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Competitive Intelligence in Action

How do organizations use competitive intelligence, and what can it mean to their success? Two case studies illustrate different approaches and results.

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Competitive intelligence (CI) is increasingly being considered an important, if not mandatory, piece of every business' overall strategy and functioning. If developed and used in the right way, CI can boost a business' bottom line as well. But the key is developing and using it in the right way, based on a particular business' needs, organization, and competition.

This article presents two case studies that illustrate real-world examples of how CI was developed and employed in very different firms, answering such questions as:

- Where did the idea of CI originate internally?
- Who are CI's champions, and how have they benefited?
- What was CI's effect on revenue?
- What approaches/strategies were used – internal, contracting out, consultants?

- What has worked and what has not?
- How were internal information/records used strategically?

The names of the companies involved have been omitted for confidentiality and competitive reasons, since knowing how Firm A runs its CI program is, in and of itself, competitively sensitive and valuable intelligence. The competitive sectors involved are also not precisely drawn because, in one case, identifying

the competitive market being served would be the equivalent of disclosing the firm's name. Detailing the specific market niche does not add to the lessons to be learned, and may, in fact, make it harder to clarify those lessons. But rest assured, these cases are real, current, and accurate.

Case 1: Financial Services

The first company is a large financial services firm that has been a part of the U.S. business landscape for more than 100 years. This firm first became involved with CI when marketing managers in one of its key business units realized that the competitive environment was becoming more difficult to deal with. They first hired a manager who had been in charge of CI at a much smaller firm. His job was to build the capacity to collect CI and to educate management about its importance and use.

At the Core

This article

- discusses the use of CI in two companies
- examines the strategic use of internal information and records within the two firms
- explores the effect of CI on each organization

Within 18 months or so, this manager began to see results. At first, he used internal research assistance, searching secondary literature for data and using online databases to stay aware of breaking news. As internal customers began to see the value of CI, the manager recruited several experienced CI research firms to provide supporting field research. The concept was that these firms would all be pre-qualified to work on CI and that the CI manager could offer projects to one or more of them.

This outsourcing of large, complex CI research and analysis projects quickly proved its worth. The CI research firms were usually given projects entailing significant field research, many interviews, and a competitive issue of major significance and importance to the firm. The mix of CI firms used varied over time as some were dropped and others replaced.

Initially, the CI unit had been providing CI to the sales and marketing functions and assignments and CI targets came to the unit through existing market research channels. But over time, the CI unit changed its tactics to deal directly with the sales function to better determine CI needs as well as to collect raw data from it.

One key initiative was periodic competitive briefings given by the CI unit to sales personnel. At those conferences, which could be either in person or by telephone, the CI unit also received first-hand data from the sales force and was able to probe these individuals for data that the CI unit would need for other tasks.

To supplement the briefings, the CI unit later established databases that are still updated on a regular basis. These databases provide a self-serve supplement to the regular CI research projects. Initially, they were not used often, but now there are thousands of database inquiries each month.

Since then, the CI unit has become larger, with individual CI professionals assigned to serve particular product groups. The CI unit, from an organizational point of view, remained grouped

with marketing research but has been recognized as a process apart from it. This organizational change allowed better coordination between the two units and helped them recognize that, in practice, CI is essentially a qualitative process while market research is predominantly quantitative in its operation.

Successful Initiatives

One extremely successful technique employed by the firm was the eventual development of a standard set of competitive research information products that are "pushed out" to actual and potential internal customers on a set schedule. The schedule ranges from ongoing or as needed, to weekly, monthly, and even annual, and the products are branded and delivered by e-mail, via teleconferences, and in person.

This technique helped the firm keep internal business partners aware of the competitive research function and helped them to understand what other types of competitive information are available. It also provides the CI unit with a basic set of deliverables that satisfy most internal needs.

Creating and maintaining a good relationship with internal customers has been critical to the unit's successes. The CI unit makes a point to allow the internal customers of the custom studies to review a rough cut of the findings to ensure that both sides are working toward the same objectives.

