

# Understanding Competitive Intelligence

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A Streamcrest Client Backgrounder

# Outline

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Understanding  
Competitive Intelligence

- What is CI?
- Where does the information come from?



2

What is CI Worth and  
What Will it Cost?

- Businessman's View of CI
- Implementing a CI Program



3

Discussion

- Fear Factors – What are your current issues?
- Your Current CI Systems and Framework
- Open Discussion

# What is Competitive Intelligence?

- What are my competitors doing now?
  - Revenues, Earnings, and benchmarks
  - New Accounts and Proposals
  - Product Features and Performance
- What will my competitors do tomorrow?
  - New technology
  - New products
  - New markets
  - Competitive responses
  - M&A, Divestment

# An Expert explains the difference between Information and Intelligence

<b>Data:</b> Scattered bits and pieces of knowledge	1990: "The D&B report told us that the competitor's plant had 100 employees." 1993: "One of our salespeople just passed by the competitor's plant and spotted only 30 cars in the lot."
<b>Information:</b> A pooling of these bits of knowledge	"Based on the D&B and the sales report, it appears the competitor has lost business."
<b>Analysis:</b> Distilled Information	"After gathering more operation information and running it through a side-by-side profit and loss analysis, it appears the competitor has become highly efficient. It exceeds industry standards and has become a best-in-class facility."
<b>Intelligence:</b> The implication that will allow you to make a decision	"The competitor would make a good acquisition candidate. Its lean-and-mean structure would fit well with our current operations."

From Leonard Fuld, *The New Competitor Intelligence*, 1995.

# Competitive Intelligence is actually a business discipline

- Yes, many people in an organization collect this sort of information informally as a part of their jobs.
- CI provides a framework of knowledge to:
  - Organize coordinated activities as a group
  - Share information to allow analysis
  - Incorporate active as well as passive collection techniques
  - Train workers in professional skills and techniques
- As a “soft science,” CI used to be limited to a small group of professionals, with most businesses “flying by the seat of their pants”



Amateur	Professional
Purchase Gartner, Frost and Sullivan reports	Build Cost Model of operations
Read competitor's Press Releases	Develop Psych Profile of their management
Write trade show Trip Reports	Operate War Room at show

# What CI is not

- It is not “James Bond” espionage
  - A minor problem is such things are illegal
  - You have to kill your sources to prevent being compromised



Bond: Do you expect me to talk?  
Goldfinger: No Mr. Bond, I expect you to die!

