

## Course 12: Competitive Intelligence (Part 2 of 2)

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This course provides more in-depth coverage about competitive intelligence – specific techniques and models used as well as CI Systems. Before taking this course, you should complete Part 1 of this course. This course is recommended for 2 hours of Continuing Professional Education. In order to receive credit, you will need to pass a multiple-choice exam which you can take over the internet at [www.exinfm.com/training/course12-2](http://www.exinfm.com/training/course12-2)

## Critical Concepts

Before we get into Part 2 of this short course, let's touch on the fundamentals behind competitive intelligence. From Part 1 of this course, we learned that competitive intelligence relies on a very analytical process to transform data and information into intelligence. We also understand that competitive intelligence is not just about studying the competition, but studying the entire external landscape - customers, suppliers, regulators, and all forces that impact the organization. Therefore, our analysis must be very broad in scope.

The primary output from competitive intelligence is the ability to make forward-looking decisions. For example, Jack Welch, former CEO of General Electric determined strategy based on key intelligence questions:

- What is the detailed global position of your business and that of your competitors: market shares, strengths by product line, and by region today?
- What actions have your competitors taken in the past two years that have changed the competitive landscape?
- What are you most afraid your competitors might do in the next two years to change the landscape?

“If the defining goal of modern day business can be isolated to just one item, it would be the search for competitive advantage. And, as everyone in business knows, it's a lot harder than it used to be. On the one hand, competition is more intense than ever – technological innovation, consumer expectations, government deregulation all combine to create more opportunities for new competitors to change the basic rules of the game.”

- Competing by Design: The Power of Organizational Architecture by David A. Nadler and Michael L. Tushman with Mark B. Nadler

Therefore, competitive intelligence drives strategic decision-making and market leadership. Part 1 of this short course also emphasized several important points about competitive intelligence, such as the following:

- Human intelligence is often more valuable than simply collecting published information. This is a more direct approach to information analysis.
- One of the fastest ways to learn about your competitors and their products is to attend an industry trade show.
- Since competitive intelligence is externally driven, it can be invaluable for risk management. Risk management functions are internally focused and in need of external analysis that comes from competitive intelligence.
- Competitive intelligence is not complete unless you engage in Counter Intelligence. You need to protect your company against intelligence leaks that benefit the competition.

One of the big drivers behind competitive intelligence is the use of analytical models. We touched on a few of these models in Part 1 – Porter’s Five Forces Model, Scenario Analysis and War Games. However, there are over 100 analytical models and each CI Project may require one or more specific analytical approaches. So we need a better understanding of analytical models. Part 2 of this short course (which you are about to study) will outline several analytical models and how to apply them.

### Key Point → Perception over Precision

Competitive Intelligence is more concerned with understanding the big picture and having the right perception of the marketplace. Competitive intelligence is not pre-occupied with exact precision since we are trying to gain insights into the major forces impacting our company through various analytical models.

## Key Intelligence Topics

The basic starting point for competitive intelligence is to define the problem or issue. Everything else feeds from a Key Intelligence Topic or KIT. KIT’s direct and guide much of your analysis. Likewise, your analysis could lead to some KIT’s that management has not raised. However, the big driver behind your KIT’s should be a dialogue between the CI Professional and management. Competitive intelligence should be a value-added service to managers who are facing critical strategic decisions. Here are a few examples of Key Intelligence Topics:

- What impact will nanotechnology have on our high volume product line?
- How is our competitor able to retain major government contracts year after year when these contracts come open for bid?
- What is the timeline for when our competitor will launch their new Asian services?
- Should we expand our Texas facility or build a new facility in Ohio?
- Who are the key customers of our competitor?
- How does this new regulation impact our business?
- How well does this supplier perform with other companies?

These key intelligence topics provide the baseline for our research and analysis. To keep the KIT process flowing, CI (Competitive Intelligence) Professionals should aggressively seek out the specific intelligence needs of Managers. This is very important for a number of reasons:

1. Provides focus for the overall CI Program within your company.
2. Gives you insights into what resources you need – critical skills, external sources of information, etc.
3. Allows you to categorize intelligence requirements so you can plan and organize the CI Program.
4. Reduces duplicative efforts since KIT’s may overlap and compliment one another.

This pro-active approach to CI will require regular meetings and surveys to assess the needs of your users. You should also include a satisfaction evaluation – finding out how you can improve competitive intelligence for your intelligence customers. Additionally, it is a good idea to “sell” competitive intelligence to your customer base. Most managers will not understand the benefits of competitive intelligence. Therefore, some form of training can help solidify a partnership between providers of competitive intelligence and the users of competitive intelligence. For example, CI Professionals can help identify the “most likely” moves of key competitors. This kind of information is valuable to those engaged in strategic planning. Even a simple alert service can help – things like new technology, changes in government regulations and sudden moves by competitors.

“Competitiveness is based on knowledge. The way companies acquire knowledge from their markets and apply it will determine their ability to survive into the 21<sup>st</sup> century. The competitive learning process is more essential to survival and growth than any other management process.”

- Business Blindspots by Benjamin Gilad

## Managing the CI Results

Now that we understand the start of the process, namely the importance of defining a Key Intelligence Topic, we will shift our focus to the end of the process, reporting competitive intelligence to end-users. It’s worth noting that as we reach the end of the CI Process, we should spend a lot of time on communication and feedback. For example, many CI Analyst tend to spend most of their time on the upfront part of the CI Life Cycle; namely research and analysis. However, the most effective forms of CI tend to spend almost one-third of their life cycles engaged in communication and feedback with the users of CI. This is important since CI results tend to unfold as you work your way through the process and regular communication will help redirect the CI Project so that the final results deliver exactly what the user really needs. Even simple forms of regular communication are important, such as unexpected delays, inability to meet due dates, and other updates for the CI end-user.

Another important point concerns knowing the end-user. Is the consumer of the CI analytical or is he or she a rapid decision maker with little time for analysis? If the CI Project will be used to make a quick decision, then you should report your recommendations in a very clear, concise, and specific manner. On the other hand if the results will be used for evaluating a major decision, then you should include some alternatives in your recommendation. The key point here is to meet the expectations of the decision maker. And one size does not fit all – different people make decisions in different ways and good CI recognizes this.

It is important to focus on the meaningful findings behind all of your hard work as opposed to reiterating all of the information that went into your findings. If users need more information, you can always list your various sources along with references and citations. It is also important to include information about how you arrived at your

conclusions. CI users are fairly savvy and analytical, often making inquiries to validate your approach to solving the key intelligence issue. So make sure you describe your analytical approaches, your sources, and certain assumptions that have been made in arriving at your recommendations.

Finally, here are a few points identified by Fuld and Company, a leading consulting firm in the field of competitive intelligence:

- State the facts with little or no dramatization.
- Support your statements with sources, including transcripts from critical interviews.
- Avoid flashpoint type words and phrases, such as “we will dominate the market” or “lock-out all our competitor’s.” This could be used in an anti-trust lawsuit.

The remainder of this short course will focus on the tools and techniques that are at the core of competitive intelligence – after the KIT, but before the CI Report.

“Strategic intelligence is analytical. It is about what is possible, not what has been. A good strategic intelligence report takes a point of view. It argues, defends, convinces. Doing so effectively requires that data and facts be marshaled in support of analytical conclusions. These conclusions come from one place and one place only – your gray matter. If you are hesitant to commit to writing your own commentary, explanation and predictions, seek work elsewhere.”

- Strategic Intelligence: An Oxymoron by Ken Sawka, Competitive Intelligence Magazine, Volume 7, No. 1

## Analytical Models

The tools of the trade for competitive intelligence are analytical models. As a minimum, a good CI Professional should be proficient in at least eight to ten analytical models to cover the competitive intelligence universe. Additionally, we need to recognize that each issue or KIT (Key Intelligence Topic) will require a different set of analytical models. Therefore, you must have a broad range of analytical approaches at your disposal if you expect to be effective as a CI Professional.

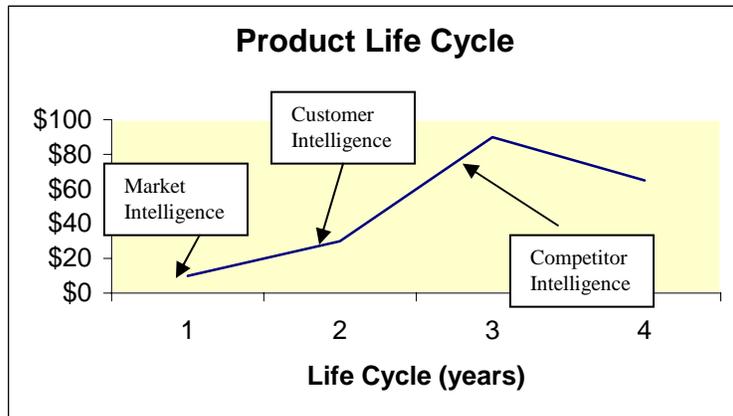
Once we match up the KIT to the appropriate analytical model, we can then collect information to feed our analysis. If you start collecting information before knowing which analytical model to use, you tend to waste time collecting the wrong types of information for your analysis. So make sure you understand your approach (use of analytical models) before collecting information.