As with so many successful CI units, attributing specific revenue to its actions is difficult. Because this unit operates largely in support of sales and marketing functions, its contributions tended to be in qualitative areas such as

- providing early warnings of competitors' new product introductions and marketing initiatives as well as changes in the way products come to market
- identifying key competitors' emerging strategies that will directly impact the company's sales and marketing tactics
- serving as a source for "flash" warnings to senior executives, giving notice

of critical changes in the businesses of key clients, and providing news of significant legal changes impacting the company's own business

- providing reality checks for corporate strategic planning initiatives through CI's ability to predict what key competitors will do in response to corporate moves

In other words, the CI unit's support of sales and marketing "bought" time, a commodity that can be virtually invaluable to sales and marketing efforts. However, the true value of that time depends on what use the CI unit's internal clients made of it.

Within the organization, the CI unit continuously receives feedback on its performance from various internal groups. The feedback has, almost universally, indicated that the CI unit is providing a valuable service. In fact, the unit's value is demonstrated, in internal terms, by the following two observations:

- No significant marketing decision is currently made without considering the competitive intelligence provided by this unit.
- As the unit has matured, the types of strategic and tactical intelligence requested by senior management have shown that senior management values the unit's work.

Lessons Learned

As it has matured, the CI unit has maintained and refined its approach to collecting raw data. As it operates now, there are several interlocking approaches:

- The CI unit itself regularly conducts secondary research and analyzes its meaning. The sources used can range from press releases to governmental filings and from e-mails from sales sources to bulletins in industry-specific publications.
- The CI unit uses outside contractors on a regular basis to supplement this research. Contractors focus on in-depth interviews from customers, as well as the media, regulators, and

others. The results of these large research assignments are then blended with the CI unit's own work.

- The CI unit contracts out sporadic, labor-intensive, data-gathering projects that would overwhelm its own day-to-day operations. It may then conduct its own analysis of data that the contract organization provides.
- The CI unit contracted with outside firms to be available on a one-, two-, or three-day turnaround to handle emerging, short-term research and analysis on a continuing, open-ended basis. All members of the CI unit have the ability to use this resource. Typically, the CI unit receives new marketing materials and presentations, as well as the results of interviews with key individuals in the marketplace.
- The CI unit purchases syndicated research, which it may supplement by its own work and/or that of outside contractors.

The CI unit has also made changes in how it evaluates outside contractors. In the past, monthly reports outlined what CI personnel requested from various contractors and what was delivered. Then, as part of a corporate initiative on all contracted work, the CI unit asked its outside contractors to assign a cost to each request. The contractors now provide a monthly report of all work done on a continuing engagement, assigning both out-of-pocket costs as well as time-based charges to each task. This allows the CI unit to evaluate the cost-benefit ratio of each task, as well as to determine whether any particular internal customer has over-used this resource.

The company's use of internal information records has evolved over time. At the beginning of the unit's functioning, there were no internal records of any real use. Over time, having educated the sales force on the value of CI, the CI unit has been able to elicit cooperation that involves sales personnel providing data, competitive sales materials, and even interviewing leads from their own

customer relationship management (CRM) records. While the CI unit does not have direct computerized access to such records, there are no technological reasons why that could not happen in the future. The issue is not technical; it is cultural. Such direct access has been used in firms outside this industry for more than a decade.

Data sharing and CI-specific record-keeping have grown, with the CI unit taking the lead. The CI unit created and implemented an internal CI database in an effort to build credibility with the sales function. One goal of that effort is to induce the sales function to capture and then share potentially valuable data. However, because of the nature of its business, the firm is subject to strict privacy rules aimed at protecting the vast amounts of data it collects and keeps on individuals. These regulations have limited internal data-mining efforts.

Case 2: Transportation

This firm is a major player in its market niche. Its involvement with CI began in the 1990s, when it was considering a major investment in a Web-based marketing and sales initiative. That initiative would, if successful, enable it to make major inroads against its largest single competitor in that competitor's previously secure market niche.

The project managers quickly realized that, if the key competitor were first to market with a similar initiative, the company would lose much of the momentum it expected to obtain. In addition, if the company were second in the market, it would have to change its entire marketing strategy – a change that would have to take place quickly and that could not be made effectively after the fact; it would have to be started in the very near future.

The firm had no CI capability, so it contracted with a major CI research provider to conduct the needed research and analysis. That project provided the firm with the critical analysis it needed on its competitor's intentions and capabilities in this area. The project was a success. The new initiative was launched without the competitor being able to respond quickly.

In part as a result of this success, the firm created its own small CI unit. Rather than serving the sales and marketing functions, the unit focused more on corporate long-term strategy. The small unit did most of its own research, initially starting with secondary research sources. Over time, it added interviews with individuals whom the firm hired from competitors or customers.

