

The Competitive Intelligence Center "Get Smarter, Faster"

Using Sales and Marketing Intelligence to Improve Performance – By Bill Tyson

Introduction

Since many of you are now in the midst of your annual strategic planning and budget process I thought this subject might prove both relevant and useful. In fact, I believe that it was back during the 1995 budget season of my former employer that I discovered a whole new specialty and profession called Competitive Intelligence (CI). Much to my surprise, I had found that there was a global organization established (the Society of Competitive Intelligence Professionals) with over 7000 practicing CI professional members, including employees from diverse corporations such as Procter and Gamble, Shell, Motorola and Merck, that had adopted many of the same intelligence techniques as the Central Intelligence Agency and adhere to a strict ethical code of conduct.

The field of Competitive Intelligence (CI) is vast, can be extremely technical and can also involve the use of a wide variety of tools, techniques and technologies. Therefore, I've decided to keep this white paper simple and to the point by providing an overview in the form of an introduction to:

- ✓ CI and Sales and Marketing Intelligence.
- ✓ Intelligence objectives.
- ✓ A framework being used by Society of Competitive Intelligence Professionals. (SCIP) members to analyze competitors.
- ✓ A summary description of some of the most popular and practical CI techniques.
- ✓ Access to The Competitive Intelligence Center Web Site.
- ✓ References for additional reading.

Marketing Agility is Key Dimension to Improved Marketing Performance

From my 20 plus years of strategic planning and marketing experience I (like many others) have concluded that marketing is ultimately about "being right". That is, making the *right offer* to the *right prospect* at the *right time* (and the *right place*) – profitably, of course. But there is another critical dimension that cannot be ignored. Simultaneously, you must remain agile – **outpacing, outsmarting and outmaneuvering** the competition. According to strategy guru Michael Porter, winning strategies must be based upon originality – being different from your competitor in ways that the customer values. He stated that a company can only outperform rivals if it can establish a clear value proposition for the customer that can be maintained over time.¹ Tracking the competition in a constant and systematic way has become a mission critical strategic and tactical function of any smart business and marketer.

¹ Porter, Michael (1996) What is strategy? Harvard Business Review, November – December Vol.96, Issue 6, pp.61-78.

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To succeed in a competitive and dynamic marketplace, it requires marketers to be highly disciplined in traditional marketing practices (i.e. strategy, research, positioning, branding, segmentation, distribution and execution) while at the same time embracing new and different approaches toward maintaining a competitive advantage through a systematic process of business and competitive intelligence. Craig Fleisher, an author and CI professional, sums it up quite well:

*"While strategy and planning can tell an organization in which direction to head and where the journey should end, intelligence identifies and illuminates the storms on the horizon and allows the pilot to benefit from the best airways. Making the right choice hinges upon the quality of the information available. Intelligence often spells the difference between success and failure."*²

What is Competitive Intelligence (CI)?

Competitive Intelligence is the "legal and ethical collection and analysis of information regarding the capabilities, vulnerabilities, and intentions of business competitors"³ and requires a 5 step process summarized as follows:

1. **Planning** - to operate at 2 levels – Tactical and Strategic. **Tactical CI** generally supports product development, marketing and sales while **Strategic CI** supports senior level decision making.
2. **Identify competitors:** Determine who your competitors are and try to determine who they may be in the future.
3. **Define Intelligence Requirements:** a formal process called Key Intelligence Topics ("KITs")⁴ should be used to determine what the key intelligence needs are and how you will produce credible, trustworthy and actionable intelligence. This includes intelligence to support: 1) your operational and decision making responsibilities, 2) early-warning alerts regarding competitive moves and intentions and 3) who the players are and identify their key business relationships (partners, suppliers, customers and others).
4. **Develop an intelligence collection and competitor analysis capability:** in order to systematically and continuously *secure, analyze, produce and disseminate* this information to key decision makers.
5. **Establish a two-way communications process** - between the intelligence users and the CI professionals to allow for intelligence requirements to change and evolve over time.

² Fleisher, Craig S. (2003) Strategic and competitive analysis: methods and techniques for analyzing business competition Chapter 1, p.5.

³ <http://www.scip.org> The definition of Competitive Intelligence from the Society for Competitive Intelligence Professionals

⁴ Herring, Jan P. (1999) Competitive Intelligence Review, Vol. 10(2) 4- 14. © John Wiley & Sons, Inc.

