

# Setting Up

# The Competitive Intelligence System

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## Introduction

We frequently are asked by clients how to set up a CI department. There are no clear-cut rules.

Often the success is dependent on a company's commitment and resources. Based on our experience, we have listed 10 guidelines which will help make your efforts more successful.

## Guideline 1

**Speak to CI managers in leading edge industries to learn what factors have contributed to their success in setting up a CI department.**

### Rationale

Banks, telecommunication and pharmaceutical companies are excellent resources to contact. Some questions to direct your discussion are:

- Which departments make the most demands for your CI services?
- Who among the executive management is championing the CI effort?
- Is there a common CI request (eg. monthly activity report, backgrounder for strategic plans, shadow market report, etc.) or are most assignments "one-offs" where your clients urgently request as much information as you can get on a specific subject?
- Do you find CI databases to be effective?
- How do you manage an excessive number of requests at one time?
- Have you had any success using a CI supplier?
- Do you use your ad agency to help collect and analyze CI?
- What steps have you taken to systematize your internal information sources?

## Guideline 2

Carry out an internal needs assessment.

### Rationale

CI will have different connotations within your organization. Some colleagues will use

CI simply to scan newspaper articles, while others will use CI to reconstruct competitor marketing plans. To help you get started, we've provided a model **Internal CI survey**:

### Internal CI Survey

"We are finding there is a demand for sourcing competitive intelligence. To help us focus on where your priorities are, please fill in the questionnaire in Illustration A":

## Guideline 3

Recap in writing your client's CI request.

### Rationale

Invariably CI managers run across requests that are overloaded with unnecessary questions or unreasonable timelines. Document requests by including:

- a) What your clients will use the CI for.
- b) What information (eg. sources, internal reports, contact names) they already have, which they agreed to give you.
- c) The number of information cells to be filled.
- d) Report format (eg. raw data only, strategic assessment with recommendations, matrices, etc.)
- e) Acceptable level of accuracy.
- f) Due date.
- g) Which departments the report will be circulated to.

## Guideline 4

**Qualify your findings.**

### Rationale

Invariably you will encounter assignments where you simply cannot obtain the information. Document why. This displays due diligence and prudence. Perhaps competitors were getting suspicious, so you had to abort direct calls.

### Illustration A: Internal CI Survey

1. Did you ever need information on competitors in your previous company?	<input type="checkbox"/> yes	<input type="checkbox"/> no
2. Did you benefit from having this information?	<input type="checkbox"/> yes	<input type="checkbox"/> no
3. At our company have you ever needed information on your competitors?	<input type="checkbox"/> yes	<input type="checkbox"/> no
4. If you have, were you able to get this information easily?	<input type="checkbox"/> yes	<input type="checkbox"/> no
5. Please check (✓) off any of the following areas where you have needed competitive intelligence but were unable to easily obtain this information:		
<input type="checkbox"/> pricing	<input type="checkbox"/> promotions	
<input type="checkbox"/> training	<input type="checkbox"/> sales volume	
<input type="checkbox"/> new product development	<input type="checkbox"/> other *	
	* please describe _____	
6. If you do need competitive intelligence, on what basis would you need it?		
<input type="checkbox"/> monthly	<input type="checkbox"/> quarterly	<input type="checkbox"/> once per year for business planning
7. How would you like the CI communicated to you? (eg. E-mail, fax, hard copy)		
Name: _____	Dept: _____	

## Guideline 5

Develop a list of threshold questions that captures the essence of the CI request.

### Rationale

Too frequently CI managers get a laundry list of questions to answer. These need to be screened and consolidated into a manageable request. A proactive approach is to recycle their questions into 5-10 threshold questions:

- What commitments (eg. in-house training, partnerships with suppliers, test markets, etc.) are being undertaken by competitors?
- What critical changes are planned within the next 12 months amongst our key competitors?
- What critical changes are planned within the next 12 months amongst our non-traditional competitors?
- What internal inefficiencies will hinder their efforts?
- Where, amongst the menu of products, are competitors investing their greatest efforts?
- Which target sectors are competitors investing their greatest efforts in?
- What innovative approaches are helping leading edge competitors succeed?
- What counter attacks will these competitors likely initiate to offset our efforts?