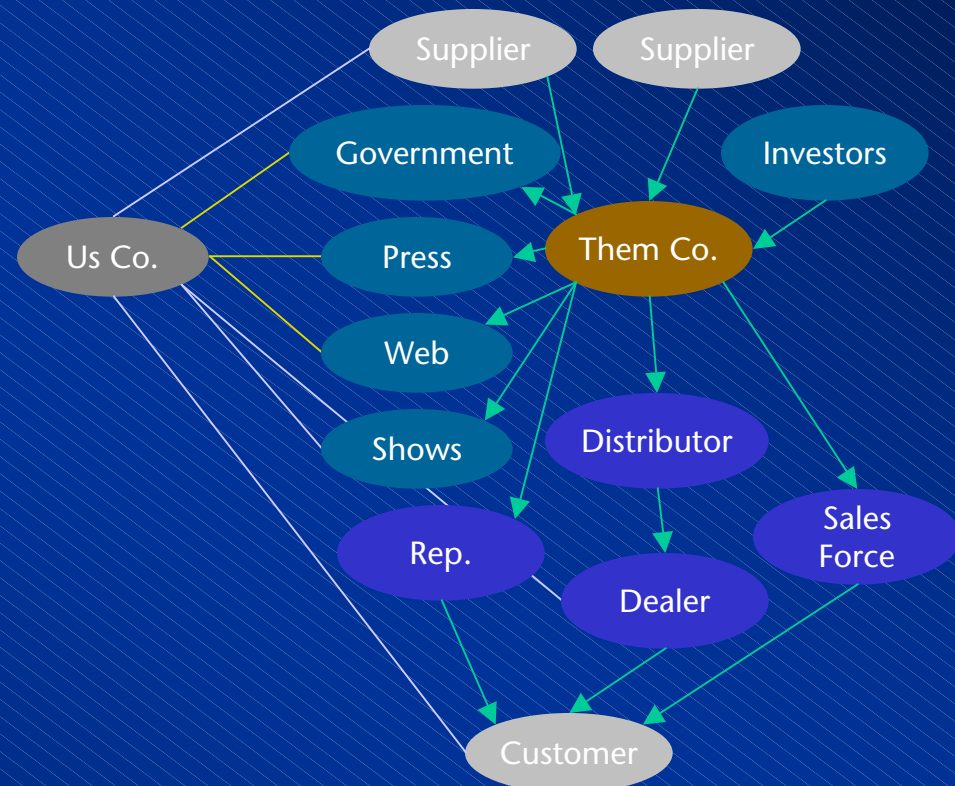


- Think “Lucy Librarian” research
  - Most information is obtained from reading or asking around
  - Lucy may not be as glamorous, but she can be just as effective, without blowing up buildings and calling in the army

**Where does the information come from?**

# No company operates in isolation

- They release information for promotional, image, and regulatory purposes
- We may share customers, dealers, and suppliers who can be interviewed
- Don't forget that every company has many needy employees with loose lips



"Whenever money is exchanged, so is information"  
- Leonard Fuld, *The New Competitor Intelligence*



# Sources of Competitive Information

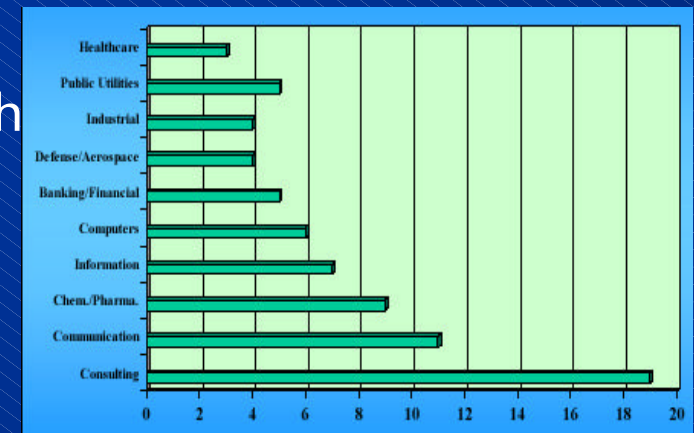
- Direct Sources
  - Passive
    - Web
      - Company Sites
      - Portals
      - Search Engines
    - Press Releases
    - Industry (Market) Analysts
    - Government Filings
      - SEC
      - UCC
      - Environment/Zoning
    - Financial Analysts
    - Employment Ads
  - Active
    - Trade Shows
    - Technical Conferences
    - Employment Interviews
    - Meetings and Panels
- Indirect Sources
  - Customer Interviews
  - Customer Surveys
  - Sales Force
  - Reps and Distributors
  - Suppliers and Partners
  - Former Employees

