Competitive Intelligence
– Essential Information for Business Success –

> **"Competition is at the core of the success
> or failure of most firms."**
>
> *— Michael Porter —*

A crucial element in the formulation of any business strategy is having the right information about the industry and the environment, at the right time. In a competitive industry, this translates into having access to reliable and actionable information about competitors, as well as the competitive environment in the industry, including information about competitors':

- **Key products**
- **Most important target markets**
- **Market positioning**
- **Pricing policies**
- **Competitive strategy**
- **Business development plans**
- **Strengths and weaknesses**

Then there's the need to see how your organization stacks up against its competitors, both in terms of customer and non-customer perceptions, and against operational key performance areas.

Monitoring the competition is essential in today's business environment. But it is, however, one of the most difficult areas in which to obtain reliable and actionable information, unless the process of intelligence gathering is carried out by people who are experienced in business intelligence research, and who are familiar with the sources of information available.

Technology Surveys International Inc., a seasoned practitioner of business intelligence gathering and analysis, has adopted a reliable methodology for obtaining competitive intelligence and conducting competitor analysis, one which has been proven over the period of many years. The purpose of this document is to describe the process followed by the company in carrying out competitive intelligence assignments, and to provide insights as to what is required for such an assignment to be successful.

115 george street, suite 610, oakville, ontario, L6J 0A2, canada
tel.: (905) 339-0109   fax (905) 339-3079   e-mail: info@tsicanada.com
www.tsicanada.com

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Benefits of Competitor Analysis

The success of a business can be directly related to the quality of decisions made by its management. A characteristic of business life is that executives have incomplete information about their task environment, the immediate environment in which their firm operates. Hence they are forced to make decisions under conditions of uncertainty. Essentially, this means that organizations run the risk of making **incorrect decisions** as a result of having **incomplete information about their industry** and the macro-environment in which they operate. This can be extremely costly to the firm.

It is generally not feasible to eliminate all of the risk resulting from incomplete information because there are so many areas of uncertainty. There are, however, certain pieces of information which, if not accessible, lever the level of risk to unacceptably high levels. Competitor intelligence often falls into this category.

The most important **benefit** of gathering competitor intelligence and conducting competitor analysis, then, is that **it reduces the uncertainty in your decision-making**. It reduces your organization's overall risk by allowing you to gain insight into the behaviour of the most important players in the industry, other than your customers. In a business world shaped by competitive strategy, understanding the dynamics within competitor organizations leads you to be able to predict, with relative certainty:

- **What strategic and tactical moves your competitors are planning or are likely to make**
- **How they are likely to react to important strategic or tactical moves made by your company**
- **How they will act in response to changes in the industry**

If you are unable to predict the responses of key competitors in your industry you will not be able to factor them into your own plans, adding a key uncertainty into your insight into how the future is likely to unfold for your organization. Competitor intelligence gathering allows you to remove this very important source of risk from your decision-making. Competitor analysis, therefore, enables your organization to **make better decisions**.

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When is it essential to gather competitive intelligence?

Monitoring the competitive environment on a continuous basis is important if organizations wish to fine tune their competitive strategies. There are, however, a number of occasions in an organization's lifecycle where access to competitive intelligence is particularly important. Competitive intelligence gathering has the highest payoff when your organization is about to make decisions regarding:

- **Market entry or exit**
- **Capacity expansion**
- **Acquisition**
- **Development or introduction of new product or process technology**
- **Vertical or horizontal integration**
- **Corporate restructuring**
- **Strategy formulation**