“But managing change also means anticipating it. By anticipation, we mean gaining insight into what is likely to occur and then positioning for that future. Anticipation means looking ahead to the needs of the global market and then lining up ahead of time the right resources, such as venture partners, cross-cultural employees, and sophisticated currency trading skills. Or it could mean foreseeing the emergence of a new customer segment and developing the market channels to compete in it. Like reaction, anticipation is still defensive in that forces from outside of the firm, such as customers and competitors, are calling the shots. Anticipation, however, creates new opportunities and so is a better way to change.”

– Competing on the Edge: Strategy as Structured Chaos by Shona L. Brown and Kathleen M. Eisenhardt

## Product Life Cycles

The type of research you apply in competitive intelligence can be influenced by where you stand within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the product gains market attention, the emphasis shifts to the competition. We can illustrate this cycle as follows:



## SWOT Analysis

If I had to point to one analytical model that is the most popular, it would be SWOT or Strengths, Weaknesses, Opportunities, and Threats. However, therein lies the problem – we should not always reach for the SWOT Model each time we have a Key Intelligence Topic (KIT). SWOT Analysis is useful when you need to understand your own competitive advantages in relation to the marketplace. However, if the KIT is related to your industry, then Porter’s Five Forces Model may be better. Or perhaps you need to understand the position of a competitor. In this case, Porter’s Four Corners Analysis may be more appropriate. If we look at evolutionary issues in the marketplace, product life cycle analysis would be appropriate. If you need to profile the competitor’s management, then psychological profiling may work. Therefore, it is very important to understand which analytical models are appropriate for different KIT’s. So don’t get addicted to SWOT every time you are confronted with a KIT.

Another problem with SWOT Analysis - It can be too inward, detached from the realities that are impacting the organization. For example, when you interview senior managers, they tend to list numerous strengths, a few weaknesses, several opportunities for growth, and a modest number of threats. It is a lot better to work through SWOT by starting with the external forces and working down to the internal questions:

Question 1 (Threats): What events or things could destroy your business? This gets management externally focused and grounded in reality.

Question 2 (Weaknesses): What things are we doing poorly?

Question 3 (Opportunities): What things should we be doing?

Question 4 (Strengths): What are our core competencies? This is the foundation from which you can compete and grow the organization.

If you are trying to determine the core competencies of an organization, then SWOT Analysis is very appropriate. SWOT Analysis also has certain advantages:

- Easily understood by all participants
- Relatively fast compared to other analytical approaches
- Improves focus on what the organization needs to do

- Can be applied to many situations and intelligence issues
- Can uncover important issues not being addressed

When doing SWOT, you will move through distinct phases by asking key questions:

1. Identify Strengths, Weaknesses, Opportunities, and Threats by asking: What things are we good at, what things are we not good at, what things might we do, and what things should we not do?
2. Get consensus and rank your strengths, weaknesses, opportunities, and threats.
3. Analyze against internal and external factors. For example, most organizations have limited capabilities and core competencies. Therefore, you need to match-up the four SWOT's – Strength's against Opportunities, Strength's against Threats, Weaknesses against Opportunities, and Weaknesses against Threats.
4. Draft a strategic plan for management consideration.

Internal Assessment (1)	
Strengths	Weaknesses
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____
4. _____	4. _____
5. _____	5. _____

External Assessment (2)	
Opportunities	Threats
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____
4. _____	4. _____
5. _____	5. _____

(1) Internal assessment looks at the organization, its people, capital structure, assets, market share, core competencies, product lines, manufacturing capability, and other internal factors.

(2) External assessment looks at both direct forces, such as competitors, suppliers, Customers as well as indirect forces, such as economic, political, and social.

## Porter's Five Forces Model

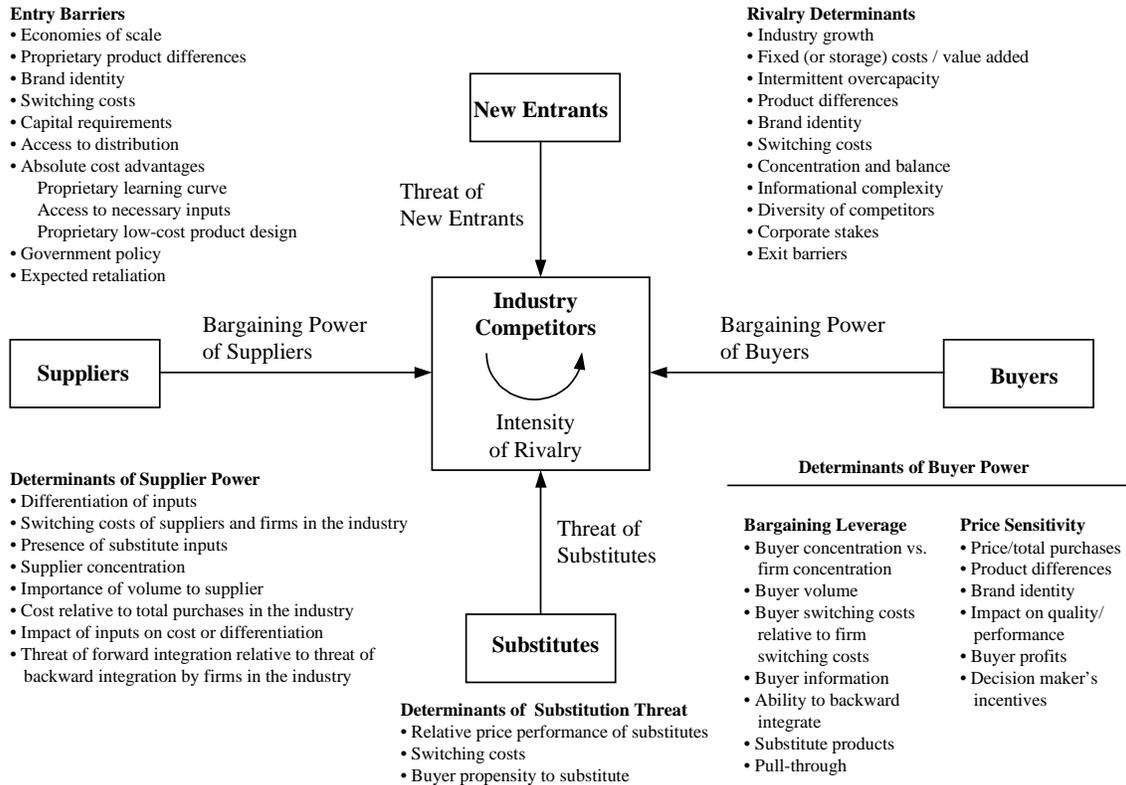
When it comes to understanding an industry, Porter's Five Forces Model is widely regarded as the best analytical model. Part 1 of this short course touched on the basics, but since this is such a popular model, it warrants more attention. As noted in Part 1 of this short course, an industry consists of five competitive forces:

1. Threat of New Entrants – An industry with low barriers of entry will invariably have intense competition as opposed to an industry with major barriers of entry. For example, professional consulting is an industry with few barriers of entry. This leads to very serious competition, which in turn puts pressure on lower pricing and higher quality. Starting a pharmaceutical company is not so easy and

the players are well-defined. Profit margins tend to be higher for an industry with high barriers of entry. Barriers of entry can include:

- a. High capital investments, such as a micro-processing manufacturing facility.
  - b. Deep Rooted Brand Appeal, such as Coke Cola.
  - c. Strong Government Regulation, such as nuclear energy.
  - d. Switching Costs, such as scraping a major defense program for a new program.
2. Power of Suppliers – Basic inputs for a product or service are subject to control by suppliers, such as control over prices or availability. Suppliers tend to have strong influence within an industry when:
- a. Few Suppliers – Only a small number of suppliers service the industry and there are no real substitutes for what they provide.
  - b. Acting Together – Suppliers sometimes act as one large monopoly, setting prices, quality, and supply. For example, OPEC governs the supply and pricing of crude oil.
  - c. Socialism – In certain countries, prices and supply may be under serious government control.
3. Power of Buyers – Customers (including distributors and other types of buyers) often influence what happens within an industry. For example, customers often dictate pricing and they demand certain levels of quality. The power of buyers or customers depends on several factors:
- a. Product Uniqueness – A unique product or fad usually negates the power of customers since they are willing to pay high prices to just to obtain the product. On the other hand, a common product, such as toilet paper, is not very unique. Customers will tend to have a lot more influence.
  - b. Few Customers – If you service a few customers or one customer accounts for most of your business, then this customer will have a lot of influence.
  - c. Informed Buyer – Comparative information that is readily available will tend to empower buyers and give them more influence. The absence of information about the industry's products and services will reduce the buyer's influence.
  - d. Easy Crossover – More choices will increase the power of buyers whereas few options will limit a buyer's influence.
4. Substitute Products – New or emerging substitutes for a product will change competitive forces. This can be influenced by things such as the costs and profitability of the substitute product, how easy it is to crossover to the substitute product, and how well does the substitute product perform relative to the existing product.
5. Rivalry and Intensity – Companies will jockey and maneuver to gain a competitive foothold within an industry. For example, airline companies may try to undercut their competition through lower airfares. This competitive rivalry may decline when times are good and everyone can grow. Competitive rivalry usually remains high for common products where switching takes place.