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In summary, Competitive Intelligence (CI) as a discipline has been primarily concerned with the tools and techniques for gathering, analyzing and disseminating intelligence for more informed decision making. CI efforts should be permeate the entire company to assist in strategic decision making as well as guiding tactical, day-to-day business unit performance and business plan execution. A notable quote on the importance of intelligence by one of history's greatest military strategists:

"What enables the wise sovereign and the good general to strike and conquer, and achieve things beyond the reach of ordinary men, is foreknowledge."

- Sun Tzu, "The Art of War".

Key Drivers Making CI a Critical Function to Support Sales and Marketing

Competitive Intelligence is a business necessity due to the following conditions that exist in today's business environment:

- ✓ Information overload – too much – more than any manager can process, filter and analyze on a daily basis.
- ✓ Fast pace of the business environment.
- ✓ Increased global competition from new competitors.
- ✓ Existing competition is becoming more competitive.
- ✓ Rapid technological change and innovation.
- ✓ Political and regulatory changes that are affecting industries quickly and forcefully.⁵

CI Analysis – 5 Basic Types

There are a variety of different tools and approaches for gathering intelligence and analyzing competitors. Jan Herring suggests there are 5 basic types of intelligence analysis:

1. Preventing surprises to the organization by providing early warning
2. Supporting the decision-making process.
3. Competitor assessment and monitoring.
4. Intelligence assessments for planning and strategy development.
5. Analysis as a key part of the collection and reporting process⁶

⁵ Kahaner, Larry (A Touchstone Book, Simon & Schuster 1996): Competitive Intelligence, How to gather, analyze and use competitive intelligence to move your business to the top."

⁶ Herring, J. (1996) "Creating the intelligence system that produces analytical intelligence" from *The Art and Science of business intelligence analysis* (pp53-81)

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A 1998 SCIP membership survey asked members what methods of analyzing CI information were most used, and which were rated most effective:

Tools for Analyzing Information

[Percent using each tool]

- **Competitor profiles: 88.9%**
- **Financial analysis: 72.1%**
- **SWOT analysis: 55.2%**
- Scenario development: 53.8%
- Win/loss analysis: 40.4%
- War gaming: 27.5%
- Cojoint analysis: 25.5%
- Simulation/modeling: 25%

Effectiveness of Analysis Tools

[Percent rating each tool extremely or very effective]

- **SWOT analysis: 63.1%**
- **Competitor profiles: 52.4%**
- **Financial analysis: 45.5%**
- Win/loss analysis: 31.4%
- War gaming: 21.9%
- Scenario development: 19.2%
- Cojoint analysis: 15.8%
- Simulation/modeling: 15.4%⁷

According to the **Society for Competitive Intelligence Professionals** (see <http://www.scip.org>), the specialty of Sales and Marketing Intelligence (SMI) was begun recently to address the specific intelligence needs of marketing and sales professionals that are a bit different from those concerning technical and financial CI approaches. In my experience, sales and marketing functions seem to benefit most from SWOT analysis and competitor profiles. Regardless of the approach used it is extremely important to ensure that the Sales and Marketing CI effort be:

⁷ Source: Survey of SCIP membership conducted by The Pine Ridge Group, Inc. and the T.W. Powell Company, 1998

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- ❑ tied to key business, sales and marketing issues that can help **improve sales and marketing performance levels**; and
- ❑ be consistent, efficient and coordinated CI with strong linkages between the two functions.

Coordinating Sales and Marketing CI Using the TAP-IN© Process

Coordination of sales and marketing activities is crucial yet difficult to achieve in most organizations. One example of a "best practices" process called "TAP-IN©" has been developed specifically for Sales and Marketing functions to ensure linkages exist between them relative to CI activities. In a study conducted by the American Quality and Productivity Center (APQC) across 17 CI best practices firms, these five TAP-IN© components were identified as necessary Sales/Marketing intelligence coordinating mechanisms:

- ❑ **Teams, IT and Training** – organizational processes are enabled and managed by teams and information technology.
- ❑ **Allocation of personnel** to strategic and tactical intelligence through job descriptions and performance appraisal processes.
- ❑ **Planning process** – how is CI integrated into the strategic marketing planning process?
- ❑ **Interaction** between the CI team and CI clients/users through regular face-to-face, email and telephone dialogue.
- ❑ **Networks** – leveraging human intelligence networks of the team and those within the broader organization to provide linkages to collectively address CI issues as they arise.⁸

This framework helps to promote coordination of both tactical and strategic competitive intelligence activities between the marketing and sales functions and across the broader organizational hierarchy. Beyond the coordination of the sales and marketing teams, successful sales and marketing intelligence is based upon the following key elements:

- ❑ the quality of the CI data and information,
- ❑ the careful analysis of the intelligence which leads to a thorough understanding of the competitive environment, intimate knowledge about competitors and what their future intentions may be and the output is accessible to key decision makers and actionable.