Each of the situations mentioned above usually result in a substantial investment of money and effort. Obtaining timely, actionable and reliable competitive intelligence can mean the difference between success and failure.
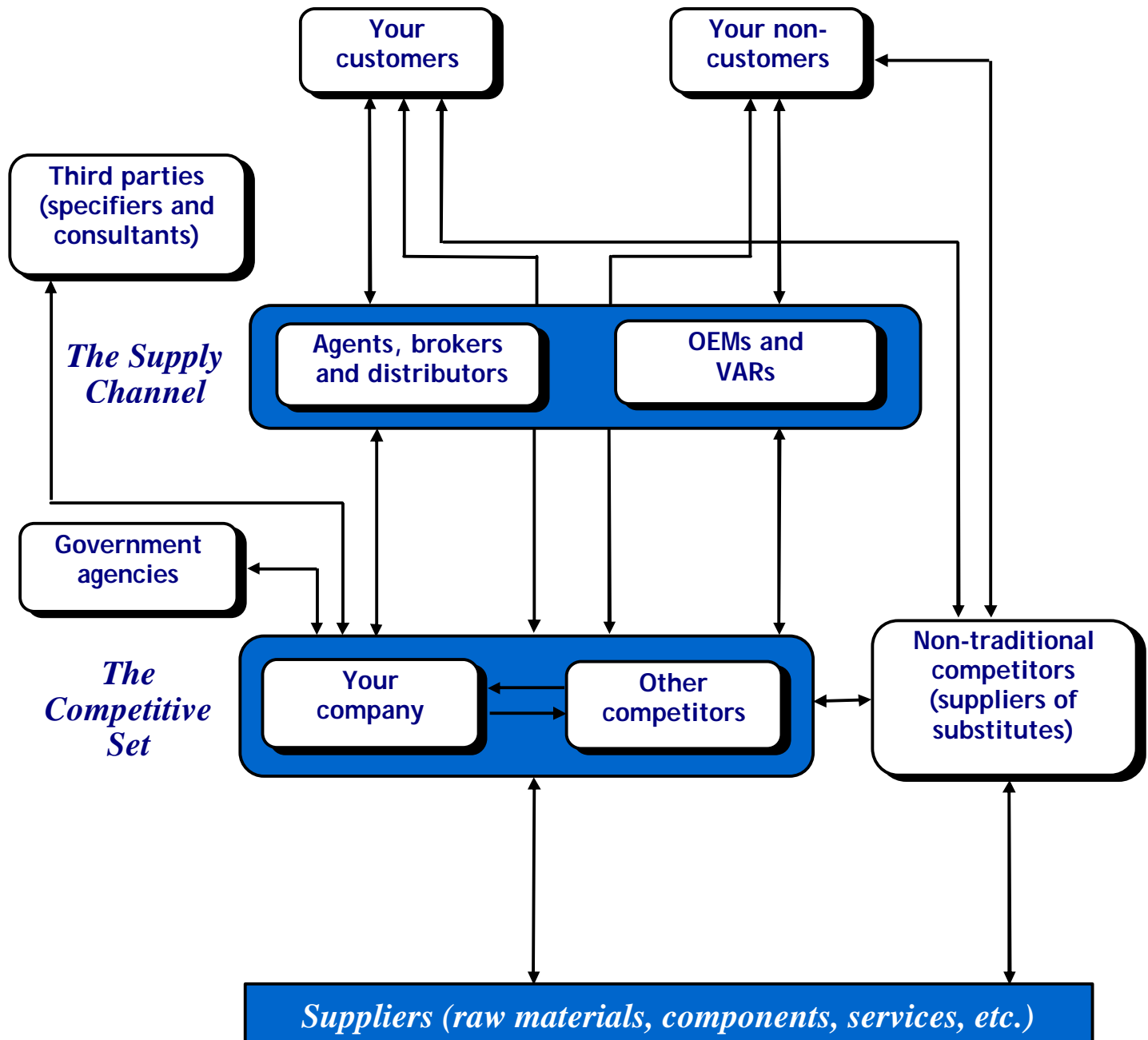
What do I need to find out about our competition?

Obtaining reliable, actionable and timely competitive intelligence is a means for **reducing the risk of strategic investment decisions**. Consequently it is important to obtain information on any aspect of competitive activity that can have a significant impact on the business decisions to be made. This means that, for the most part, the competitive intelligence gathering process should be **goal-directed**, relating to the specific objectives for which it is being sought.

If a company is keen to expand capacity, for example, it needs to know whether any other competitors in the marketplace are planning to expand (or contract), especially if expansion requires a large investment of resources. It would also be important to find out if there are likely to be any new entrants to the industry since this would increase the intensity of competition amongst the existing players.

As a starting point, then, it is important for the competitive intelligence analyst to understand the **business objectives** that have been set, in order to be in a position to define the **research objectives**. This ensures that the effort allocated to the competitive intelligence investigation is focused, and not squandered on 'nice-to-know, but unimportant' information. **Optimal deployment of both financial and human resources is the payoff for goal-directed research.**

COMPETITOR INTERACTIONS IN A GENERIC INDUSTRY STRUCTURE

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         ┌──────────────┐              ┌──────────────┐
         │    Your      │              │  Your non-   │
         │  customers   │              │  customers   │
         └──────────────┘              └──────────────┘

┌──────────────────┐
│  Third parties   │
│  (specifiers and │
│  consultants)    │
└──────────────────┘