## Guideline 6

Map out into information cells, the breadth and depth of each CI request.

### Rationale

There is a paradox with CI. The more information you are required to collect, the greater the likelihood that there will be gaps in the information collected. Keep to an agreed upon # of cells, and close the loop using matrices.

If you do not probe your clients on the specifics of their request, and fail to collectively visualize “the CI landfill”, you will end up with fragments of data. For example, finding out what each of your competitors spends in advertising sounds straightforward. However, if the number of competitors is 6, and each advertises 7 products, and each product is sold to 5 different market sectors, you are faced with more than 200 information cells to complete!

## Illustration C: Example: Group Pension Funds

Summary Table

	Your Co.	FCB	Competitor C
<b>Significant Change in Objectives</b>	Yes	No	Yes
<b>Significant Change in Strategy</b>	Yes	No	Yes
<b>Services</b>			
• Investment administration	Yes	Yes	Yes
• Financial planning	Yes	Yes	Yes
• Access to information	Yes	No	No
<b>Specifics</b>			
• Education to follow up sessions	Yes	No	No
• Retirement income counsellors	Yes	Yes	No
• Annual plan follow-up	Yes	No	No
• Access – through a 1-800 #	Yes	No	Yes
• Alliance with external company	No	Yes	No
<b>Advantages</b>			
• Access to broad range of investment tools	Yes	No	Yes
• Detailed reports eg individual versus planned rate of return reported	Yes	No	Yes
• Customized services	Yes	Yes	No
• No charge to continuing support services	Yes	No	No
<b>Costs</b>			
• Monthly adm. costs / person	\$2.00	\$3.00	\$2.75
• Participation **	1% to 3%	1% to 4%	1.5% to 4%
<b>Changes In The Next 12 Months</b>			
• In house training	No	No	No
• New products	Yes	Yes	No
• New pricing discounts	Yes	No	Yes
<b>Threat Level</b>	N/A	Low	High

\*\* based on mutual fund rates

## Illustration B: Competitive Intelligence Business-to-Business Financial Institutions

### 1. Advantage of “First Canadian Bank (FCB)” Group RRSPs

FCB provides excellent contact with their plan participants including the following:

- 1-800 line
- Quarterly newsletters
- Quarterly statements
- Initial enrollment information meetings
- 417 branches offering face-to-face assistance

### 2. Education offered up-front

- If short-listed, FCB will make a presentation on their plan to the company and it's employees.
- Once selected, FCB will set up plan logistics — employer contribution, spousal eligibility, process for terminated employees etc.
- One month before the plan commences, FCB will do an enrollment meeting — generally one hour in length — generally the following topics are covered:
  - “what is an RRSP”
  - “important of starting to plan for retirement early”
  - “investment options”
  - “steps to follow to be enrolled”

### 3. Financial planning/advice available:

This is offered on an as-needs basis. Participants can go into any branch to access their PC-based financial modeling tools. Participants can access phone-based support at any time.

### 4. Ease of accessing information

Quarterly report is produced outlining fund results. FCB offers a 7 day per week — 24 hour information service — all participants can access information about their accounts directly by calling and inputting their pin number.

### 5. Administration cost:

mutual funds. Other commercial funds entail administrative costs. Other fees—cash withdrawal—\$8.00 per transaction. Transfer—\$12.00 per transaction.

### 6. Funds offered:

FCB appears to encourage the use of their own funds and investment tools. They did not appear to be adept at assessing and advising upon other funds.