It's worth noting that as one of the five forces change, it will impact the other forces. So understanding the relationship of the five forces is as important as understanding the force itself. One way to simplify this is to assign weights to each force. Higher weights are assigned to those forces that have more influence.



The key to five forces industry analysis is to gain an understanding of how profitable the industry will be going forward. And how can we change our current strategy to improve our competitive position? At the center of this analysis is a clear understanding of what forces will impact a company's profitability and how do we protect ourselves from profit erosion.

Finally, Five Forces is not without its drawbacks. Five Forces Analysis works best for industries that are well defined with relative stability. Some industries are a blur with overlapping players. For example, a telephone company may provide internet services or a bank may provide business consulting services. And given today's rate of change, few industries can be considered relatively stable. A third dilemma with Five Forces is the failure to recognize indirect forces that impact an industry. This can include regulatory, social, economic, and technology. The most prudent approach is to pull from several analytical models for a complete picture.

## Value Net Model

One of the fallacies behind the Five Forces Model is that it restricts the analysis to a single industry. A better approach may be to look at all players that interact with the company and what values do each exchange within the overall business environment

(regardless of industry). We in effect redefine the industry in terms of relationships between groups and how they play the game of business. For example, complementors are competing companies that actually help your business. Therefore, it can be important to not only understand competing forces, but cooperative forces at work. This analytical approach is called the Value Net Model.

The Value Net recognizes that everyone can add value in unique ways. Value Net also expresses strategy as PARTS:

**Players** – Four groups will influence how you do business; Customers and Suppliers mirror each other while on the flip side, Competitors and Complimentors will mirror each other.

**Adding Value** – Your company interacts with four main players to create value.

**Rules** – All businesses are played according to a set of rules and certain players can set the rules by which others follow.

**Tactics** – The relationships and perceptions of each player as how they interact to create value.

**Scope** – The scope of reach that players have inside the group and outside. If a player has connections outside the group, this could add more value than if the player has limited reach.



## Four Corners Analysis

Profiling a specific competitor is often important to management. However, many competitive profiles will fail to give management insights into how competitors will respond to your own strategy. Understanding this inter-relationship is important for knowing how to position your company in relation to the competition. One of the most popular models for this type of competitor analysis is the so-called Four Corners Analysis, developed by Michael Porter of Harvard Business School. The model has four analytical corners:

1. What drives the competitor? Look for drivers at various levels and dimensions so you can gain insights into future goals.
2. What is the competitor doing and what is the competitor capable of doing?
3. What are the strengths and weaknesses of the competitor?
4. What assumptions are made by the competitor's management team?

The key to this analysis is to work down each step and see how well or tight each corner fits for the competitor. When you get to the fourth corner (assumptions), complete the fourth corner with management assumptions. This ties down the model and therein resides some useful insights. For example, how valid are these assumptions and do we have some opportunities to exploit these assumptions? A four corners model with poor fit will have numerous assumptions that could be off-base.

Before embarking on Four Corner's Analysis, you will need to do some preliminary research:

1. Identify your competitors.
2. Setup a profile template for defining the information to be collected and used in your analysis. This can include numerous types of information:
  - a. Short history of competitor
  - b. Critical events
  - c. Major customers
  - d. Products and services
  - e. Description of management team
  - f. Operating information – manufacturing facilities, quality, production processes, cost structures, etc.
  - g. Labor force, quality, talent, etc.
  - h. Strategies – goals, capabilities, core competencies, strengths, etc.
  - i. Marketing – brand image, markets served, pricing, etc.
3. Gather all of the information per the template.

Once you get past these preliminary steps, you can proceed to analyze the information and present it to management for adjusting your strategy. The purpose of Four Corners Analysis is to predict future moves of your competitor's based on your own strategic moves.

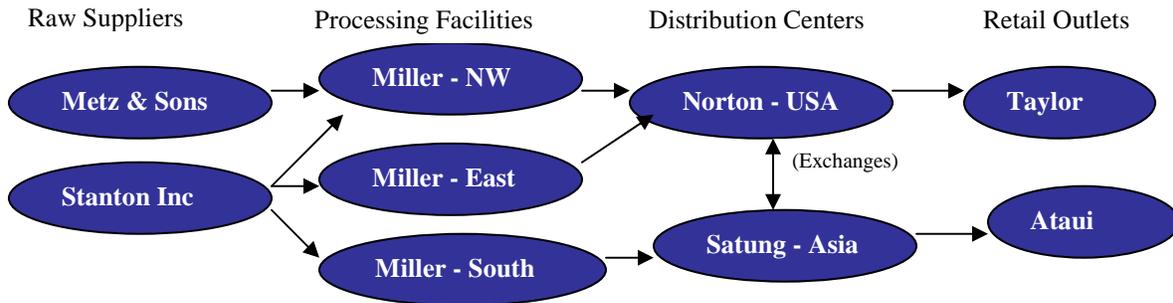
“For someone to win, his or her competitor must lose, and vice versa. But competitors will learn from each other's successes and mistakes, as well as their own. Both sides will imitate successes and attempt to avoid mistakes. Both will have access to similar information, and both will be prepared to deceive the other while trying to avoid being deceived..”

– Forecasting, Planning, and Strategy for the 21<sup>st</sup> Century by Spyros G. Makridakis

## Supply Chain Analysis

One of the most overlooked analytical models has to do with the Supply Chain. A great deal of knowledge can be gained by understanding the dynamics behind a supply chain – manufacturer, distributor, retailer, and customer. The relationship of all of these players and how they perform together is critically important to remaining competitive. For example, how effective are distributors in moving products between the manufacturer to the retailer? How does this compare to other similar supply chains? How do marketing, sales, production, other components of the inner chains fit within the overall value chain?

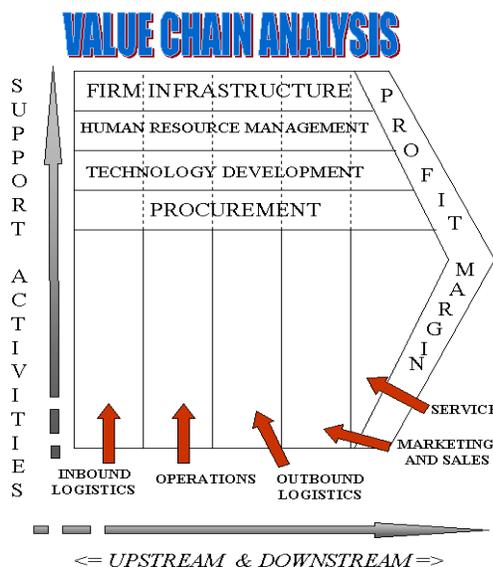
One good place to start your analysis is with a map, showing each player in the chain and depicting the basic flow:



The purpose of value chain analysis is to understand the complexity of the entire process and how can we produce more value for the customer at the end of the process. Many Analyst try to streamline and extract more performance within the value chain, such as faster cycle times. However, it is very important to understand how information is shared within the value chain. Also, the nature of the products and services will impact the performance within the value chain. Therefore, it helps to understand the drivers associated with the value chain. For example, how a product is made will impact performance within the value chain. Another driver is money – how are players in the chain compensated. Is it based on volume or does the system provide incentives for reducing waste?

Keep in mind that the value chain involves all of the supply and demand flows of not just the products, but also the services and information. This can include things like procurement processing, order fill rates, transportation logistics, customer services, and everything else that transforms inputs into finished products delivered to customers.