⁸ Prescott, John E. (2001 John Wiley & Sons, Inc.) Proven Strategies in Competitive Intelligence – Lessons from the Trenches, p216-239.

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Most Important Objectives of Sales and Marketing Intelligence

In a Survey of SCIP membership conducted by The Pine Ridge Group, Inc. and T.W Powell Company, 1998 revealed the most important **Objectives of Sales and Marketing Intelligence**: [Percent Rating Objective Extremely or Very Important]

- Develop marketing strategies: 76.2 %
- Anticipate change / Market monitoring: 74.5 %
- Identify new opportunities: 67.2 %
- Identify new sources of advantage: 64.8 %
- Help sales win business: 58.4 %
- Develop marketing programs: 43 %
- Prioritize R&D spending: 23.5 %

Critical success factors for Marketing and Sales Competitive Intelligence

The American Productivity and Quality Center conducted a study and identified 7 key findings for successful Marketing and Sales CI:

1. Effective programs change over time to meet organizational needs and priorities as they change.
2. Use decentralized, relationship-based intelligence networks to leverage experience, expertise and resources across the company.
3. Action-oriented programs develop IT approaches that address user needs, are flexible, simple to use and allow fast communications
4. Have a strong linkage between tactical and strategic CI.
5. Integrate the processes of customer needs assessment, feedback, evaluation and implementation linkages.
6. Develop insights, implications and recommendations that are based upon a combination of intelligence, experience, credibility and anticipation of the future.
7. CI becomes institutionalized, truly gains broad acceptance and use and becomes part of the organization's culture.⁹

More specifically, the successful sales and marketing CI program produces a measurable ROI by leveraging intelligence to help in these critical facets of a sales and marketing function:

- ✓ Deal making: winning new business, retaining existing accounts, expanding distribution capabilities and strategic partnerships.
- ✓ Entering new markets and/or new businesses.

⁹ Competitive and Business Intelligence Report, American Quality and Productivity Center, Copyright 1997

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- ✓ Looking at your own sales, marketing, value proposition and business practices with an open mind.
- ✓ Learning from the success and failures of others in the marketplace.
- ✓ Anticipate the actions and likely moves of competitors.
- ✓ Learn about new technologies, best practices processes and new products.
- ✓ Keep abreast of market conditions as well as political, legal and regulatory changes that may affect your marketing and sales efforts.¹⁰

The goal in defining CI requirements is to meet business leader's CI needs while ensuring efforts are proactive, *anticipatory* and strategic. Intelligence requirements need to be defined by decision makers, typically senior management. The final CI report should answer all user questions and be actionable.

Developing Requirements - Getting Started

Once they are defined and resources are assigned then they generally fall into 3 different categories of intelligence topics (referred to "Key Intelligence Topics or KITs") that support these business leaders:

- A. Strategic decisions and actions
- B. Early warning topics
- C. Profiles and descriptions of key players¹¹

A. CI Requirements in Support of Strategic Decisions and Actions

These requirements aid business leaders in strategic decision making, resource allocations and investments. Requirements at the strategic level include:

- 1) Product development – and strategies to improve competitive advantage.
- 2) Inputs for strategies and tactics.
- 3) Sales, marketing and promotional emphasis.
- 4) Investment decisions, dispositions and resource allocations.
- 5) Strategic alliance partner identification, evaluation, selection and relationship management.
- 6) Distribution and reseller partner relationship management.

¹⁰ Kahaner, Larry (A Touchstone Book, Simon & Schuster 1996): Competitive Intelligence, How to gather, analyze and use competitive intelligence to move your business to the top."

¹¹ Prescott, John E. (2001 John Wiley & Sons, Inc.) Proven Strategies in Competitive Intelligence – Lessons from the Trenches, p240-255.