                    ┌─────────────────────────────────────────┐
 The Supply         │ ┌──────────────┐      ┌──────────────┐   │
 Channel            │ │ Agents,      │      │  OEMs and    │   │
                    │ │ brokers and  │      │  VARs        │   │
                    │ │ distributors │      │              │   │
                    │ └──────────────┘      └──────────────┘   │
                    └─────────────────────────────────────────┘

┌──────────────┐
│  Government   │
│  agencies     │
└──────────────┘

 The            ┌──────────────────────────────────────┐   ┌──────────────────┐
 Competitive    │ ┌──────────┐        ┌──────────────┐ │   │ Non-traditional  │
 Set            │ │  Your    │ ⇄      │    Other     │ │   │ competitors      │
                │ │ company  │        │ competitors  │ │   │ (suppliers of    │
                │ └──────────┘        └──────────────┘ │   │ substitutes)     │
                └──────────────────────────────────────┘   └──────────────────┘
```

┌───┐
│ *Suppliers (raw materials, components, services, etc.)* │
└───┘

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The TSI Competitive Intelligence Gathering Process

Competitor Analysis involves goal-directed research into the competitive set in an industry. There are two major sources of information on competitors, namely **primary sources**, which includes the information obtained through discussions and interviews with people from various categories of organization within an industry, and **secondary sources**, consisting of published and unpublished information relating to the industry.

Primary Research

Building up a picture of competitor activity based on primary research involves interviewing people who have dealings with competing companies in the industry. Typically, some or all of the members of the competitive set in an industry will have interactions with the following categories of organization:
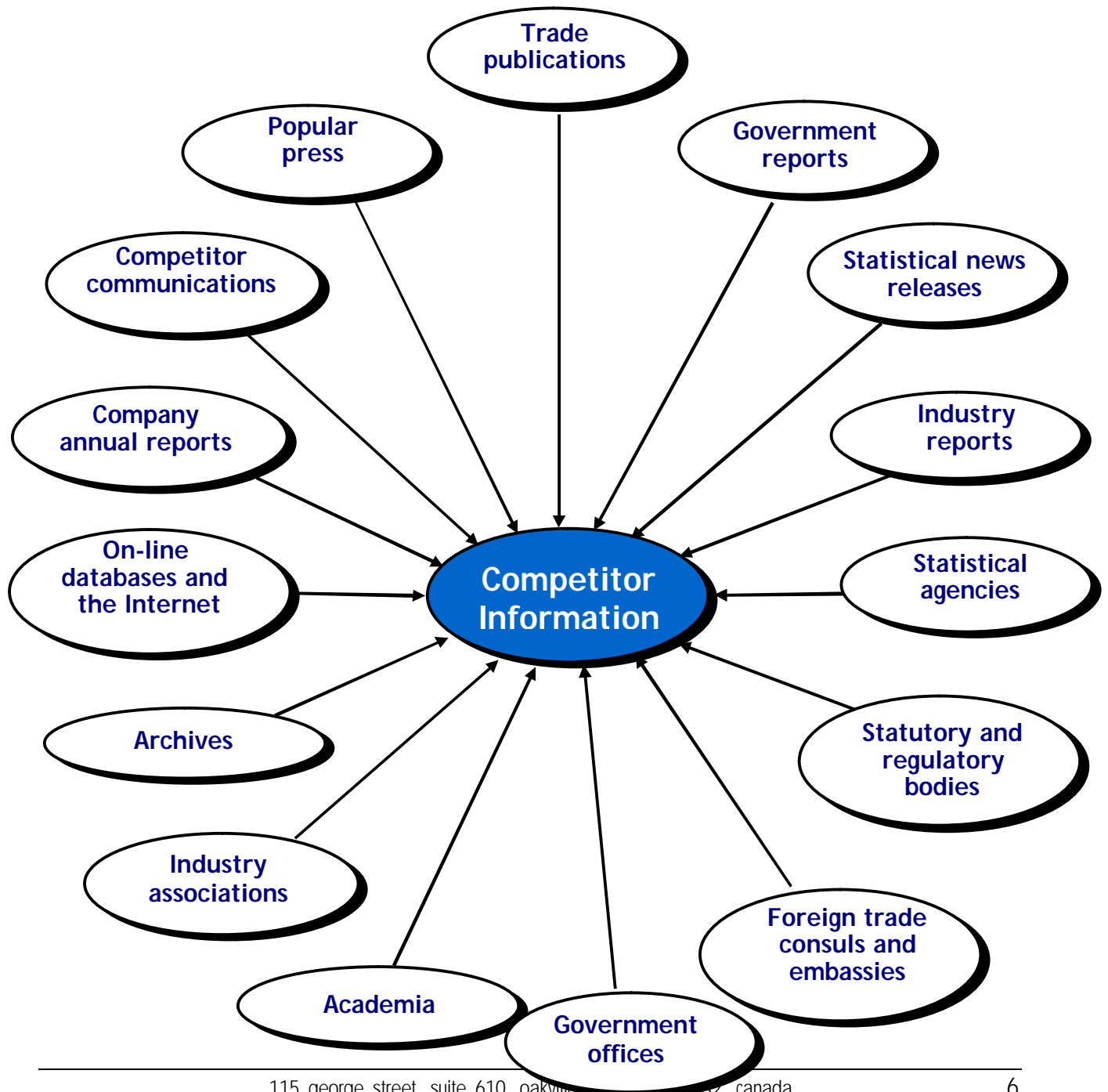
- **Customers**
- **Non-customers (including past customers, or new potential customers)**
- **Specifiers and consultants (third parties)**
- **Agents, brokers and distributors**
- **Channel members (e.g. OEMs and VARS)**
- **Competitors, including as suppliers of substitute products or services**
- **Suppliers**
- **Government agencies and departments (local, provincial/state, federal)**

Primary research aimed at understanding the competitive environment within an industry, as well as the actions of specific competitors within the competitive set, should therefore follow the trail of interactions of competing companies. Consequently, interviews are often held with key players in each of the domains listed above.

