



## *Keep Your Friends Close, and Your Enemies Closer*

In today's economic environment, we are presented with incredible opportunities and devastating dangers like never before. Whether the need for intelligence is about a market, an industry, a product or service, or your competitors, reliable worldwide information is a must for a company's continued success.

Frederick the Great said it best, "It is pardonable to be defeated, but never surprised." With the information available today and recognition that competitive intelligence (CI) is mandatory, many surprises can be avoided.

Competitive intelligence may sound like something from Mad Magazine's humorous Spy versus Spy segments, but nothing could be further from the truth. CI has been around for a long time. It consists of highly organized formal processes and organizational units used by Global 2000 corporations as well as smaller companies. It's no more sinister than keeping your eye on the other guy – albeit secretly, ethically, legally and efficiently!

What exactly is CI? The Society of Competitive Intelligence Professionals (www.SCIP.org) defines CI as, "A systematic and ethical program for gathering, analyzing and managing external information that can affect your company's plans, decisions and operations." In other words, CI is the process of ensuring your competitiveness in the marketplace through a greater understanding of your competitors and the overall competitive environment. SCIP stresses that CI must be the legal collection and analysis of information about the capabilities, vulnerabilities and intentions of your competitors through the use of public databases and other "open sources" and through ethical inquiry. That is, use whatever you can in the public

domain to ensure that you will not be surprised by your competitors (those known to you today and those you suspect will be competitors in the future).

To better understand CI, let's look at some memorable examples of companies or whole industries that have been eliminated or nearly eliminated because they have not had their eye on the other guy:

- Remember typewriters? That industry has now been relegated to museum pieces by the advent of the PC and word processing software.

effective communication capabilities. Companies offering these older services were caught a bit off-guard by this effective competitor. They have had to rethink their strategies and corporate directions to remain in the game.

It is obvious from these examples that today's business environment changes in the blink of an eye. Executives cannot bet the business on their intuition or instinct anymore when making strategic business decisions; these gut feelings are not reliable. To demonstrate how CI increases

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We have a friend who fixes old typewriters purchased at yard and estate sales for sale as collector items in antique stores and on eBay. I should have kept my old Selectric – who knew it would be collectable?

- Brokerage houses lost a significant amount of business to online companies such as E\*Trade before they got their act together and offered their own online trading capabilities. In some cases, the brokerages had to create the online capability implementations in spin-offs and, once established, bring them back in house.
- Bookstores had a rude wake up call from the likes of Amazon.com. Online selling of books, electronics and music is an extraordinarily good business; yet the older brick-and-mortar companies such as Barnes & Noble and Borders had to scramble to catch up with the young upstart.
- Can you imagine a day without e-mail? E-mail has replaced a significant amount of phone calls, faxes and even copiers with its

management's strategic planning comfort zone, let's look at some remarkable results:

- Business Week (November 26, 2001) reported that Texas Instruments' CI team determined the need to pursue an acquisition before their rival could do so. This discovery resulted in safeguarding a \$100 million business with enormous growth potential at a time when such prospects are few and far between.
- A March 2002 Trendsetter Barometer survey conducted by PricewaterhouseCoopers found that CEOs who considered CI either "very" or "critically" important grew their revenues 20 percent faster than their competitors without such a CI emphasis.
- Merck & Company (a large pharmaceutical firm) developed a counter-strategy to a competitor's forthcoming product rollout based on its CI findings (CI Magazine, Jan/Feb 2002) that enabled Merck to "anticipate and outmaneuver the competition," for a bottom-line savings of

approximately \$200 million.

- Illuminet, a company that delivers advanced network, database and billing services to the communications industry, keeps abreast of the voluminous information on its competitors' pricing and services by automating a process that harvests this information from competitors' Web sites (*DM Review*, July 2002). The process allows the company to stay one step ahead by making the competitive information accessible to its own salespeople.

How did these companies acquire this form of intelligence? Believe it or not, CI information is everywhere and is acquired by a variety of methods. SCIP recommends the following sources for CI: government sources or online databases (the Internet is an astounding source of information about your competitors – and probably about yourself for your competitors as well), interviews or surveys and even driving by your competitor's place of business and counting the number of cars in the parking lot (I am not kidding!). Other sources include special interest groups (such as academics, trade associations and consumer groups), private sector sources (such as competitors, suppliers, distributors, customers) or media (journals, wire services, newspapers and financial reports).

