Types of competitive intelligence

Competitive intelligence, competitive analysis, and business intelligence are all terms that describe a company’s attempt to learn about the markets it serves and its own positioning within them. Competitive intelligence is used to predict what competitors will do before they do it and react accordingly to the knowledge. While competitive intelligence primarily targets competitors, the same investigative techniques can provide valuable insight into the plans of suppliers or major customers. Unanticipated changes affecting important suppliers or customers can have more impact on a business than the actions of individual competitors, so they are worth watching carefully. If a company’s largest customer is acquired by a company served by its competitor, it will either have a larger customer or a lost customer after the acquisition takes place. The earlier a company knows about the merger plans, the better its chances are of earning the combined company’s business.
Interest in competitive intelligence has grown in the last few years. When companies learn that their peers are engaged in management programs such as competitive intelligence, they often establish their own programs, if only to maintain parity. In the telecommunications market, any increase in the intensity of competition will undoubtedly increase the prominence of competitive intelligence programs. Ironically, because some companies do not publicize the extent of their competitive intelligence efforts, other companies may inaugurate programs believing that such programs exist in competitors’ organizations.

Strategic intelligence concerns itself with understanding competitors’ long-range plans, the future of the competitive market, and the potential entrants to the marketplace. Strategic intelligence is by nature more generalized than other forms of intelligence but no less urgent. This form of competitive intelligence can provide insight into potential mergers and acquisitions that can drastically alter the competitive landscape. For example, did BT assume that its marketing alliance with and partial ownership of MCI would forestall any other merger offers? Did the company predict the wave of interest in MCI by WorldCom (its eventual partner) and GTE?

Tactical or operational intelligence has a shorter time perspective than strategic intelligence. Tactical intelligence attempts to learn about competitors’ short-term pricing plans, capacity changes, and service introductions. Companies need to be actively seeking information to glean tactical intelligence in time to react.

Counterintelligence is the other side of competitive intelligence. Because counterintelligence is the process by which companies defend their internal information, employees are the barriers between this information and the intelligence efforts of competitors. Another counterintelligence necessity is the erection of computer firewalls and controls against hackers.

While much of competitive intelligence gathering benefits the marketing function, the data can come from many sources within a company. A firm’s counterparts to the division that holds the targeted company’s desired data are the most efficient intelligence-gatherers; its operations staff reads the trade journals that contain the information about competitor operations; and its information systems staff can learn about its competitors’ use of strategic technology.
Information that is gathered in a competitive intelligence program also needs interpretation by personnel in other organizational functions. Financial statements are valuable sources of information but only to people who know how to read them. Often the most revealing insights are buried in the financial notes. If competitive research uncovers that a competitor is building a facility of a certain size, only an operations supervisor could know what the physical capacity of the new building could produce in sales. Thus, interdepartmental cooperation in the analysis of the data is advantageous.

It is difficult to summarize the results of a competitive intelligence program within a single page or report. To acquire the full benefit of such a complex program, several additional steps are required. The competitive intelligence analyst, with support from managers of other departments, needs to synthesize the data and make assumptions as to the future behavior of competitors, suppliers, or major customers. It is then management’s job to propose and implement an action plan. Until the entire process is completed, the company cannot expect to benefit from its competitive intelligence investment. Implementation contains the payback. The process is depicted in Figure 4.1.

![Figure 4.1](image-url)  The competitive intelligence process.
The scope of the competitive intelligence process suggests that some companies that attest to maintaining a competitive intelligence program fall short in the later phases. Some gather the information and make an effort to synthesize it but then do not develop action plans. Others make recommendations and fail to implement them. Many companies admit to having no formal program at all.

In 1997, The Futures Group conducted its third annual survey of competitive intelligence efforts in American business. All respondents stated that they gathered intelligence at some level. Only 60 percent were found to have an organized business intelligence system. Most respondents represented companies with more than $1 billion in annual revenues. Eighteen percent of companies with revenues of more than $10 billion did not have an organized program for business intelligence.

The telecommunications industry has been well-represented in the top 10 companies making good use of competitive intelligence. Motorola was awarded a position as first or second by its peers in 1995, 1996, and 1997. AT&T was in the top 10 in both 1995 and 1996.