The figure above shows a generic industry structure, and lines of contact between each category of organization in an industry.

SECONDARY SOURCES

Trade publications

Popular press

Government reports

Competitor communications

Statistical news releases

Company annual reports

Industry reports

On-line databases and the Internet

Competitor Information

Statistical agencies

Archives

Statutory and regulatory bodies

Industry associations

Foreign trade consuls and embassies

Academia

Government offices

115 george street, suite 610, oakville, ~~~~ 6A2, canada   6
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Secondary Research

Secondary sources can provide a basis of useful information on the competitive environment in an industry. Typically, the kind of information that may be gleaned from secondary sources includes:

- **Industry statistics and quantitative data**
- **Key players in the industry (at all levels)**
- **Important trends in the industry**
- **Macro-environmental influences**
- **Topical issues facing the industry**
- **Company specific information and news**
- **Statutory information**
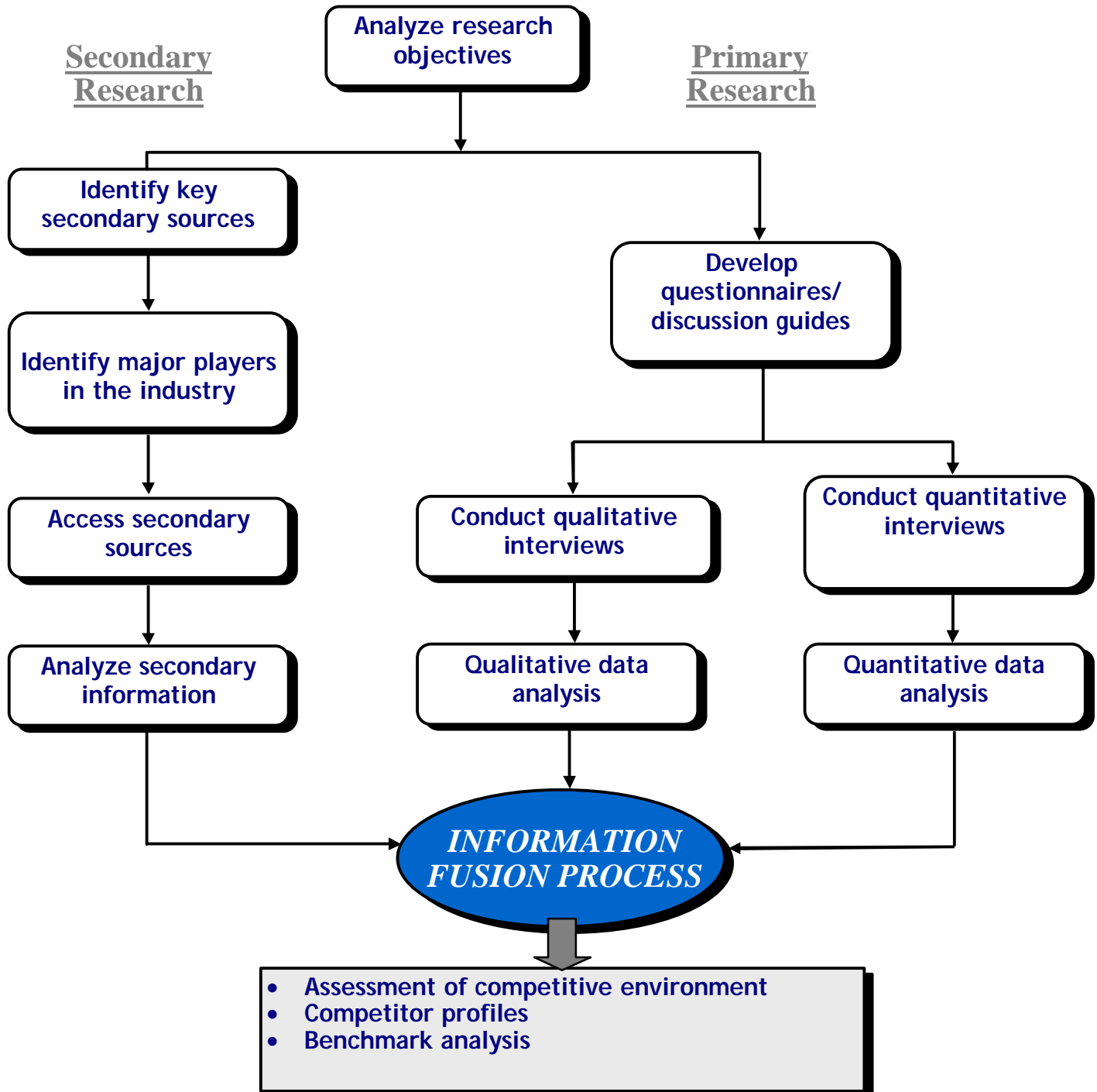- **Key events in the industry**

Why, then, would a company need to carry out primary research, if all of this type of information is already available from secondary sources? The reason is that the information that is obtained from secondary sources is often:

- **anecdotal**
- **controlled**
- **incomplete**
- **inaccurate**
- **lacking in depth or detail**
- **qualitative**
- **unfocused**

Secondary sources can be used to provide many basic facts about the competitive situation in an industry in a very cost-effective manner, but is rarely sufficient to provide either an accurate profile of specific competitors, or a comprehensive and structured view of the competitive forces shaping an industry. However, it forms an essential backdrop for the primary research phase of competitive intelligence gathering, and allows the analyst to focus primary research efforts at obtaining information that is not readily available from secondary sources.

115 george street, suite 610, oakville, ontario, L6J 0A2, canada   7
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STEPS IN THE COMPETITIVE INTELLIGENCE GATHERING PROCESS

Analyze research objectives

Secondary Research

Primary Research

Identify key secondary sources

Identify major players in the industry

Access secondary sources

Analyze secondary information

Develop questionnaires/ discussion guides

Conduct qualitative interviews