A basic model for pulling this together comes from Michael Porter's book: Competitive Advantage: Creating and Sustaining Superior Performance. Porter concludes that the profit margins for a business are a function of the Sales Revenues less all value-chain activity costs. Porter's model divides value chain activities between primary (directly involved in making and moving the products) and support (functional type activities such as product quality, order processing, technology, finance, etc.). Here is the basic model:



One of the benefits behind value chain analysis is that it gives you an “operational” perspective of the business – production, logistics, distribution, selling, customers. The support activities (HR, Technology, Finance, Procurement, etc.) provide the underlying layer, working in conjunction with operations. Value chain analysis is also useful for SWOT Analysis. For example, how do we differ from our competitor’s in terms of processes, logistics, and other components of the value chain? Based on these differences, what are our strength’s and weaknesses? What opportunities should we look at for improved competitiveness? And finally, are there any major threats that we need to address?

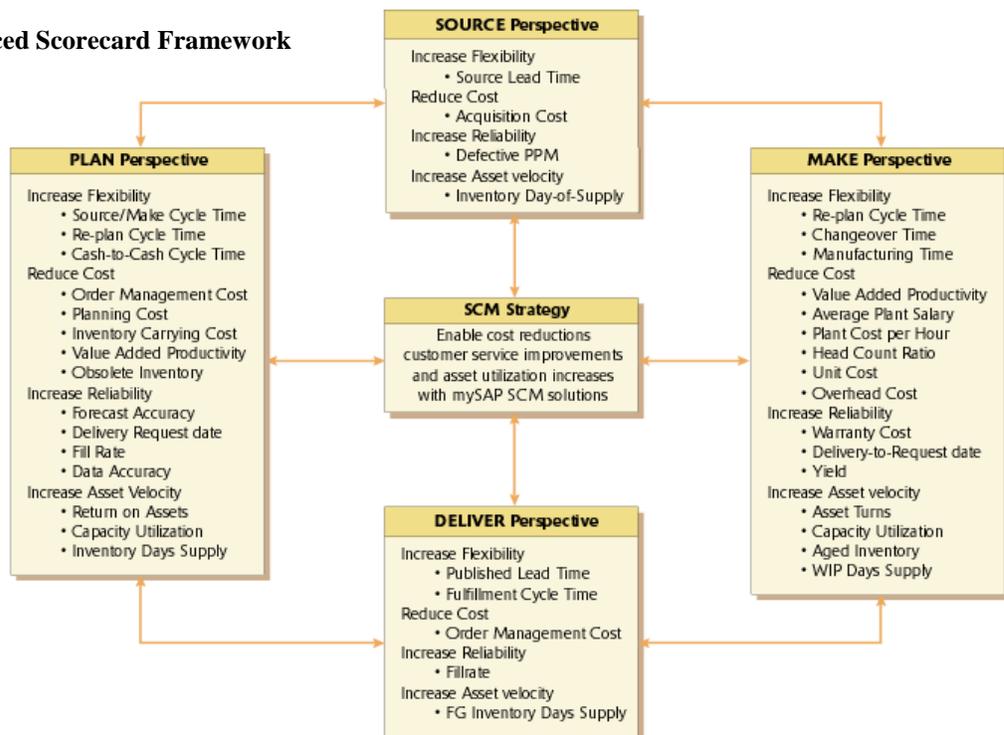
One of the more rigorous and comprehensive models for understanding a supply chain is the SCOR Model. SCOR refers to Supply Chain Operations Reference. The SCOR framework consists of several processes, each consisting of three levels. Processes include:

- Plan – Providing for resources, such as Materials Requirements Planning.
- Source – Obtain resources, inspect, store, move, etc.
- Make – Create the products, test, package, etc.
- Deliver – Process orders, issue price quotes, invoice the customer, etc.
- Return – Warranty, defects, inspections, handling, transfer, etc.

Since most value chains have sub chains or multiple processes, the SCOR Model overlays the processes into levels:

- Level 1 (Process Types) – Various chains or principal units that make up the overall supply chain
- Level 2 (Process Categories) – Structure of planning and execution in moving materials, information, etc.
- Level 3 (Process Activities) – Business and transaction processes that support the levels above, such as purchase orders, customer orders, etc.

### SCOR Model in a Balanced Scorecard Framework



The SCOR Model drills down to a very detail level of understanding within the supply chain. For example, transaction processing and performance measurements are often part of the SCOR Model. This can be useful for understanding what suppliers are good at, how best to use suppliers, and isolating those that are strategically critical to the business. A complete understanding of the SCOR Model is beyond the scope of this short course. For more information, visit [www.supply-chain.org](http://www.supply-chain.org)

## Customer Segmentation Analysis

The buying behavior of customers will vary by segment, such as the elderly, the affluent, where people live, and so forth. If you want to understand how to compete, then you should understand the purchasing processes – who is buying what from whom? You can start your analysis with various segments and then test each hypothesis to see if this segment is buying the product or service. This type of analysis, referred to as customer segmentation analysis, helps the organization focus on those segments that provide the greatest growth. Without this correct customer focus, the organization runs the risk of allocating resources to too many customer segments, leading to poor growth and lower profitability. Customer segmentation analysis is a cornerstone of market research.

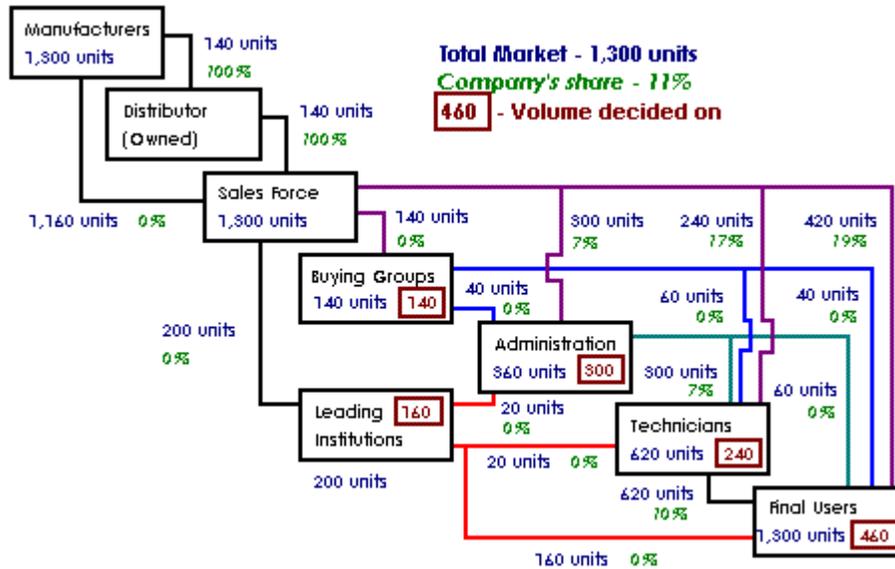
Certain critical questions lend themselves to Customer Segmentation Analysis:

- Which customer target groups are the most attractive based on the values we provide to the marketplace?
- Are we effectively reaching those targeted groups where we offer the most value?
- How profitable is our current customer base and should we alter the customer segment mix to improve our profitability?
- Do we have sufficient organizational capabilities going forward to meet the needs of our core customer segments?

Much of the analysis will center on definition of values – the values you provide your customers, such as innovative product features or meeting basic needs at low prices, as well as understanding the values your competitor's provide. This is the baseline from which you segment customers. The trick is to match-up your values against different customer segments, identifying those segments that are the most profitable. Therefore, customer segmentation analysis can represent a critical tool for “profitable” strategic focus.

Since an understanding of customers is critical to customer segmentation analysis, a well-defined process should be in place for monitoring and tracking customers. It's also useful to have a dynamic model in place for customer segmentation analysis. This helps you update your analysis as various factors change, such as changes in customer behavior, social trends, demographic shifts, etc.

One of the tools for summarizing your analysis will be market mapping. This is somewhat similar to the value chain in that we are flowing the volume of products through different channels, from where the product originates to where the product is finally consumed. An example is listed below:



## Strategic Business Units

If you have several different types of businesses, then you need to periodically make decisions as to invest or divest in certain strategic business units (SBU). One of the better analytical models for addressing this issue is the General Electric Screen Matrix. Jack Welch of GE raised the issue that SBU's should be in leadership positions within their respective markets, otherwise GE should consider divesting of the SBU. In conjunction with the consulting firm McKinsey & Company, GE devised a simple matrix to map SBU's and make strategic decisions.

The overall industry represented by the SBU is evaluated based on how attractive it is relative to potential growth, competitive position, capital investments needed, economic conditions, regulatory issues, and various other factors. To keep it simple, we will rank the industry attractiveness as Low, Medium or High in a vertical matrix. You can start your analysis through Porter's Five Forces Model.

Next, we need to do a SWOT type assessment of the SBU itself and rank its attractiveness horizontally. If the SBU is weak, then we would rank it Low. Also keep in mind that we typically have more control and influence over the SBU as opposed to the industry.

Now summarize your results in a 3 x 3 matrix. SBU's in the upper left part of the matrix are the most attractive while SBU's in the lower right part of the matrix are least attractive. The GE Screen Matrix is a simple way of presenting your analysis in such a way that you can improve how you manage the portfolio of businesses.