To promote interactions between its business units, BellSouth has hosted a formal competitive intelligence program, sponsoring monthly meetings, a database, and paper communications [1]. The director of strategic intelligence at US West Media Group was recruited from the Central Intelligence Agency and army intelligence [2].

As expected, the most visible competitive intelligence programs are found in the largest and most powerful companies. Still, smaller companies with competitive intelligence programs will benefit as well. In fact, smaller companies are more likely to have a single powerful supplier or a few important customers, and are more likely to be significantly affected by the actions of one company. This makes them more likely to benefit substantially from an investment in a competitive intelligence program. Unlike many other management tools, competitive intelligence can be established on a relatively small budget, requiring only one or two full-time professionals. Since much of the research is now conducted on the Internet, a large investment in research tools is not required.

The important first step is to do something. Woody Allen once said, “Eighty percent of success is just showing up.” An organized competitive intelligence program can help a company reduce costs, manage its pricing strategies, and create services demanded by the marketplace. It has been
estimated that most of the competitive information a company needs is already known within its own organization. Locating and sorting this base of information and responding with appropriate actions can add substantially to the bottom line. Apparently, “just showing up” can be a competitive advantage.

**Competitive intelligence requirements**

Today, all companies have nearly the same access to competitive information. More than any other time in history, industry information is published with wide, even international, distribution by more sources than have ever existed in the past. Much of the information about competitors is free, or the cost is negligible. The biggest hurdles are making the commitment to managing competitive intelligence, drawing appropriate conclusions from the information that is gathered, and acting on the conclusions.

Information has a short shelf life. By the time most market information is well-known, it has little value other than being a historical record. A competitive intelligence program needs to have the mechanism to use and act on information the company finds. This requires a full-time competitive intelligence effort and a commitment by management to listen to the findings, make decisions, and act quickly.

Monitoring competitive developments consistently will yield more insight than last-minute research assignments. Much of the most useful information is transitory, in a press release or a brief news item, and could be lost if not captured when it first occurs. A constant window on the behavior of industry competitors also provides balance and context to conclusions and analysis.

Competitive intelligence requires a willingness to resist optimism when faced with unpleasant findings. There are many ways to interpret a piece of information, and most valuable findings do require interpretation. The interpretation that recommends business as usual is often tempting, but can be inaccurate.

In 1996, the International Benchmarking Clearinghouse (of the American Productivity and Quality Center) conducted a study to understand what activities comprise the most successful competitive
intelligence programs. It learned that the best intelligence programs had the following practices in common:

- With senior management involvement, they focused on areas that are critical to operational success.
- They formalized the program and responsible individuals, then managed the knowledge that they collected.
- They institutionalized the program into the daily activities of managers.
- They changed the corporate culture to achieve organizational goals and objectives.
- They used their competitive intelligence successes and failures to improve the program.

A systematic competitive intelligence program can offer substantial returns on a relatively small investment. Competitive intelligence provides an early warning signal about competing products, perhaps in time to mitigate the potential damage by developing a new generation of products in response. These programs can help companies avoid costly investments in untested markets by revealing that more entrenched providers are eyeing the same territory.

A search for intelligence data can uncover a competitor’s plans to exit a market or sell a division, raise or lower prices, or introduce a new technology.

Competitive intelligence can cover virtually any aspect of the company’s operations, from marketing and product intelligence to production capacity or distribution plans. Copies of corporate organization charts are sometimes available for sale. These charts can reveal both the corporate strategies of competitors and their organizational weaknesses.

When embarking on a competitive intelligence program, it is important to validate data whenever possible through a second set of sources. Some data are irrefutable, such as revenues published in an annual report. Other data, published by sources whose goal is to persuade, can be accurate but incomplete. For example, trade associations provide very accurate data most of the time. Occasionally, they need to lobby on behalf of
their members. The supporting data they provide are probably accurate, but these associations cannot be expected to provide all of the data that support an opposing point of view. For that data, refer to the opposing trade association, which has its own viewpoint.