## Illustration D: 12 Month Timetable

Task (s)	Sept-Oct	Nov-Jan	Feb-Mar	April	May-June	July-Aug
<b>Internal Assessment</b>						
• Complete need assessment questionnaire	X					
• Determine information gaps	X					
<b>Identification:</b>						
<b>Internal Information Sources</b>						
• Identify likely internal sources of information to fill gaps		X				
• Contact these sources to determine what data they have, and what other data they can gather		X				
<b>Identification:</b>						
<b>External Information Sources</b>						
• Identify likely external sources of information to fill gaps			X			
• Contact these sources to determine what data they have and what other data they can gather			X			
<b>Initial Sourcing And Matrix Fill In</b>						
• Source available internal and external data				X		
• Analyze and synthesize data				X		
• Develop matrices to process data				X		
• Fill matrices with synthesized data				X		
<b>Follow Up</b>						
• Contact those sources who indicated they have other data they can gather					X	
• Collect any additional data from these sources					X	
• Analyze and synthesize data					X	
• Fill matrices with synthesized data					X	
<b>Final Report</b>						
• Make final revisions						X
• Detail any other relevant findings besides those identified in the list						X
• Provide recommendations on how to:						X
a. set up an information processing system						X
b. where to find the most useful information						X
c. which internal and external contacts are helpful						X
d. analyze and synthesize data into timely reports						X

## Illustration E: Competitive Intelligence Tracking Report Month: January

<b>Implications</b>	Major commitment, as evidenced by \$1MM media purchase
<b>Test Market</b>	Yes
<b>Assessment Carried Out</b>	See Mkt Research Dept. Jan. 15 <sup>th</sup> memo
<b>Priority</b>	
▪ High	✓✓
▪ Low	
<b>Next Steps:</b>	
1. Assessment	
▪ Determine added sales to United Courier	Feb
▪ Determine sales erosion to our company	Feb
▪ Meet with sales force	Feb
▪ Contact your parent co for feedback on how the US mkt was impacted	Feb
2. Action Plan	
▪ Meet with ad agency to develop counter-attack initiatives	March
▪ Fast-track new document preparation software	March
<b>Responsibility</b>	
Sales	<b>D. Smith</b>
Mktng Management	<b>P. Tapper</b>
Product Develop	<b>J. Harvey</b>
Project Coordinator	<b>T. Mervy</b>

## Guideline 7

**Do not try to gather all the data yourself.**

### Rationale

Find out who within your company can filter back CI data. Experienced CI managers have learned to position themselves as conduits versus bird dogs. Take the time to develop a list of internal and external sources to call on. As detailed below, each serves as an excellent source for commentary and referrals for other contacts.

### Internal Sources

Departments and the Information they can provide:

#### Sales

- Market Sales
- Prices
- Product Features
- Trends
- Test markets

### Manufacturing

- Competitor plan-size, equipment, etc.
- Products made
- Re-engineering
- Processes

### Technical/R&D

- Evaluation of competitive products
- Direction of R&D
- Costs of production
- In-house newsletters

### Purchasing

- Suppliers who also sell to competition

### Human Resources

- Employees who worked for competitors
- Organization structures of competitors
- Developments in training

### Credit

- Feedback from customers on terms of competitors

### Finance

- Contacts within financing community

### External Sources

- Newsletters
- Head office buyers
- Ad agencies
- Competitors of competitors
- Consultants
- Distributors
- Editors of trade press
- Equipment suppliers
- Financial analysts
- Suppliers
- Trade magazine media reps
- Stock brokers
- Associations
- Government trade offices
- Customers of competitors
- Head hunters

## **Guideline 8**

**Do not limit your analysis to one report.**

### **Rationale**

CI breeds on multiplicity ie. multiple interpretations, multiple sources, multiple issues, etc. At the very least, each CI report should include a focused analysis of a key competitor and a summary table benchmarking your company versus the competitors. (See Illustrations B, C)

## **Guideline 9**

**Plan out your CI systems.**

### **Rationale**

A detailed plan outlining tasks, responsibilities and due dates can save up to 25% of time normally spent on setting up the CI department. (See Illustration D)

## **Guideline 10**

**Make it a priority to issue monthly CI activity reports.**

### **Rationale**

It's critical to "broadcast" your efforts and findings. Even if your clients are too busy to read the activity report, the responsibility as the CI manager is yours to alert them. We've attached a sample format to work with. (See Illustration E)

### **Conclusion**

We began setting up CI systems in 1986. The technology has changed, and the interest has heightened. But there are no short cuts. Whatever dead ends you come across in your intelligence searches can be uncovered quickly with a well disciplined CI system.

This department, if planned systematically and realistically, will uncover competitor weaknesses to capitalize on, direct your client to new market trends and uncover new threats to circumvent.