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and
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a monthly
column devoted
to answering
questions relating
to competitive
intelligence

Dear CIC: As part of an ongoing CI function, what are some key questions to ask about our competitors? *CI Manager*

Dear CI Manager: One of the keys to managing a successful competitive intelligence unit is the ability to step back, look at the spectrum of competitors, and then try to understand how they go about doing business. Below are six questions to ask.

Question 1: What are our competitors doing to stay in business?

In other words, is any specific competitor part of a much larger organization, or are they truly independent companies? Do they invest in the technologies and skilled workers to develop the products and services to meet the needs of the market, or do they merely act as a sales agency for a company that develops those products and services?

This is important, because many organizations compare themselves to companies that run fundamentally different kinds of businesses. If your company sells on quality, you don't want to compare yourself to someone who sells on economy. You're chasing after different market segments with different demands and rates of profit. If, however, a competitor is commoditizing a product which your company positions as high-price value added, then you are facing a serious competitive situation.

Question 2: Where do your competitors add value that customers will pay for?

As a customer, would you choose your product over those offered by your competitors? Put yourself in your client's position. Learn how you can improve your products or customer service. Remove any barriers to customer satisfaction before your customers discover competitors who have done so already.

It is important to understand why some of your customers may be attracted to your competitors by understanding how competitors differentiate themselves from other players in the market. This could be a perceived quality, value for money, pricing, customer service, credit terms, or invoicing procedures.

Question 3: Which market segment are your competitors most interested in, and how many of your best customers are at risk?

If your competitors are chasing customers that bring in low profit or no profit, then there is no problem: you may choose to let those customers go. But if they're chasing your best customers, decisions will have to be made about keeping those customers, making them exceptional offers, or fundamentally changing the way you do business.

Question 4: What is the financial status of your competitor?

Are your competitors making profit gains through better products or services? Or do they keep their costs down through low-priced suppliers? An increase in liquid assets may signal that a competitor will either invest heavily in R&D or is preparing a takeover or merger. On the other hand, the selling of assets may signal a fundamental shift in business priorities.

Question 5: What do your competitors intend to do in the future, and how will their activities affect your company strategies?

A key to success is knowing where your competitors are going before they get there. As a result, your company will be able to interdict threats and exploit business opportunities before your competitors do.

Are they committed to rapid growth? Look into the background of the CEO and find what past activities are likely to be repeated. Important signals on a competition's future intentions can be derived from a number of sources, which taken together can provide a picture of developing activities. Here are some examples.

The CEO's background: A CEO with a sales and marketing background is likely to favour a more aggressive, growth-oriented strategy, whereas a CEO with an accounting or engineering background is more likely to take a

more conservative approach towards increasing sales.

New hires: The hiring of a new VP of Marketing from a different industry could, for example, present both opportunities and problems for a competitor. While the new person may infuse renewed energy into the company, there may also be clashes in personality and corporate culture.

Market research reports: All too often ignored by senior management, market research (especially customer satisfaction reports) can give a CI professional some added context and texture on how a company stands in the minds of buyers and in relation to competitors.

Question 6: What new competition or new business models will appear or are now appearing?

Keep in mind that new competitors and technologies are sometimes hidden in plain sight. For many years, the major telecommunications companies didn't take the BlackBerry product seriously, and now they're regretting their oversight. Is there a BlackBerry in your industry?

CONCLUSION

A significant part of managing a competitive intelligence unit is the willingness and courage to ask those uncomfortable questions that no one dares ask and to develop solutions before any significant damage is done. Remember, as a CI professional in your firm, you will be responsible for developing a repertoire of sources and analytical techniques to help you build a profound knowledge of your industry.

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