Gradually, the CI unit began to share some of its work with the sales and marketing units through ad-hoc briefings; the unit later provided access to an intranet site containing links to research sources as well as short profiles on key competitors, customers, and related competitive issues.

Key Initiatives

More recently, the firm began a series of initiatives to enable it to compete more effectively. The impetus for this was its key competitors' increases in the market share of critical market niches. The firm's goal was to understand exactly how its key competitors approached selling, what worked, and what did not.

Internal managers first began a series of interviews and surveys that included their own sales force, headquarters and regional managers, and customers of all sizes. The specifications for the associated CI project gradually emerged as internal sales and marketing research personnel began to identify reasons why existing customers transferred a part, or even all, of their business to competitors.

The research indicated that several important reasons for that lay outside normal market forces. They included managers involved in their sales force's daily performance and interaction with the firm's competitors. As a result, the research personnel concluded that they were facing an issue for which CI skills would prove invaluable.

After starting its own internal research, the marketing and sales team brought in the CI unit as a partner. All soon realized that the scope of the CI work involved would overwhelm available staff as it involved more than secondary research and could entail dozens

of internal and external interviews, as well as analysis.

The new team arranged to contract with one CI company that was selected in a competitive bid process. At first, the firm provided the contractor a list of topics to explore. It then developed in conjunction with the contractor additional, subsidiary questions to be answered and deleted duplicate questions. The internal team conducted regular debriefings with the outside team, a process that generated additional questions and even changed the priority assigned to existing issues.

As the project developed, the CI contractor soon found that some of the firm's internal records were invaluable because they contained raw data critical to the overall assignment. For example:

- Research conducted by the strategic CI unit for senior management previously not available to the sales and marketing team
- Memos of the CI unit's interviews with new employees who had come from competitors and customers
- Memos produced by the sales force about customer calls, detailing the kind of sales tactics faced by key customers. These memos were routine files but were not previously used by anyone other than sales personnel and their managers.
- Interviews of individuals applying for sales jobs in local and regional offices; these records were the typical notes kept on employment interviews

Lessons Learned

In this firm, there was no relationship between the CI unit and internal records and information management (RIM) staff. However, the CI research revealed that the sales force had data of significant value to the overall assignment in its own records. That finding spurred an internal effort to improve the sales force's records, as well as to expand access to those records by non-sales personnel. Such an effort will necessarily involve the RIM staff.

At the end of the process, the internal and external teams generated a list of key findings from the project. The internal team then developed a summary of what these findings meant to the firm and how the firm should respond to them.

The payoff of the CI project is that the firm now knows what it is really facing and what underlying sales and marketing strategies exist. That translates into a new, unexpected ability for the firm to protect existing key clients from the competition, as well as to learn new, previously unsuspected, vulnerabilities in the competitors' likely future sales approaches. In this case, due to the company's market position, these lessons learned could translate into millions of revenue dollars, including that which can be gained and that which can be protected from likely loss.

In addition, the assignment provided the firm with a clear understanding of competitor pricing models as well as the underlying pricing tactics competitors planned to use. It also provided a road map of the company's own sales and marketing operations, benchmarked against its key competitors, which illuminated not only known strengths but also previously unknown weaknesses that the firm can now correct. For example, only when the firm actually saw a side-by-side comparison of how it managed its sales force and how its competitors managed theirs did it finally appreciate that it was draining significantly more time

from sales-related activities than were its competitors. According to one source, planned reductions in micro-management, including numerous associated reports, may be equivalent to adding from 10 to 20 percent more sales personnel at no cost.

There are some indications that this project may result in internal changes with respect to CI. One option under consideration is that the sales and marketing functions develop their own CI units. The other is to re-position and expand the existing CI unit to serve both strategy and tactical internal customers.

The Value of CI

As with so much in CI, any project's ultimate value lies in what a firm eventually does with the intelligence. If used well, CI results in better performance in three key areas:

- Acquisition of new business
- Retention of existing business
- Improvements in sales-force performance and morale

As these two case studies show, CI is much more than a management discipline. It is a practical, useful, and changing method of determining where a company stands in the business world and how it can compete more effectively and more knowledgeably in its marketplace. CI is becoming more and more necessary to ensure not only success but also survival. ■

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