For the analyst, a computer equipped with a modem and basic business software is sufficient to begin a competitive intelligence program. A more ambitious plan would use the company’s internal network to support the transfer of competitive information between departments. An employee who notices something new or unusual about a competitor could prepare an electronic mail message to the competitive intelligence analyst. A more sophisticated system could include a questionnaire or form for employees to complete and send. Information systems support should make it as convenient as possible for employees to pass along information.

**Sources of information**

For companies under $1 billion in revenues, *business and trade publications* are the best sources for obtaining timely information. To learn about the direction of competitors’ business, such companies can also recruit internal information systems staff to read trade journals and report to management about the sophistication of competitors’ information systems. To determine competitive advertising budgets or programs, companies should subscribe to advertising and public relations magazines, extending their sights beyond their own markets and reading the publications targeted to their suppliers and customers. Publications and marketing materials written by a company’s suppliers may boast about large sales to the company’s nearest competitors. Similarly, trade journals targeted toward a firm’s customers’ industry will provide information about customer satisfaction with the firm and with its peers.

General publications can be useful, as well. Publications targeted to investors and the business community often profile companies or industries. Local newspapers in competitor locations can provide insight. The help-wanted ads can often provide an ongoing glimpse of competitors’ fortunes and insight into their growth plans. Advertising and promotions provide information about products offered locally.
Government documents are well-researched and often free. Governments collect data about industries and require publicly held companies to file financial reports. In the United States, the Department of Commerce collects industry information, such as its size and growth statistics, and summarizes the data into reports.

In the telecommunications industry, useful statistics are gathered by regulatory authorities. The Federal Communications Commission (FCC) in the United States and the Office of Telecommunications (OFTEL) in the United Kingdom gather and summarize information provided by telecommunications service providers in their jurisdictions. The information provided contains important intelligence that is difficult to obtain elsewhere, such as market share and market size.

Government documents are a useful source of financial information for privately held companies. Private companies, unlike publicly traded companies, do not post their financial information with the Securities and Exchange Commission (SEC). Private companies provide otherwise-unavailable financial data in court hearings, government proposals, or applications for government assistance. This information then becomes available to the public.

For significant business transactions, companies leave a paper trail. Permits, loans, and participation in local hearings can provide information about competitors’ growth plans. These documents are often available in government offices.

The Internet has become one of the best sources of business information in history, and much of the information is free. The main advantage of the Internet is that keyword searches can review thousands or millions of pages in seconds and retrieve the pages that meet the request. This introduces another success factor—the ability to create searches that retrieve desired documents and eliminate unwanted ones.

Of course, when information is this readily available, all competitors have the same access. Still, the company that concentrates its effort on research, and couples the information gathered with intelligent analysis, will gain competitive advantage.

The quality and accuracy of pages on the Internet vary greatly, and the Internet researcher needs to be cautious and critical. Pages, even prepared by companies and trade groups, are often designed to persuade. Information provided on a page can be true but incomplete. Internet
research should be validated by multiple sources and ideally by impartial ones.

Trade and business publications often host sites on the Web that mirror their printed publications. Many also provide a search engine, making it possible to retrieve archived material using keyword access. General business publications sometimes charge a nominal fee for the retrieval of archived articles.

Business news wires post press releases from companies, trade associations, and government. One advantage of monitoring the press releases issued by individual companies or their representatives is their timeliness. The disadvantage is that they need to be interpreted through a filter of the company’s objectives. A company can post a release saying, “Our company just invented the best product,” or “Our company has met all requirements to approve this merger.” Trade associations, like their member companies, might exaggerate the truth or omit relevant unfavorable data to make a point. This information is better than having none, but proper skepticism is warranted.

Other Web-based services provide more information and analysis for a monthly fee, a fee per search, or a combination. Often these services provide access to commercial databases, opening windows to investment reports, trademark information, and credit information. Internet clipping services that comb the Internet daily and tag new pages for clients whenever they find keywords requested by the client are also available.