Listed below is a basic example of the GE Screen Matrix, showing the major criteria in each box:

		SBU Attractiveness		
		High	Medium	Low
Industry Attractiveness	High	Invest heavily in these SBU's to grow the overall business	Invest selectively and expand where feasible	Focus on income potential
	Medium	Invest selectively and expand where feasible	Develop selectively for income potential	Harvest or Divest of these SBU's
	Low	Develop selectively and grow on strengths	Consider harvesting these SBU's	Divest of these SBU's

	Very Attractive, continue to invest and grow this SBU
	Somewhat Attractive, manage closely to protect further erosion
	Not Attractive, probably need to sell off SBU

## PEST and STEEP

One of the concepts discussed in Part 1 of this short course was environmental mapping. We need to understand the complete competitive landscape – things like economic trends, technology and other factors impacting our organization. One of the more popular analytical models for environmental assessment is PEST:

**Political** – Understanding the political environment. For example, politicians can create new issues for a company, such as new reporting requirements for publicly traded companies per passage of the Sarbanes-Oxley Act.

**Economic** – Changes in the economy will impact a company, such as lower investment rates, higher interest rates, slower economic growth, and changes in consumer spending.

**Social** – Trends in demographics, population shifts, lifestyles, and other changes in society can influence an organization.

**Technology** – Sudden changes can occur with new technologies, especially for those companies that depend upon technology for producing and distributing products and services.

For some organizations, the natural environment or ecology could be important, such as those companies that use or impact the physical environment. Therefore, we can add another letter to our PEST Model (E for Ecology), rearrange the letters and come up with

STEEP (Social, Technology, Economic, Ecology, Political). However, the important point is to create your own unique model that effectively monitors the external environment that you operate in, recognizing that many elements influence one another. Additionally, you want to relate the trends into KIT's where possible, giving you the baseline you need for understanding the implications on your organization. Most companies need a framework for evaluating external forces and PEST or STEEP are good places to start.

**Key Point → Complimentary Approach**

One analytical model can lead and compliment another. For example, Four Corners Analysis can help lead or compliment Porter's Five Forces Model. Competitive Cluster Analysis of industry products can help compliment Four Corners Analysis. We need to recognize how different analytical models can help work together for a complete analysis.

**The Full Range of Analytical Models**

Unfortunately this short course cannot do justice to the full range of analytical models. However, an excellent book that does justice to analytical models is Strategic and Competitive Analysis by Dr. Craig Fuller and Babette Bensoussan. This book describes in detail numerous analytical models and how they should be applied. The authors also have a system, which they refer to as FAROUT (Forward Oriented, Accurate, Resource Efficient, Objective, Useful, and Timely), for determining the overall effectiveness of an analytical model. If you want to fully understand analytical models for competitive intelligence, this is probably the best source.

Analytical Method	Future-orientation	Accuracy	Resource-efficiency	Objectivity	Usefulness	Time-liness
Stakeholder Analysis	Present to short-term	Medium	Medium	Medium	Medium	Medium to high
Business Screening Matrix	Present to short-term	Low to medium	Medium	Low	Medium	Medium
SWOT	Present to short-term	Medium	Medium	Medium	Medium to high	Medium to high
Industry Analysis	Present	Medium	Medium to high	Medium	Medium to high	Medium
Scenario Analysis	Long term	Medium to high	Low to medium	Medium	Medium to high	Low to medium

Source: A FAROUT Way to Manage CI Analysis by Craig S. Fleisher and Babette Bensoussan

## Some Advanced Techniques

Competitive intelligence is full of special analytical techniques. This chapter will summarize a few of the more popular tools that CI Professionals use.

### Psychological Profiling

Every organization has its own unique culture. We can view this culture like we view the psychological profile of an individual. For example, some organizations are very innovative and risk taking while others are more calculating in their moves, opting for less risk. If we can understand this psychological profile at the organizational level, then we have good insights into how we can compete.

One way to comprehend the organizational psychology is to apply the Myers-Briggs profile to the organization. Myers-Briggs is a highly predictive indicator of psychological behavior in people. The Myers-Briggs Type Indicator (MBTI) categorizes behavior into four dimensions:

- Extrovert vs. Introvert
- Sensing vs. Intuitive
- Thinking vs. Feeling
- Judging vs. Perceiving

Extroverts – Sociable, people oriented, works well in groups, interacts, engaging.

Introverts – Intense, works through ideas, reflects, reserved, few relationships.

Sensing – Practical, responsive, realistic, factual, accurate, detail oriented.

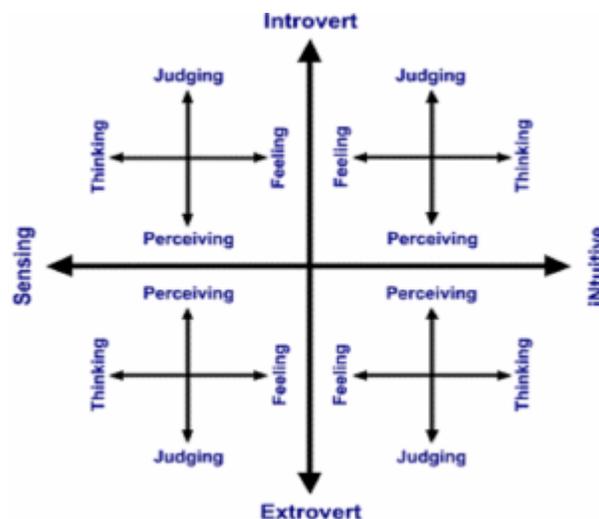
Intuitive – Insightful, innovative, forward thinking, strategic, learning, inspires.

Thinking – Logical, objective, reasoning, consistent, analytical, information user.

Feeling – Personal, cooperative, values, relates to others, persuades, humane.

Judging – Decision maker, planning, goal oriented, fast to act, hard working.

Perceiving – Flexible, adaptive, casual, goes with the flow, improvise.



If you study a company, its decisions, processes, management, and how it makes decisions, you can define a competitor's personality. This gives you a much clearer image of how the competitor will act going forward. For example, a "judging" type company will tend to plan before acting in the global marketplace while a "perceiving" company will be more adaptive to change. The personality of CEO's is also useful to understanding the character of a company. For example, Bill Gates of Microsoft fits with an Introvert and Thinking. CEO personality types are also useful in comparison to the company's personality type. If the two fail to match-up, then we have identified strategic vulnerabilities that we can exploit for increased market share. If the two psychological profiles match up, then we may find it difficult to compete directly against the competitor's strategy; opting for a "differentiation" type strategy.

Another good use of psychological profiling (Myers Briggs) is to use it for mergers, partnerships, and other possible alliances. You want to see if your company really fits with the other company. This is an important technique for due diligence.

## Shadowing

If you need to continuously monitor a specific competitor, then you should assign different people within your organization the responsibility of shadowing the competitor. This will require a small team of experts in different fields: Finance, Engineering, Marketing, Management, Technology, etc. Shadow teams are formed to closely monitor and learn in-depth everything about a key competitor. This can provide very valuable intelligence into the behavior of the competitor. Shadow teams can also elevate the quality of your competitive intelligence. This can be important when your competitive intelligence functions are somewhat stagnant and in need of some new energy and visibility within the organization. Likewise, it can be important where no competitive intelligence effort exists, but a small group of people consider competitive intelligence extremely important.

In order for shadow teams to work, several dynamics need to be in place:

- CI Oriented – All team members should be skilled at gathering and analyzing information for intelligence.
- Highly Diverse – A good shadow team consists of people with diverse backgrounds, demographics, expertise, and other characteristics so that you can effectively cover all the bases in understanding an issue.
- Independent and Autonomous – Shadow teams should have some degree of independence so that they can cut across the organization inside and out without obstacles. They should be part of your overall CI effort, but not part of the existing CI Function.
- Strong Skills Sets – Members of the Shadow Team should be very analytical, critical thinkers, self-managing and good communicators.
- Connected to Strategic Levels – Shadow teams should be interacting with others who are making strategic type decisions, including those who facilitate strategic planning.
- Rapid Response and Turnaround – Shadow teams may have to respond quickly to critical questions that need to get answered about the competitor.

It's worth noting that shadow teams do not work well in a conservative, non-risk taking type environment since shadow teams can be somewhat challenging to conventional thinking. Finally, shadow teams can subscribe to specialized services, such as Shadow TV, to help with their shadowing efforts.

## Reverse Engineering

For competitive product lines, reverse engineering is a common form of hands-on competitive intelligence. Reverse engineering is a process of taking an existing product or service, breaking it down into components, parts, sub-assemblies, and other products, understanding how to build it, and creating a model or representation of how the production process works. Reverse engineering is practiced in numerous industries: Consumer electronics, movie production, engineering designs, chemical manufacturing, and automobile production.