# Businessman's View of CI

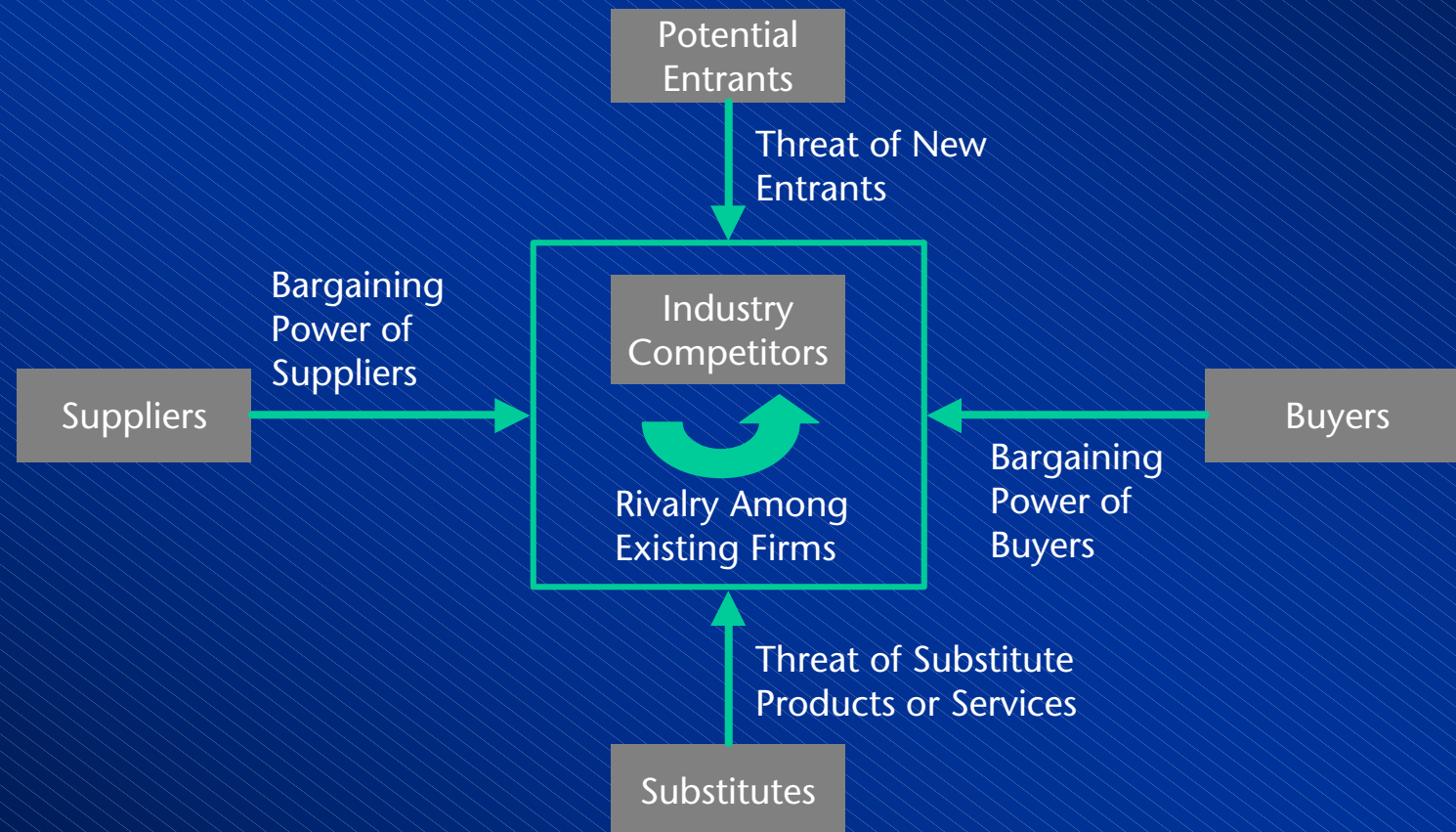
Is this stuff really worth anything?

# How Important is Competitive Intelligence?

- (What is the cost/benefit tradeoff of CI?)
- What is the product development/capex cycle in your industry?
  - Pharmaceuticals – 10 years
  - E-commerce – 2 months
- How large is the universe of customers?
  - Defense Contractor – 1-3
  - Direct Consumer Sales – 300,000,000
- What is the market stage? Emerging, Growth, Mature, Decline?
- Big Bets, Small Players, Mature Markets
- Correctly done, CI efforts usually require a small, unrealistic share of a firm's resources



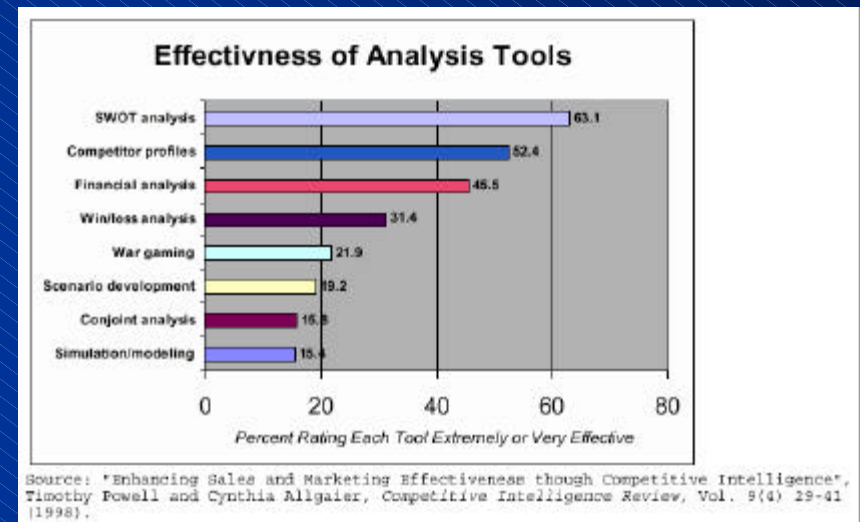
# The second-most misused diagram in business strategy



“Figure 1-1. Forces Driving Industry Competition”,  
Michael Porter, *Competitive Strategy*, 1980

# Competitive Intelligence vs. Competitive Analysis and Strategy

- “Spooks and Librarians don’t set policy”
- Faced with a choice, it is better to have amateur intelligence than amateur strategy.