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B. Early Warning Topics – designed to avoid surprises

- 1) Develop a so-called “radar screen” enabling systematic competitive intelligence regarding your key competitors’ Strategic Decisions and Actions topics 1 – 6 above.
- 2) Changes in the marketplace, political and regulatory environment.
- 3) Financial initiatives and changes in resource allocations.
- 4) Takeover, merger and acquisition activity
- 5) Changes in international policy.
- 6) Companies and combinations of companies into markets and/or businesses.
- 7) Concerns and issues about your own company, your industry or governmental actions or intentions.

C. Key Players – Competitive Reviews and Profiles

- 1) Provide competitive reviews and profiles regarding strategies, marketing, branding, R&D, operations, key personnel, organizational structure, etc.
- 2) Assessments of Key Competitors:
 - a. Their intentions via major customers and/or customer groups.
 - b. Strategic plans and goals.
 - c. Key strategies
 - d. Current operational capabilities
 - e. Sustainable competitive advantages
 - f. New customer profiles – needs and future interests
 - g. New and/or emerging Industry players
 - h. Investment and financial community assessments, attitudes, perceptions regarding the branded value of their products and services.¹²

The FAROUT Solution to Managing Marketing Intelligence

Effective analysis of Sales and Marketing intelligence depends upon the data collection technique(s) used, the analyst’s ability eliminate any ambiguity or biases and apply deductive and inductive reasoning techniques. The FAROUT framework was developed by Fleisher and Bensoussan as a “sniff test” to manage strategic and competitive intelligence for decision making purposes. The output of the Sales and Marketing Intelligence effort requires the meeting of these criteria:

¹² Prescott, John E. (2001 John Wiley & Sons, Inc.) Proven Strategies in Competitive Intelligence – Lessons from the Trenches, p240-255.

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Future Orientation: when asked what his key to success was, Wayne Gretsky replied something to the effect: "Most players skate to where the puck *is* while I skate to where the puck is going to *be*". Similarly, to be useful, intelligence must be forward looking and predictive of where your marketing and sales need to be relative to the competition.

Accuracy: high levels of accuracy are difficult to achieve when the information has come from a single source, not cross referenced with other sources of hard and soft data or from sources that will contain high levels of bias.

Resource Efficiency: in order for intelligence to be efficient, the cost of gathering intelligence nor the time it takes to gather it should not exceed its value.

Objectivity: to be valid, the intelligence needs to be free from biases and opinions and backed by an objective and rational approach.

Usefulness: the intelligence must be valuable to the user in a decision making context.

Timeliness: the length of time it takes for an analyst to undertake the SMI exercise may assist or hinder the organization's ability to use the information.¹³

Again, the key objective of CI is to make it relevant and actionable to the user for better decision making.

VRIO – Value, Rarity, Inimitability, and Organization for Decision Making

A simple, great framework to leverage intelligence and marketing resources as catalysts for competitive advantage was developed by J.Barney called VRIO. This framework should be applied sequentially and can be applied to assess your own marketing resources to those of your competitor:

1. **Value** - each marketing and sales resource is assessed for its ability to add value to the firm to help exploit an opportunity and/or minimize a threat.
2. **Rareness** - is the resource that your organization possesses rare...providing your firm with a competitive advantage?
3. **Inimitability** – how sustainable is this competitive advantage or is it easily imitated or copied by competitors?
4. **Organization** – does the organization have the capacity to take advantage of the valuable, rare and inimitable resources?¹⁴

¹³Fleisher, Craig S. (2003) Strategic and competitive analysis: methods and techniques for analyzing business competition Chapter 3, p.22 the FAROUT system.

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Only those marketing and sales resources that pass the sequential VRIO assessment are deemed competitively valuable resources.

Bill Tyson is founder of The Competitive Intelligence Center at <http://www.competitivereviews.com> an online resource to assist companies in using a best practices approach toward Competitive Intelligence. Visit the Competitive Intelligence Center to access demos, templates and whitepapers and learn more about how you and your company can **"Get Smarter, Faster"**. Refer to Bill's bio at The Competitive Intelligence Center site. He is also serving as Vice President, Business Development at SigmaSecurity, Inc. an information security firm based in North Chelmsford, MA. And can be reached by email at: <mailto:wtyson1@yahoo.com>

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¹⁴ Fleisher, Craig S. (2003) Strategic and competitive analysis: methods and techniques for analyzing business competition, p.211.