For example, Xerox has a CI Lab which buys two Cannon copier machines. One is placed in service continuously. This allows Xerox to monitor how well Cannon copiers hold-up under heavy use and how well Cannon executes on service calls. The second Cannon copier is taken apart, giving insights into the manufacturing and assembly of the copier machine. Software and Civil Engineers are routinely working on reverse engineering since reverse engineering allows them to:

- Reduce product development time
- Identify critical features needed for the product design
- Identify bad features that should be avoided in the product design
- Establish product benchmarks for manufacturing
- Test current production designs for weaknesses

Reverse engineering can be very important when a key competitor is facing possible bankruptcy, but has a high quality product line. Another company will need to pick up this business with a similar product line. Reverse engineering is also useful when you face difficulties with suppliers. For example, suppose suppliers are unreliable or unwilling to supply vital components. Reverse engineering can help develop some alternatives when parts are difficult to obtain.

Before embarking on reverse engineering, make sure you weigh the costs vs. benefits. Reverse engineering can be very costly, especially for one-time only type projects or where the components and parts have existing substitutes. Reverse engineering is often economical for products that require large investments and/or are produced in very high volumes.

## Global Intelligence

Collecting and analyzing information from foreign sources can present special challenges for competitive intelligence. Here are some critical points to consider:

- Local sources in the native language are usually more current than an English translated version.
- If you are trying to find an English information source, start with government sources or businesses that have overseas operations.
- The reliability of information may be poor. In certain parts of the World, such as South America, you should seek high-level, reliable sources for improved accuracy.
- External factors are important: Social, political, and economic. These can be very volatile in certain countries.
- Companies that already have a presence may be heavily entrenched with the government.
- Personal relationships can be invaluable. Research often requires personal relationships (face-to-face); especially in Asia.

Since native language sources are the best, it may be useful to invest in translation software. A listing of translation software vendors can be found over the internet at [www.eamt.org/compendium.html](http://www.eamt.org/compendium.html). And yes, you can start some background research through various internet search engines since most are multilingual.

### Key Point → Espionage vs. Competitive Intelligence

In many foreign countries, there is a fine line between espionage and competitive intelligence.

“The deck has been shuffled and jokers have been added. Never before has American business faced so many challenges, and never before have there been so many choices about how to face those challenges. Uncertainties and complexities abound. The only thing truly predictable is unpredictability. The new chic is chaos chic. As Yogi Berra put it, ‘The future ain’t what it used to be.’

– Managing the Dream: Reflections on Leadership and Change by Warren Bennis

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## Case Studies

We've covered a lot of material – Parts 1 and 2 of this short course. In an effort to pull it all together, we will illustrate some of the concepts through examples or case studies. Please note that there are no real right answers to these case studies. The purpose is to get you into the CI thinking mode – trying to apply what you've learned so that you can give management insights into what they should do. Some possible solutions to the case studies are included at the end of this short course – but don't cheat, try to answer the questions associated with each case study. Then compare your answers to the comments at the end of this short course. This should finalize many of the concepts covered in Parts 1 and 2 of this short course.

### Example 1: New Product Launch

Millennium Packaging and Shipping is about to launch a new product called Fast Freeze Wrap. Fast Freeze Wrap is a flexible wrap that clings around beverage products (such as Coke, Beer, etc.). The product uses a flexible wrapping material, insulated with special chemicals that get activated by bending the wrap. The product has a limited life cycle of about 2 to 3 days, but it effectively chills any canned or bottled product that fits within the wrapping. The product has taken three years to develop. The Research & Development costs to date for Fast Freeze Wrap is approximately \$ 15 million. Millennium finally has the finished product, tested and ready to go to market. The product is considered very unique since no one has a similar type product that competes with Fast Freeze Wrap.

Mark Hatfield, CEO for Millennium is not sure how the new product should be launched. Some of the marketing managers are opting for test marketing and further product development; otherwise Millennium could make several mistakes with its product launch. The research personnel have worked hard for several years getting the product exactly right and they would like Millennium to launch the product quickly before a competitor gets wind of what they've created, copying it and under-cutting all of their efforts.

Millennium has a stable product mix of basic freezer and container type products. Most of these products are not very innovative. It is very rare for Millennium to introduce new products since they have a well-established product line. Sports and recreation vendors within the United States, Canada, and Mexico use most of Millennium's products. Millennium sells about 60% of its products to direct consumers through various retail outlets, such as sporting goods stores.

Mr. Hatfield has asked the Competitive Intelligence Section to provide some insights and direction on how to proceed with the new product – Fast Freeze Wrap.

1. What are some of the Key Intelligence Topics?
2. What hypothesis should we consider testing through competitive intelligence?
3. What type of analytical research would be appropriate?

### Example 2: Threat of New Competition

J & J Candy Company is a well-established maker of high volume, low cost candies in the Mid Western United States. Some of J & J's products include chocolate covered peanuts, bubble gum, and hard candies (mints, lolly-pops, etc.). J & J has strong market presence through wide wholesale and retail distribution, including most Wal-Marts. At a recent luncheon, the Marketing Manager discovered that Western Valley Foods has plans to introduce its candy products in the Mid Western United States. The Marketing Manager is not familiar with Western Valley Foods. However, in the interest of making sure nothing happens, he informed the CI (Competitive Intelligence) Analyst about what he learned, asking him to get back with management on the possible threat.

1. How should the CI Analyst treat this information?
2. What analytical tools should the CI Analyst consider using?

### Example 3: Competitor with Superior Products

Merry Weather has enjoyed over 20 years of business in Canada. Merry Weather manufactures and sells special weather monitoring equipment for harsh environments, such as the North Slope. Some of Merry Weather's equipment is used to monitor movement of glaciers and trend long-term weather patterns. Over the years, Merry Weather has made minor improvements to its weather monitoring equipment. Since Merry Weather is the only supplier of these types of products, it enjoys a virtually monopoly in Canada as well as Alaska. Merry Weather's customer base includes government agencies, airports, weather services, and scientific projects.

A European Company, DeGaltier-Hesson, is well known for very innovative and accurate weather monitoring equipment. Last week, DeGaltier-Hesson issued a press release, indicating that it will market its full range of products in North America (United States and Canada). Unlike Merry Weather, DeGaltier-Hesson, continues to improve its product line, offering "state of the art" in weather monitoring. DeGaltier-Hesson currently has no distribution or market presence within the United States or Canada.

1. What analytical research should Merry Weather under take for assessing the threat posed by DeGaltier-Hesson?
2. What, if any thing, might help protect Merry Weather from DeGaltier-Hesson's entry into the market?
3. What things could Merry Weather have done to prepare itself better given the changing competitive environment?

## Example 4: Sudden Change in Key Competitor

Mark Ten Properties is a premier home builder north of San Francisco. Mark Ten's key competitor is North Star Builders. For the last ten years, North Star has undercut pricing for new homes against Mark Ten. North Star is known for its fast and tight operations with standard type designs. This has enabled North Star to keep its prices lower than Mark Ten. As a result, North Star has been growing faster than Mark Ten. Despite the price competition, Mark Ten has not lost significant market share; primarily because of the unique styles and locations of homes that Mark Ten sells. Mark Ten prides itself on building customized homes to meet the unique needs of its customers, opting not to build homes that all look alike. This has given Mark Ten a reputation for attracting more high-income home buyers, thus enabling Mark Ten to grow profits despite no real growth in its market share.

Mark Ten has just learned that North Star will have a new CEO starting next month. The new CEO will be Mark McDonald, former CEO of Lakeland Forest Properties south of San Francisco. Mark Ten's Vice President of Marketing has asked the Research Analyst to provide some insights into how this key competitor might change, if any, once Mr. McDonald takes over North Star Builders.

1. What information might the Research Analyst look at to gain insights into how North Star might change?
2. How can Mark Ten use this research to better strategize against North Star?

## CI Systems

Given the high demands placed on competitive intelligence along with tight company budgets, we need to find efficient ways of working through the enormous volumes of data and information. To help out, we can use technology for capturing what we need and distributing our analysis to end-users on a global scale. This final chapter will outline the nuts and bolts behind Competitive Intelligence (CI) Systems. Please note that CI Systems are not a substitute for analysis, but CI Systems can help ensure that we spend more time analyzing the information as opposed to collecting it. Additionally, we might find some leverage through Business Intelligence (BI). This is particularly true if the BI System is:

- Not confined to just internal sources of information, but also looks at external sources of information
- Correlating and improving how you can understand relationships between internal and external information
- Taking into account strategy, such as inclusion of business rules so that the database is strategically grounded
- Not stale, is updated with current information from numerous sources, including human sources across the company.
- Looking at information in a very broad and qualitative context as opposed to a narrow and quantitative context.
- Not overly focused on Customer Relationship Management (common to most BI Systems), but is looking at the entire business landscape – industry, products, markets, competitor's, risks, etc.

