



The single authoritative voice of the marketing and public opinion research and marketing intelligence industry in Canada

La seule voix autorisée de l'étude de marché et d'opinion publique et de l'industrie de l'intelligence marketing au Canada



◀ MRIA Website

PUBLICATIONS combined library

Publishing Date: March 2002. © 2002. All rights reserved. Copyright rests with the author. No part of this article may be reproduced without written permission from the author.

Competitive Intelligence: Creative Data Analysis

by Enrico Codogno

A key factor that separates competitive intelligence from traditional Marketing Research is the creative gathering and analysis of information, which turns disparate bits of data into actionable intelligence.

In traditional marketing research, an analyst is usually presented with a fixed block of data, which the analyst then manipulates using statistical software and interprets for decision-makers.

In competitive intelligence, an analyst often deals with data from a variety of sources (including market research studies), and is something akin to a jigsaw puzzle with missing pieces. The CI analyst often has only 50% to 60% of the picture, and must use his knowledge of the industry to make an inference or educated guess as to what the rest of the picture looks like.

A competitive intelligence (CI) analyst must have the intellectual flexibility to use both scientific and non-scientific processes to analyse and interpret data to answer the "so what?" question.

Thinking Outside the Box

A classic example of just how creative information gathering and analysis can be within the CI profession is the story of the paper-processing company that wanted to know how much product was produced at a rival's plant. The plant was located beside a railway, which was used to bring in supplies and ship out finished product. Counting rail cars moving in and out of the plant was not considered reliable, because not all the rail cars were loaded with material.

The solution: a chemist and metallurgist were hired to measure changes in the amount of rust on the tracks before and after each train trip to and from the plant. Using this method, and by subtracting the weight of the rail cars, they were able to determine how much weight passed over the tracks. From this information, they were able to extrapolate the amount of product produced at the plant (*Competitive Intelligence*, Larry Kahaner, Simon & Schuster, 1996, P. 58).

This story is an extreme example of CI research. For most researchers, information gathering and analysis is more mundane, but the results can be just as important for the client.

In one project, we discovered that a British merchant bank had bought one of our competitors based in France. We needed to understand the implications of this action on the competitor's marketing and sales strategy in North America.

Research indicated that the merchant bank had been on a sustained buying spree, buying companies from different industries across western Europe. Many of these companies were forced to streamline their operations, lay off staff, and cut prices. In short, they became more aggressive in selling their products to gain market share.

There were indications that our rival must about to follow suit, including the hiring of a new CEO whose background with previous companies included a liberal use of price-cutting to gain market share.

Accordingly, we prepared a sales and marketing plan to pre-empt the competitor's anticipated strategy, thus minimising its impact when it did occur.

Forces that Influence Industries and Competitors

The CI process poses a major challenge to an analyst. This is because the analyst is forced to look at an industry and at competitors from a variety of different perspectives.

For example, a competitor can be analyzed by looking at how a variety of forces influence or impact its performance and profitability over the short- and long-term. These forces include:

- barrier to entry into or out of an industry;
- technology, including technology not currently used in the industry;
- suppliers (Who has the power in the relationship? The suppliers or the buyers of a specific resource or raw material?);
- distributors (small retailers, big box retailers, e-commerce);
- customers or end-users of the product or service;
- government (legislation);
- social attitudes (including perception of the competitor among potential employees with key skills);
- substitutes (other suppliers, different products that serve the same function, etc.).

The impact from each force varies from industry to industry, and strengthens or weakens over a period of time.

Methodologies to Analyze Industries and Competitors

There are literally dozens of analytical methodologies that a CI analyst can use, and it is important for the analyst to use a variety of methodologies.

It is beyond the scope of this article to describe these methodologies in detail, but I will provide a high-level review of some of the more common ones in use.

1. Strategic Analysis Techniques

These methodologies would include: Blindspot analysis, Competitor Profiling, and SWOT Analysis.

Blindspot Analysis is, as the name implies, an analysis of blindspots that may compromise a competitor's ability to respond to challenges. These blindspots would include:

- misjudging industry boundaries;
- inability to identify or deal with competition;
- faulty assumptions about competition.

Competitor Profiling is a popular methodology and involves:

- understanding the competition's strategies;
- evaluating their vulnerability to forces impacting the industry;
- evaluating their capabilities and resources;
- anticipating their next moves.

SWOT Analysis is another methodology that most researchers are familiar with and involves analysing:

- (S)trengths: finances, reputation, proprietary technology, cost advantages, customer service, strategic alliances, etc.
- (W)eakness: obsolete facilities, higher costs, poor marketing, high turnover, lack of skilled employees, etc.
- (O)pportunities: expanding product line, acquisition of rivals, new technologies, etc.
- (T)hreats: new potential competitors, product substitutes, government legislation, demographic changes, etc.

2. Behavioral Techniques

This would involve the analysis of key decision-makers employed by a competitor. For example, if a competitor hires a new CEO who has been successful in a different industry, it would be useful to know the following about the CEO:

- management style;
- educational and career history;
- key decisions that helped bring success or failure in the past;
- actions taken in the past which are likely to be repeated: would they be successful in the new company or would they lead to disaster?

3. Customer and Product Techniques

These techniques include:

- competitive benchmarking;
- customer value analysis: e.g. value maps;
- product analysis (such as reverse engineering).

4. Financial Analysis Techniques

These techniques include:

- ratio analysis;
- sustainable growth analysis;
- competitive cost analysis.

Conclusions

The CI analyst has a wide range of analytical tools available for competitive analysis.

The key for the CI analyst is to remain vigilant and flexible enough to learn new methods for information gathering and analysis, and not rely solely on one or two methods.

Other important personal attributes are personal courage and intellectual fortitude. The CI analyst must be aware of attempts to force his or her work into merely confirming existing assumptions, and must be willing to accept the fact that analysis may lead to new areas of inquiry.

Enrico Codogno is the Principal at Customer Foresight Group. He can be reached at (416) 651-0143 or enrico@customerforesight.com

© 2002. All rights reserved. *Copyright rests with the author. No part of this article may be reproduced without written permission from the author.*



© Marketing Research and Intelligence Association. All Rights Reserved.