*Market research firms* can be engaged to assist in answering specific questions about a company’s competitive position. These customized studies can be expensive, but if they provide the answer to strategic questions, they are well worth the investment. Market research firms that specialize in the telecommunications industry often create detailed reports and sell them to interested customers for thousands of dollars. While these reports are not inexpensive, they provide nearly the same amount of value as a customized study for a fraction of the price. Market research companies also publicize summaries of their research on their own Web sites and in business news wires.

A cost-effective competitive intelligence program usually takes the route from the least costly information sources to the most expensive. The first path through market research would probably go through the
publicly available documents on the Web. Next, the analyst can inter-
view the market research firms that look most promising and request 
additional materials. Sometimes the firms will provide printed summa-
ries of their research reports, which is enough in the areas where detailed 
data are not necessary. For areas in which further detail would be valu-
able, the analyst can purchase the research report. After the analyst has a 
complete understanding of what information is available at no cost or for 
a low cost, custom research could still be warranted.

For telecommunications providers selling services to consumers, a 
company’s own employees can help to uncover competitive marketing 
strategies. A long-distance service provider can ask employees to send a 
survey form, via internal electronic mail, each time the employee is solic-
ited by a competitor. The survey could contain questions about the com-
petitor offering the service, the type or price of services offered, or the 
frequency of the solicitations.

New employees hired from competitors or from suppliers can pro-
vide a new view of the market participants. While some information is 
off-limits, and it is critical that employees understand this, new hires can 
lend insight into a competitor’s corporate culture, management style, 
and morale.

The ethics of competitive intelligence

It is important to state strongly that competitive intelligence is not es-
pionage. Professionals who perform competitive intelligence adhere 
strongly to guidelines that prohibit the violation of any laws. The ethics of 
competitive intelligence gathering should be part of a company’s corpo-
rate compliance program. Any employee or agent engaged in competi-
tive intelligence activities should be familiar with the company’s code of 
conduct.

Most of the competitive information that is truly valuable is not pro-
tected as a trade secret. A competitive intelligence program does not 
need to break laws or enter gray areas to be successful. Theft of trade 
secrets is illegal and clearly not part of an acceptable competitive intelli-
gence program. As to specific practices, the law varies by jurisdiction 
about what is legal and what is not.
Some types of data and some legal data gathering techniques are still inadvisable. Sometimes the reason is the appearance of illegality. For example, a competitor can discuss its marketing philosophy to a group of listeners in an industry seminar. In a private discussion after the formal session, a company’s representative and the competitor could continue the discussion, which can appear to violate antitrust laws or easily become a violation. In such a case, it would make sense to give up the added information and the potential appearance of impropriety. The potential cost of defending borderline competitive intelligence practices, even if the responsible parties are cleared of wrongdoing, is not worth the risk. The incident would also not reflect well on the company if its occurrence were revealed to the public. Competitive intelligence programs should be designed with the assistance of senior management and legal counsel. Whether professional analysts or not, employees who are encouraged to find and pass along competitive information need to understand their legal and ethical boundaries. Employees conducting competitive intelligence would benefit from training on the law of trade secrets and antitrust, as part of a company’s overall compliance program.

Questions arise as to whether to identify oneself or one’s motives when conducting competitive intelligence. Notwithstanding any legal exposure, an overzealous analyst could resort to behavior that the sponsoring company does not sanction. The Society for Competitive Intelligence Professionals (SCIP) has published guidelines for the profession. SCIP recommends that analysts accurately disclose all relevant information, including their own identity and the organization they represent, prior to all interviews.

In addition to this guideline and the others on the SCIP list, companies can use rules of thumb as a corporate policy to assist analysts in making ethical decisions. The analyst should ask, “Can my behavior cause harm to our company?” or “Would I like to see this behavior on the first page of the newspaper?”

**Competitive company analysis**

A wealth of company information is available for publicly traded corporations. Learning about smaller companies takes more work. The smaller
companies with a significant market presence will appear in trade publications and the local press in their headquarters location, even if the company is privately held. They might sponsor a Web page or appear in documents posted on the Web. Companies whose market visibility is so small that they do not advertise on the Web, and are not covered in even the local press, are probably not worth monitoring.