“The nature of competition and complexity of business environment, coupled with advancing information technology, will continue to evolve. Business intelligence (BI) tools, techniques, and management methods are becoming permanent features of the business landscape. The value of better, timelier BI could tip the delicate balance between success and failure in seizing the right opportunities. People involved with BI want to know more about:

- How to develop a competitive intelligence network
- Getting more and better information at an earlier point
- Finding accurate and comprehensive data in the easiest to use format at the lowest cost
- An effective method for monitoring specific targets.”

– Internet Business Intelligence by David Vine

So we will loosely refer to CI Systems with the understanding that in some cases we might be talking about a BI System; especially if the BI System meets the criteria outlined above. We should also recognize that any automated system for competitive intelligence should be able to:

- Respond to simple KIT's by returning appropriate documents that are 80% accurate.
- Identify the subject or entity correctly 90% of the time within the information database.
- Return summaries or abstracts that reduce 80% of the volume without real loss in information value.

One of the principal reasons for having a CI System is to have on-demand information for fast retrieval, filtering, and monitoring. Alert services are a common feature within most systems, sending you emails when you get a hit on your stored search terms. Search terms are maintained in the taxonomy, a single repository for driving search results. Most CI Systems have sub-search term structures. For example, you add the search term "heart disease" to monitor medical developments. Several sub-search terms are added to the taxonomy, such as "cardiovascular disease" and "hardening arteries." This helps ensure that your search results are complete.

Given the enormity of information stored within a CI System, you no doubt will need some way of mining through the sea of data. Mining tools allow you to extrapolate the relevant information for further analysis. Text mining is of particular importance for CI because so much information takes the form of text. Text mining looks for things like word proximity and sentence structure, sifting through billions of text, placing it into some common format (referred to as normalization), and filtering or ranking the text using statistical methods. A good mining tool will also provide some analytical capability, such as structuring the output into visual charts, tables and graphs.

"The sheer volume of data at our disposal can either bury us or propel us. It's our choice. To ignore our data resources is fatal. Truly sustainable growth is only possible if we are able to leverage resources more efficiently in order to make better decisions faster and less expensively."

- The Value Factor: How Global Leaders Use Information for Growth and Competitive Advantage by Mark Hurd and Lars Nyberg

Intelligence Portals are quite popular with many CI Professionals. These portals provide a gateway to the databases that feed information for competitive intelligence. Three examples are Novintel ([www.novintel.com](http://www.novintel.com)), InfoBrix ([www.yellowbrix.com](http://www.yellowbrix.com)) and FirstRain ([www.firstrain.com](http://www.firstrain.com)). However, many portals may be too generic, helping with overall knowledge management as opposed to specific CI Projects.

Another popular application for business intelligence is Business Alert Monitoring or BAM's. For competitive intelligence, this may or may not be applicable. It depends on how "CI" oriented your Business Intelligence Database is. Assuming that CI and BI are closely aligned, then BAM's may warrant some development attention. BAM vendors include [www.celequest.com](http://www.celequest.com), [www.quantive.com](http://www.quantive.com), and [www.vigilpro.com](http://www.vigilpro.com) .

For companies with well-developed processes for competitive intelligence, then a comprehensive CI application should be considered. These CI Systems can provide robust features and functionality to:

- Collect and filter information from very specialized sources to reduce the research time.
- Summarize and organize the information so that relevant information is easy to discern.
- Catalog and index the results of your primary research, making it readily available for future CI projects.
- Improve the reporting of CI results through the use of graphical views.

Some of the major CI applications include:

1) Intelligence ([www.brimstone.net](http://www.brimstone.net)) - Collects information over the internet based on defined criteria. Provides the ability to do comparative analysis by products and companies. Very useful for categorizing information and displaying relationships with graphical tools. Somewhat restricted when it comes to capturing secondary and primary sources of information.

2) Knowledge.Works ([www.cipher-sys.com](http://www.cipher-sys.com)) - Designed as a management solution to CI Projects. Includes project setup in the form of Key Intelligence Topics as well as collection tools for capturing and storing information in conjunction with Lotus Notes.

3) Strategy ([www.strategy-software.com](http://www.strategy-software.com)) – Collects and organizes information from numerous sources and provides tools for analyzing and comparing the information. Includes useful reporting tools and templates for matrix comparisons as well as graphical comparisons.

4) Wincite ([www.wincite.com](http://www.wincite.com)) – Organizes information for CI Projects and includes some analytical capability such as SWOT and Porter's Five Forces. Also has solid capabilities for distributing intelligence through web browsers.

5) Wisdom Builder ([www.wisdombuilder.com](http://www.wisdombuilder.com)) – Very good application for identifying relationships between data. Allows easy capture of primary sources of information. One of the more user-friendly applications, adjusting to different needs of a CI Project.

If you have a specific need within the life cycle of a CI Project, then you may want to consider investing in a specialized application that fills a certain niche. There are numerous applications that are not marketed for competitive intelligence, yet they fill major voids in the competitive intelligence process. Here are a few examples:

- 1) ClearResearch ([www.clearforest.com](http://www.clearforest.com)) - Mining tool for pulling information based on relationships.
- 2) InMagic ([www.inmagic.com](http://www.inmagic.com)) - Content distribution
- 3) IntelliGenxia ([www.intelligenxia.com](http://www.intelligenxia.com)) - Organizes unstructured data.
- 4) Persector ([www.promere.com](http://www.promere.com)) - Market data analysis.
- 5) BrandPulse ([www.planetfeedback.com/biz](http://www.planetfeedback.com/biz)) - Tool for gathering consumer intelligence.
- 6) ACIS ([www.coemergence.com](http://www.coemergence.com)) - Tool for capturing internal sources of intelligence.

In conclusion, technology can help the CI Professional with managing various CI projects – especially with collecting and filtering through information, continuous monitoring of database sources, and rapid distribution of CI results with the use of graphical tools. However, the CI Process is very much a human driven process and as a result, the implementation of any CI System should only take place once the CI Function has been very well-developed.

“Our fascination with technology has made us forget the key purpose of information: to inform people. All the computers in the world won’t help if users aren’t interested in the information generated. All the telecommunications bandwidth won’t add a dime of value if employees don’t share the information they have with others. Information and knowledge are quintessentially human creations, and we will never be good at managing them unless we give people a primary role.”

– Information Ecology: Mastering the Information and Knowledge Environment by Thomas H. Davenport with Laurence Prusak

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## Course Summary

At the core of competitive intelligence (CI) is analysis. CI Professionals are experts in the use of various analytical models, such as SWOT Analysis, Porter's Five Forces, PEST / STEEP, and Market Segmentation. When applied correctly, these analytical models can convert desperate pieces of information into actionable intelligence. CI Professionals are also very diligent about developing and communicating their results in a timely and useful manner. Therefore, we must recognize that the best analytical approaches are forward-looking, relevant to the company, free of bias, and current with the competitive landscape.

Besides the full range of analytical models, competitive intelligence engages in specific techniques, ranging from competitive intelligence at industry trade shows to shadowing a key competitor for insights into how managers make decisions. When combined with things like counter-intelligence and CI Systems, we have the makings of a world-class competitive intelligence effort.

“The will to honestly, the will to believe what the information shows, both in individuals and organizations, is the scarcest commodity in the military, in government, and in business. The ability to see the consequences of actions clearly, even when that perception runs counter to conventional wisdom, requires courage and a willingness to be alone. Sometimes it requires the courage to be wrong, for none of us is guaranteed omniscience. But the will to believe what the facts reveal, and the courage to act on those facts, is the foundation of success in all endeavors.”

– The Intelligence Edge by George Friedman, Meredith Friedman, Colin Chapman, and John S. Baker, Jr.

