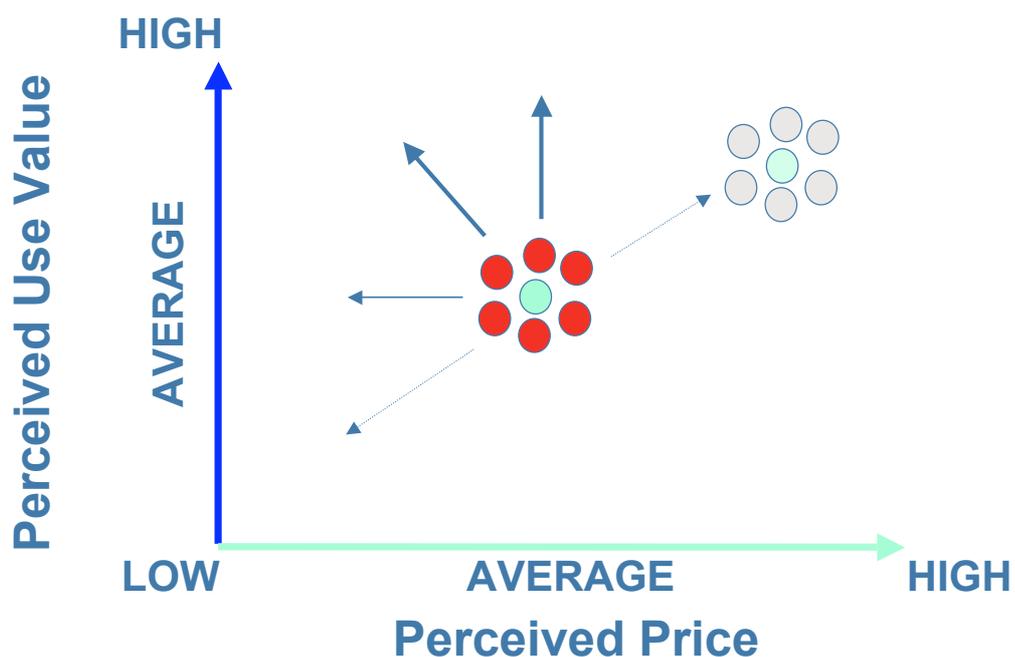
- ◆ Must be two-way
- ◆ Must be regular & timely
- ◆ Must be readable & interesting
- ◆ Must be focused and relevant
- ◆ Keep it brief / use bullet-points
- ◆ Encourage feedback



Using Competitive Intelligence

- ◆ Change sales tactics or prices
- ◆ Guard against attack
- ◆ Launch new products or services
- ◆ Promotional or PR campaigns
- ◆ Re-engineer processes
- ◆ Mergers, acquisitions and alliances
- ◆ Withdraw from market....

Competitive Strategies



Competitive Direction

- ◆ **4 directions for a competitive strategy**
 - **Develop and build market position**
 - **Maintain and hold current position**
 - **Defend position**
 - **Withdraw**
 - Harvest what is good, with aim to maximise goodwill. Migrate customers to new products if possible. Divest unwanted products.

Strategic Approaches - 1

- ◆ **Full-frontal attack**
 - **Attack the market leader directly**
 - Find a weakness, and focus on this weakness
 - Ensure that sufficient resources available to sustain attack
 - Consolidate
- ◆ **Flanking offensive**
 - **Move into a gap in the market and differentiate**
 - Timing and element of surprise are important to obtain market penetration in new market
 - Follow with brand development strategies

Strategic Approaches - 2

- ◆ Niche offensive
 - Specialise in a market segment that can be defended against a larger competitor
 - Develop brand position
 - Be prepared to withdraw and move to other specialised segment
- ◆ Defensive Strategies
 - Be prepared to cannibalise your own business
 - Pre-empt, block and match competitor moves
 - Anticipate and try and avoid potential battlegrounds
 - Use disinformation and rumour to gain advantage
 - If possible, use legal actions to block competitor actions (e.g. to guard against dumping or merger moves)

To Know Is to Win!

- ◆ If you are ignorant of both your enemy and yourself, then you are a fool and certain to be defeated in every battle.
- ◆ If you know yourself but not your enemy, for every battle won, you will suffer a loss.
- ◆ If you know your enemy and yourself, you can win every battle.

Sun Tzu, The Art of Battle (4th Century BC)