Corporate publications often provide a fruitful start for competitive intelligence efforts. Companies provide a wealth of information on their Web sites, including annual reports, organizational charts, product descriptions, promotions, and texts of executive speeches. Companies are often torn between the need to inform investors and potential customers and the fear of revealing information to competitors. The advantage of Web research is its convenience and ability to search. Even if the information is also available in stores or in the printed annual report, the Web is a great time saver.

The U.S. government’s Edgar database, searchable on the Web, holds all of the financial filings of public companies traded in the United States. This database, maintained by the SEC, is free of charge. Every quarter, companies file financial reports, and often the reports include information about company activities or company strategies.

A competitive intelligence analyst can take the reported data and calculate comparison ratios for industry leaders by evaluating certain categories of expenditures as a percentage of revenues. Numerous ratios can be developed using the number of employees and costs or revenues in different categories as either the numerator or the denominator. For these ratios to be sound, the raw data for the various companies must be analogous. A local exchange company serving primarily rural areas will have a higher cost structure than a company targeting urban businesses. Large companies serving a broad base of customers probably apportion their costs differently from small niche providers. Data from disparate companies must be normalized for analysis to be valid.

Securities firms have teams of analysts who follow the telecommunications industry and some of its segments. These analysts provide industry and company reports to their customers, primarily to recommend certain stocks or industries. These reports are well researched, and they uncover exactly the same information that a competitive intelligence analyst
needs. They publish reports about individual companies and comprehensive reports about industries. Each report contains information such as estimates of industry growth or the market share of companies currently in the industry. Because investors are interested in long-term prospects, these reports cover strategic issues, including the anticipated effect of technology, regulatory issues, or emerging competitors.

Investment analysts do not follow some niche telecommunications markets when they do not directly affect the value of any specific stock. For example, the U.S. prepaid phone card market was not analyzed on its own when it first emerged. The cards were most often offered by private entrepreneurs or company divisions that did not amount to a sizable percentage of the parent company’s portfolio. Most providers were local and long-distance telephone companies, pay phone providers, or money transfer service providers. Once several companies that specialized in phone cards went public, they became a “pure play” and began to get attention on their own.

Large telecommunications providers with many divisions generally report revenues—but not income—for each division. A company entering new markets sustains a loss in that division for several years and is not eager, or required, to report the loss. Investment reports do not provide hard data, but they can offer some insight into how close a given division is to being profitable.

There are dozens of telecommunications industry conferences every month. Most are open to anyone interested in attending (and interested in paying the registration fee). Typically, companies send representatives to these conferences in search of customer leads, and those representatives make presentations about their products, accomplishments, and internal business processes.

It is true that trade secrets are not generally included in the presentations, but many companies are candid about their strategies. Some companies provide case studies about their customers and provide data about the size of product lines or geographical divisions. Much of this information is not reported on financial statements. Occasionally, companies will use conferences and trade shows as vehicles to announce new products and their pricing. Suppliers that make presentations at the show can provide insight into the competitive plans of their customers. Sometimes the
show’s management will provide taped or printed transcripts of sessions for a fee.

**Competitive product analysis**

There are many ways to evaluate competitors’ products and services, many of which are not routinely used by companies seeking information. One such method involves first identifying which products are truly competitors and then targeting them for analysis.

One way to see the competition firsthand is to **buy competitive products and services** and have employees use and report on them. For tangible products, companies have learned to conduct **reverse engineering**. They physically take the product apart and study its construction and capabilities. In the service business, the process of reverse engineering is a metaphorical one. It starts by buying and using the competitive offering.

The evaluation can include an analysis (and comparison) of the brand name, its features and packaging, distribution channels, pricing, promotion, customer care, and advertising. This will enable a company to learn the following:

- What is different about the competitor’s service?
- What aspects are better? Can our service be modified to meet this challenge?
- Do customers seem to use competitors’ products more often or differently from our own? Why?
- Are the customers in a different market segment?
- Is some feature of the competitive product making it easier or more convenient to use?
- Does the competitor call to ensure the service is satisfactory?