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# Final Exam

1. A good place to start a competitive intelligence project is to:
  - a. Collect as much information as possible
  - b. Define the key intelligence topic
  - c. Profile all competitor's
  - d. Conduct SWOT Analysis
2. Hastin Instruments will soon launch a new product. What type of intelligence would be most critical for Hastin at this point in time so that its new product launch is successful?
  - a. Competitor Intelligence
  - b. Political Intelligence
  - c. Technology Intelligence
  - d. Market Intelligence
3. One of the better analytical models for determining your core competencies is:
  - a. SWOT
  - b. PEST
  - c. Shadowing
  - d. KIT
4. In order to understand the detail workings behind a supply chain, the CI Analyst or Professional should probably consider what type of model?
  - a. SBU Model
  - b. Value Net Model
  - c. Five Forces Model
  - d. SCOR Model
5. Competitive intelligence requires that we scan and analyze the broad environment beyond one's industry and competition. One framework commonly used to gain a better understanding of the broad environment is to use:
  - a. PEST
  - b. SCOR
  - c. Four Corner's Analysis
  - d. Shadowing
6. Caltron Industrial Products is a company that makes decisions in a calculating, rather methodical way. Caltron has not changed much over time in how it makes business decisions. Carlton is also not very visible within its industry, having few partnerships and alliances. The company is somewhat quiet in comparison to a

few other players in the industry. If we were to categorize Caltron's personality type using Myers-Briggs, it would most likely be:

- a. Introvert and Thinking
  - b. Introvert and Feeling
  - c. Extrovert and Perceiving
  - d. Extrovert and Feeling
7. NuClear Software Products has plans to develop a new software product. Several other competing software products already exist in the marketplace. The CEO for NuClear wants to shorten the lead times for making this new product. He also wants to make sure the new product takes into account some of the best features from competing products. Which of the following techniques would help NuClear compress its product development time and identify critical product features?
- a. Shadowing
  - b. GE Screen Matrix
  - c. STEEP
  - d. Reverse Engineering
8. Norton Swim Wear sells simple, low cost swimming suits along the East Coast of the United States. Norton management hired an outside analyst to do some competitive intelligence. Here are some excerpts from the CI analysis:

Two Customer Segments:

1. Highly fashionable swim wear – primary markets are California, Miami, and New England, customers tend to pay premium prices, very high profit margins.
2. Basic simple swimwear – primary markets are south of New England, from New Jersey coast down to Florida (excludes Miami target market). Customers tend to be price sensitive, looking for the best bargains.

Market Volume / Growth Information:

The fastest growing market for swimwear is in Miami. Two other markets that show solid growth are California and Florida. The remaining markets, such as New Jersey down to South Carolina are relatively flat.

Norton currently has very limited resources for any expansion and the CEO has asked the CI Analyst for a recommendation on where Norton should focus its resources for selling its swim wear. Based on the above competitive intelligence information, Norton should probably focus on what geographic target market?

- a. Miami
- b. Florida (excludes Miami)
- c. California
- d. New Jersey

9. Titan Industries has three different strategic business units or SBU's – Collins, Maxim, and Stellar. Each SBU is very different and Titan has conducted a combination of SWOT and Porter's Fiver Forces Analysis for each SBU. The results of this analysis is summarized below in the GE Screen Matrix:

		High - SBU Attractiveness - Low		
Low - Industry Attractiveness - High				
	Collins			Stellar
	Maxim			

Based on the above matrix summary, what investment strategy should Titan take regarding each SBU?

- |    | <u>Continue to Invest</u> | <u>Develop Selectively</u> | <u>Divest of SBU</u> |
|----|---------------------------|----------------------------|----------------------|
| a. | Maxim                     | Stellar                    | Collins              |
| b. | Collins                   | Maxim                      | Stellar              |
| c. | Collins                   | Stellar                    | Maxim                |
| d. | Stellar                   | Maxim                      | Collins              |

10. Which of the following factors will help align a Business Intelligence System into a Competitive Intelligence System?

- BI System is controlled by Marketing personnel
- BI System relies on both internal and external data
- BI System has well established data marts
- BI System is capturing all company regulatory filings

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## Possible Solutions to Case Studies

The following comments are offered to help you understand how CI might be applied in different situations. These comments are not necessarily the correct answer, but they should help you understand how CI can play a vital role in helping management resolve critical issues.

### Example 1: New Product Launch

1. Since Millennium is ready to launch its new product, customer and market intelligence are critically important. This is often the case with most new product introductions as illustrated in the product life cycle curve. Therefore, we have certain key intelligence topics related to the customer and the marketplace:

- Who is going to buy this product? List out the different customer segments and do research to find out purchasing behavior – who does this product appeal to based on their buying habits?
- Where is the market for this product? Is the market inside or outside Millennium's current market territory? Would it be better to launch the product in Mexico where Millennium has a footprint? Will it help Millennium to test the product in Mexico where the product would not attract intense competitive attention?
- When should the product get launched? Launching this type of product in the middle of winter probably won't work – this is a very seasonal type product. The timing and location of the product launch are very important.

2. One of the issues raised by the research section had to do with duplication of the product. We should test this hypothesis – how likely is it that competitor's will duplicate Fast Freeze Wrap. Is the product easy to duplicate? Who is best able to duplicate the product and who do they sell to?

3. Several analytical models can help answer Mr. Hatfield's questions. After the product is launched and selling in the marketplace, competitive intelligence will need to study the competition as to how they will react. CI should study the production processes within its own company and see what competitor's have similar type facilities. Four Corners Analysis might be useful for evaluating the competitive positioning after product launch. We should also recognize that Porter's Five Forces Model can give some insights – what product substitutes exist and how much power does the supplier of chemicals (used in the freeze wrap) have on our ability to produce and meet demand. Competitive intelligence can be pro-active in protecting Millennium from some unforeseen issues once the product has been launched and market appeal starts to grow.

### Example 2: Threat of New Competition

1. Confirm and verify the information directly to the source that informed the Marketing Manager. Find out who has this knowledge and where did he obtain it. The Marketing Manager can provide the name and perhaps the phone number for primary research.

The CI Analyst can continue to confirm back to other sources, picking up more bits of insight into the intentions of Western Valley Foods. If the information is well collaborated and confirmed, then further competitive intelligence should be conducted. For example, CI should find out more about the products Western Valley will sell, when will Western Valley move into the market space, and other information that puts J & J into action mode. CI continues to push until there is a clear threat and action must be taken. For example, suppose Western Valley will market high premium candies that do not compete with J & J. The impact is now substantially less and warrants monitoring, but perhaps not immediate action. CI is the fine art of getting “enough” hard evidence to paint a clear picture of what will happen and how and when it will impact your company.

2. If the threat is confirmed as real, the CI Analyst needs to conduct competitive analysis directly against Western Valley. Find out who buys their products, what products are they likely to introduce, where will they sell them, etc. The CI Analyst needs to issue a CI Alert, providing insights and possible action on how J & J can counter Western Valley Foods. For example, maybe J & J should launch similar products ahead of time in the same outlets where Western Valley sells its candies. CI should help you out-guess the moves of Western Valley, minimizing the impact of the new competitor.

### Example 3: Competitor with Superior Products

1. It is critically important for Merry Weather to understand DeGaltier-Hesson. This includes:

- SWOT Analysis to give us insights into the strength's and weaknesses of the competitor. What are the core competencies of DeGaltier-Hesson? How does it compete? Who are the customers?
- Psychological Profile of the CEO and company can be useful. We need to understand how DeGaltier-Hesson makes decisions and past behavior should help us understand decisions going forward.
- Supply Chain Analysis might be useful since DeGaltier-Hesson has no footprint in the marketplace. We can ascertain what is required to market and distribute products in the United States and Canada. This can help establish a time-line for when we can expect to feel the impact of the new competitor.
- Porter's Five Forces Model can help us understand if we should remain in this industry. How much will it cost to compete going forward?
- Reverse Engineering of DeGaltier-Hesson's products. Merry Weather should obtain some of DeGaltier-Hesson's products that compete directly with their products. Break the product down and see if it really is better than its own product line. How superior is the product? What can Merry Weather learn and build into its products?

2. If customers for Merry Weather decide to use DeGaltier-Hesson, they will be faced with the time and expense of switching out their current monitoring equipment. The benefit may not exceed the costs of switching over. Merry Weather may be able to

counter by offering discounts on upgraded products or offering maintenance and repair service to prevent customers from switching over. For customers likely to switch, it could help to show product comparisons that highlight the low costs and same basic features of Merry Weather's products.

3. Merry Weather should establish some basic competitive intelligence, such as attending trade shows to identify competitors and evaluate product innovations. You can also setup some basic searches on commercial databases to monitor key competitors. Also understand the dynamics of the industry and what is driving change. For example, you need to understand customers, suppliers, and external forces that shape the industry.

#### Example 4: Sudden Change in Key Competitor

The Research Analyst should look at past decisions and strategy at Lakeland Forest Properties while Mr. McDonald was the CEO. What kind of culture and reputation did Lakeland Forest have? What is Mark McDonald's background? Can you paint a pattern of behavior?

It would also be useful to do a Myers-Briggs of the CEO vs. Myers-Briggs of North Star. See if the two fit. If they do fit, then North Star will most likely continue to compete aggressively against Mark Ten. If the two do not fit, then Mark Ten may have a unique opportunity to take advantage of new weaknesses created with the sudden CEO change. For example, many of the people who work for North Star could get disillusioned with the new CEO who doesn't fit with the established culture of North Star. Therefore, Mark Ten might be able to pull some people and expertise away from North Star, allowing it to enter into the standard, lower price home building market.