



David Lithwick
and
Enrico Codogno



a monthly
column devoted
to answering
questions relating
to competitive
intelligence

using CI to anticipate changes in the competitive environment

Dear CIC: My company's CI efforts concentrate on obtaining information on competitor product and service bundles, pricing, size of sales force, new hires, and so on. How can CI be used to anticipate changes in my industry so that my company will be in a position to profit from such changes?

CI Manager

Dear CI Manager: That's a good question. You have pointed out a key deliverable of CI – the identification and understanding of signals indicating changes in consumer demand – one that is all too often ignored in the business community. Understanding the marketing strategies, products, and corporate cultures of competitors is very important, but this alone does not permit the CI professional to identify changes in the market.

The ability to identify such signals requires CI professionals to take a wide view of the industry they are operating within. Below, are few examples.

Changes in Government Legislation or Tax Laws

Very often, external forces bring about significant changes to an industry. New legislation, including tax incentives, may impact an industry by lowering the barriers to entry of new competitors.

For example, prior to changes in tax legislation, players in a specific industry would feel safe because the cost of entering the market (the cost of new manufacturing facilities, hiring of skilled staff, and so on) is prohibitive. But changes in tax laws, such as new incentives for start-up companies, may very well entice new competitors into the industry and disrupt the way business is conducted for current players.

Also, advocacy groups provide clues

about upcoming changes in your industry. For example, if there is an advocacy group looking to implement legislation that could impact your industry, try to understand the group's motives and demands – it can help your company devise changes in processes and technology that can have a significant advantage in the market place.

Low-price Competitors

In any particular market, some buyers may feel that they are paying for products or services they do not need. They will be encouraged to look for a provider who can provide something that is of acceptable quality at a low price, that is, a provider who is deemed “good enough.”

Quite often, low-cost competitors find a way to be more efficient somewhere along the value chain; they may, for example, remove the middleman. This, in turn, can provide you with ideas to cut costs, improve profitability, and/or enter new markets.

Developing Technologies

Let's assume that there is an upstart company on the periphery of your industry with new technology that has not reached its potential. It is possible that, at this point in its development, the technology is not very good and servicing substandard. It would be a good idea to understand the product this company is providing, the concept behind the product, and why it would be important to a potential client.

Very often, technology lags behind a product idea. It is only when the technology is fully developed, along with the added services riding on this technology, that the product becomes a disruptive force in the market – either displacing established players or creating markets where none existed.

A good example is the BlackBerry. When wireless handhelds first came out, the technology was not fully developed and service not very reliable. Established players in the telecommunications industry did not think much of this upstart product. However, by the time the technology was fully developed, it was too late. Many companies are trying to emulate the original handheld device, but BlackBerry is so far ahead in that market that new entrants who try to copy this leader will find it almost impossible to compete.

Food for Thought

CI requires a comprehensive understanding of the entire competitive environment, not just established competitors.

1. Focusing exclusively on established competitors can create a major competitive blind spot.
2. Be aware of potential disruptions that could impact your industry. This will help your company to anticipate major changes in your industry and to profit from changes in market demands and new technologies.
3. Pay attention to potential changes in legislation and also advocacy groups promoting such changes. Understand the motivations behind the demand for such changes, even opening up a dialogue with lobbyists and advocacy groups. Again, this can lead to changes in the way your company does business and so keep it ahead of the competition.
4. Learn from the competition. This involves not just performance benchmarking against key competitors, but also studying competitors on the periphery of your industry – those who have products or technologies that are still in the development stage. What is the concept behind the technology? What market is being targeted? What capability is being offered?

Tip – Be alert to everything going on in the competitive environment and never underestimate even the smallest competitor.

CI Corner is written by David Lithwick and Enrico Codogno. David is a senior partner at Market Alert and can be reached at (416) 932-9820 or david@marketalert.ca.

Enrico Codogno is with the Customer Foresight Group, Limited and can be reached at (416) 651-0143 or enrico@customerforesight.com.

Email your questions, and they will make sure you get the answers you need.