The difficulty in obtaining CI is not a lack of information; it is the ability to differentiate useful CI from chatter or even disinformation released by your competitors. This is where the burgeoning CI tool industry comes in. Specific CI tools and techniques are chosen based on a number of factors such as the company's CI needs, time and financial constraints, staffing limitations, ease of obtaining information about competitors, and the validity and reliability of the data gathered.

These last two factors – validity and reliability – deserve special mention.<sup>1</sup> Validity refers to the absence of constant errors; that is, it is the degree to which the tool or technique does, in fact, measure what it is purported to measure. The goal of CI is to gather relevant information that is both valid and accurate. Incomplete

or inaccurate information jeopardizes the entire effort and may cause a company to respond to a competitive event inappropriately. In any CI effort, there must be constant vigilance to ensure that the software or techniques used to gather CI are performing as expected.

Reliability refers to the absence of variable errors, or the degree to which the tool or technique consistently measures a variable. We are talking about the "believability" of the source of information, mostly based on its past performance. Much of a source's reliability is based on the human being's experience with it. No tool can replace that intangible asset – a person's judgment.


You can find a number of references that describe how to get a CI program started in your organization.<sup>2</sup> The consensus is that you start by performing an audit of your company's CI capabilities today. Basically, this is a review of your company's operations to determine what is actually known about your competitors and their operations. Most corporations have some idea who their competitors are, what their products are and how they operate. Without a formal CI program, however, your organization may not be able to deploy or even share its CI effectively. The audit will help the organization understand where its weak spots are, what data it needs for CI, and how to formalize the collection, integration and ultimate disbursement of this important information.

Based on the audit results, you can now plan the process of gathering relevant CI data. The plan should include as its first step the selection of the appropriate sources of CI data and supporting software. As I mentioned, the Internet has become an invaluable source of data which means that any software that you choose to support your CI initiative must have a robust search engine – one that can perform deep Web mining, has the ability to handle large files of unstructured text, can use pattern-matching technology, can automatically discover and follow links and, once extracted, formats the information into the presentation tool of choice. This is a tall order, but one

that can be filled by the technology available today.

Next comes the actual collection of the data. All data is ranked based on its importance and then verified perhaps against a duplicate source. To be useful, the data must then be reformatted in a way that is appealing and comfortable for the analyst. After the data is delivered to the analyst, it must be investigated and evaluated for its validity and reliability. The unreliable or invalidated data should be removed and an analysis of the remaining data conducted. These analyses may demonstrate a competitor's pattern of behavior, given specific circumstances, resulting in a "plan of attack" or strategic direction to be taken by your company.

As a final step, the CI must be integrated with your company's internal BI information so that solid strategic planning and operations can be created. This invaluable information must be shared with critical personnel throughout your corporation. Always remember that insightful and vital information is useless if your organization cannot act upon it. To be able to act upon it, the organization must be aware that it exists and have access to it.

Hopefully, my column this month has given you insight into the fascinating and important function of competitive intelligence. I encourage you to read more about it in the references cited here and to explore ways to combine it with your other critical source of strategic information – your BI environment. 

#### References:

1. "Competitive Intelligence and Measurement in Organizational Research" by Yogesh Malhotra. BRINT Institute, 1993. [www.brint.com/papers/compint.html](http://www.brint.com/papers/compint.html).
2. See [www.SCIP.org](http://www.SCIP.org), "Getting Started in CI" or first reference.

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*Claudia Imhoff, Ph.D., is the president and founder of Intelligent Solutions ([www.IntelSols.com](http://www.IntelSols.com)), a leading consultancy on CRM and business intelligence technologies and strategies. She is a popular speaker and internationally recognized expert and serves as an advisor to many corporations, universities and leading technology companies on these topics. She has co-authored five books and more than 50 articles on these topics. She may be reached at [cimhoff@intel-sols.com](mailto:cimhoff@intel-sols.com).*