Conduct quantitative interviews

Qualitative data analysis

Quantitative data analysis

INFORMATION FUSION PROCESS

- **Assessment of competitive environment**
- **Competitor profiles**
- **Benchmark analysis**

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Steps in the Intelligence Gathering Process

A comprehensive competitive situation analysis would typically encompass four main phases as part of the overall intelligence gathering and analysis process, namely:

- **Qualitative Research (Primary)**
- **Quantitative Research (Primary)**
- **Secondary Research**
- **Information Fusion**

All of the data collected during the competitive intelligence gathering process is integrated during the *information fusion* phase of the project. In order to structure the analysis in the most appropriate way, TSI makes use of various models in the analysis. For example, it is often useful to evaluate the competitive environment in an industry in terms of the competitive forces that influence the dynamics, structure and long term profit potential of that industry. The Porter Five Forces Model provides an ideal framework for such an analysis, and involves the analysis of the following:

- **The Power of Buyers**
- **The Power of Suppliers**
- **The Threat of Substitute Products**
- **The Threat of New Entrants**
- **The Intensity of Competitive Rivalry**

TSI also makes use of *proprietary models*, such as **The Conversion Model**® for competitor analysis. The Conversion Model® provides a unique framework for analyzing the extent to which customer groups are vulnerable to switching to and from various competitors (including your own company) in the industry. Based on perceptions of customers in an industry, it represents an important strategic marketing adjunct to information collected from competitors themselves, and when integrated with the other sources of information, provides a powerful view of a company's competitive strength relative to other players in that industry.

Apart from the model-based analyses described above, TSI also provides clients with detailed *profiles of competitors*, based, once again, on an integrative analysis of all relevant sources consulted during the course of the competitive intelligence gathering process. Profiles would typically include such information as sales revenue, market share, major markets targeted, major products or services offered, management expertise and background, plans and new developments for the target competitor, strengths, weaknesses and key elements of the competitor's strategy.

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