Analysts can learn about competitive offerings and industry positioning by **reading published reviews**. When markets are contested, trade magazines, especially those that target users, often conduct annual tests comparing products. Internet magazines and periodicals routinely compare the top Internet service providers. Surveys compare pricing,
connection rates, and response times and even gauge customer opinions of content. For the most part, these analyses are impartial and are conducted with statistical rigor.

Some services serve so small a market that industry publications do not publish reviews about them. In these situations, market research firms can conduct competitive studies. Suppose a company provides frame relay services only to educational institutions. It is unlikely that a business publication would provide a competitive analysis of one segment’s satisfaction with frame relay services. Under this example, a market research firm could call 100 telecommunications managers at universities and ask whether their networks use frame relay. If so, they can then ask whom the supplier is, approximately what they pay, what they like about the service, and what does not meet their needs. The probability is that some of the customers surveyed will be your own, and they will provide direct feedback to you about your own service, and indirectly about your market position. Respondents are most comfortable responding anonymously to a survey, so this method has some limitations as the best way to get feedback about specific customers. Still, a survey of this kind can provide information about your products and how they compare to other products in the marketplace.

Many types of analysis can emerge from a competitive intelligence program. Companies can derive useful information regarding their strengths and weaknesses relative to their competitors. They can conduct due diligence about acquisition targets, merger partners, or potential suppliers. Competitive intelligence programs can support reengineering efforts because they will furnish information about competitors’ business processes or business metrics that can be compared to one’s own performance.

Analysis of other industries can provide a preview into planned developments in one’s own industry. Local service providers have learned some of what to expect from the deregulation of long-distance markets, and many have already reacted in preparation for the eventual battles.

According to The Futures Group, about 17% of respondents to their survey did not believe that competitive intelligence techniques had been used against them. Some companies have made the effort to detect competitors’ intelligence efforts. When they think to ask about it, these companies often learn about strangers calling for information but not
identifying themselves, people counting cars in the employee lot, and other seemingly innocuous behavior that might gain competitive intelligence. Receptionists and guards can alert management to competitors’ efforts as they detect them.

Employees in general should be informed that the information they use in their everyday work is of interest to competitors, at the risk of their own company’s success. Employee orientation should include a short briefing on recognizing counterintelligence efforts, and a clear understanding that company information is private and confidential.

Competitive intelligence programs do not sprout by themselves. They require planning, commitment from management, and the tools to be successful. The first step is to assign a budget to the function of competitive intelligence and assign at least one person to be responsible for the program. Competitive intelligence, like many planning functions, will be accomplished only if the individual responsible does not have operational responsibilities and urgent timelines in unrelated matters. The tools the competitive intelligence professional needs include the following:

- Access to online data (including for-fee databases);
- Training in competitive intelligence techniques;
- Compliance training in legal risks and requirements and the company’s code of conduct;
- Information systems support (such as network-based knowledge management software, or internal e-mail templates and surveys);
- Routine consultations with senior management.

The competitive analysis professional needs to have capabilities beyond a general understanding of the industry and market. Among other skills, this individual must be familiar with database research techniques and have communications and interviewing competency. A skilled analyst knows which data sources are reliable and has the analytical expertise to draw sound conclusions from incomplete data. Last, because the process is by nature an investigative one, the individual should be willing to work in a uniquely unstructured environment.
Management’s role does not end with budgeting for the competitive intelligence function. Without the resolve to develop action plans and ensure that responsive actions are completed, management will not realize the value of the program.

**SELF-ASSESSMENT—COMPETITIVE INTELLIGENCE**

The following questions will assist telecommunications marketers in determining whether their present competitive intelligence processes are adequate.

- Does your company maintain a formal competitive intelligence program? If not, would you benefit from starting one?
- Do your employees know what to do if they obtain valuable competitive information? Do your employees know to conduct themselves ethically?
- Do you purchase and use competitors’ products, including the customer service and other support?
- What do you know about the plans of suppliers or major customers?
- Are your products very similar or somewhat different from those of your competitors? If they have favorable differences, how close is your competitor to overcoming those differences? Is your product (or theirs) protected by patent or other barriers to entry?
- Does your company know whether others are conducting competitive intelligence against you? What have you done to protect your company’s private information? Have employees been trained in counterintelligence techniques?

**References**