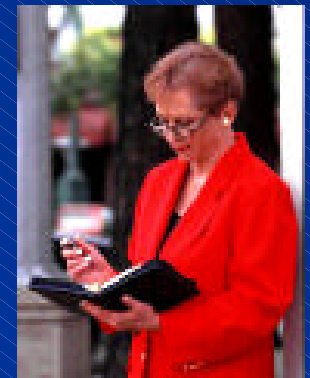


# Competitive Intelligence vs. Customer Intelligence

- Customer Intelligence – Knowing what the customer needs and his buying model
- Competitive Intelligence – Knowing what competitors have and their competitive strategy
- In emerging markets, Customer Intelligence always wins



Lucy Librarian



Pam Product Manager

# Competitive Intelligence Doesn't Always Work

- Information is always incomplete and unverified – it may be difficult to “prove a negative”
- Many collection processes require cooperation of outsiders
- Workers have to balance CI tasks against their primary duties, may become bored with long-term efforts and processes
- Competitors are working against you through counterintelligence activities

# Implementing a Competitive Intelligence Program

Some advice based on my experience



## Fact #1:

- Determine *exactly* what it is that you need to know.
- Otherwise, without an infinite budget, you'll end up knowing nothing about everything.

“You got to be very careful if you don't know where you're going... because you might not get there.”

## Fact #2:

- You already know most of what you need to know. You just don't know you know it.

You need a system to collect and organize information so it can be analyzed.

## Fact #3

- By the time you establish an excellent, full-time competitive intelligence function, you will no longer need it.
  - Out of Business/Game Over
  - Player in mature market with little change
  - (at least in high-tech emerging businesses with short product cycles)

## Fact #4

- Real in-depth competitive intelligence can't be done in a day. Some things aren't in Google.
- You will have to:
  - Wait for opportunities, such as shows and conferences.
  - Recruit and maintain sources
  - Develop systems or channels
  - Find or learn the optimum techniques for getting specific data.
- The half-hour break-out session at the annual planning retreat is no excuse for real CI.

# Dilettante's Implementation of CI

- Phase 1 – Apathy
  - Does Nothing
- Phase 2 – Zealousness
  - Does Everything
  - Important information lost in mass of data and activities
  - Surge of activities leads to detection, compromise and attention of competitors
- Phase 3 – Disillusionment
  - Competitors shut down or corrupt information sources
  - Lack of actionable results leads to belief that CI is not useful
- Phase 4 – Repeat Phase 1

# Dilettante's Implementation of CI

- Phase 1 – Apathy
  - Does Nothing
- Phase 2 – Zealousness
  - Does Everything
  - Important information is lost
  - Surge of activity by competitors
  - Determine what it is you need to know
  - Go slow on implementation to see what works
  - Avoid a burst of active activities
  - Review progress in terms of tangible benefits
- Phase 3 – Disillusionment
  - Competitors shut down or corrupt information sources
  - Lack of actionable results leads to belief that CI is not useful
- Phase 4 – Repeat Phase 1

# Counterintelligence:

## If we can do it to them, they can do it to us

- “Defection” is the most common CI mechanism in the valley.
- Recent Valley cases of unethical CI:
  - Intel/Sun Merced Data
  - Akamai/Speedera
  - Business Engine/Niku
  - Canal Plus/NDS
  - Avant/Cadence
- Do you have insurance?
  - An unethical CI campaign can yield enormous results
  - Methods:
    - Hacking
    - Impersonation and fraud
    - Document copying and theft

# Fear Factors

Planning your CI requirements:

- What keeps you awake at night?  
(business-wise)
- What would you like to know?
- What do you need to know?



# Current CI Systems and Framework

- Do you periodically seek information on competitors, or wait for it to come to you?
- Is there a place or person one can go to for a capsule of the latest intelligence on a firm?
- Is there an organized plan of information collection at trade shows?
- Is there a mechanism for submitting tips and rumors?
- Is someone responsible for CI at the business unit level?  
Does that person report to a strategy-setting executive?

# The End

**streamcrest**<sup>SM</sup>

