



Using Market Intelligence & Competitive Intelligence To Add Value To Your Business

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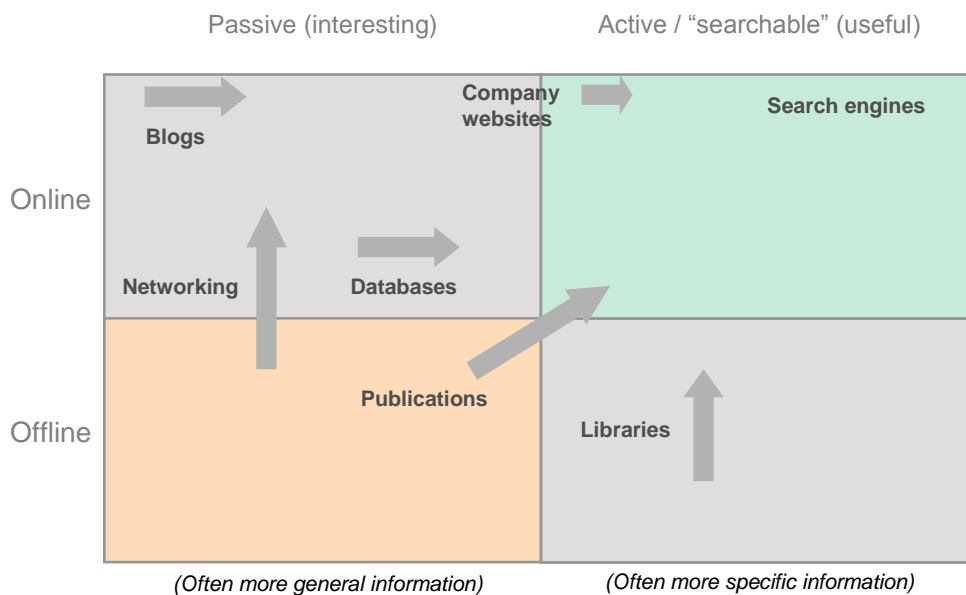


INTRODUCTION

Businesses now operate in a world in which information is more readily and publicly available than ever before. Thanks to the development of the Internet, information on market trends, legislation, customers, suppliers, competitors, distributors, product development and almost every other conceivable topic is available at the click of a mouse. Search engines, online libraries, company websites and other sources provide information in an increasingly plentiful, easy to find, and easy to digest way.

Even traditional forms of information provision such as libraries and publications are moving online. All in all, information providers are responding to customer demand by making more and more information available not only online, but also in a searchable format (see Figure 1 below).

Figure 1 - Gravitation Towards Online, Searchable Information



The target audience is increasingly demanding information sources in the **green** box.

Despite this trend, **it is often the most valuable information which cannot be found online.** An example of this is competitive intelligence, regarded by most information users as the most difficult type of information to acquire¹. Collecting such information often requires access to an expert market intelligence consultant, who will glean information from the competitor or another source. Similarly technical information, particularly in rapidly evolving (and therefore confidential) areas such as product development, is often poorly documented and therefore requires one-on-one discussion with a technologist.

¹ Based on aggregated B2B International surveys



In other words, whilst general information is often available freely in every sense of the word, **information that is sufficiently specific, validated and well presented to be of real use to decision-makers often requires a specialist market intelligence provider.**

WHAT IS MARKET INTELLIGENCE?

Market intelligence is a term that is widely used, widely misunderstood, and often mistaken for a mysterious art requiring high-level detective work. Before providing advice on how market intelligence can potentially benefit your business, it is therefore essential that we begin this paper by agreeing on a definition.

It is defined by Wikipedia² as follows:

“Market Intelligence is the information relevant to a company’s markets, gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics.”

In simple terms, market intelligence is information that is gathered for the purpose of making business decisions. **It is largely synonymous with market research**, the systematic gathering, recording, analysis and interpretation of information about a company’s markets, competitors and customers. DVL Smith and JH Fletcher’s overview of the market research industry in 2008³ describes the convergence of market research surveys and market intelligence that has occurred over the past decade:

“The last few years have seen the arrival of ‘new’ market research. Gone are the days when market research posed as a quasi-academic activity that only flirted with the business decision-making process. Today, market researchers are much more focused on improving the quality of business decision-making.”

In practice market intelligence tends to refer to the branch of market research called market assessment research, which is designed to help a company establish a foothold in a market, or increase its presence in a market. As such, typical areas covered would be routes to market analysis, market size calculations, competitor analysis, substitute products (or services) analysis, and market growth predictions – in summary, information about the external market environment.

Market intelligence can be obtained externally – by a market research and intelligence company, or by an internal department. Once the market intelligence is obtained, it is usually managed in-house, often in an informal fashion, but increasingly with the assistance of IT-based market intelligence systems provided by technology and market research companies.

² www.wikipedia.org

³ ‘The Art and Science of Interpreting Market Research Evidence’



Market intelligence, competitive intelligence & business intelligence

Market intelligence is sometimes confused with *competitive intelligence*. The latter is a more specific term, referring specifically to information about a particular company's competitors. SCIP, the Society of Competitive Intelligence Professionals, defines it as follows:

"The legal and ethical collection and analysis of information regarding the capabilities, vulnerabilities, and intentions of a business competitor."

In effect, competitive intelligence is a specific type of market intelligence. As a result, **a good quality provider of market intelligence should offer competitor intelligence as part of its range of services.**

Business intelligence (BI) is also a term that is frequently used interchangeably with the term market intelligence, again incorrectly. Business intelligence refers to all of the information used by a company for the purposes of decision-making, but tends to refer to data relating to the company itself, rather than its market environment. BI therefore includes sales data, production data and financial data, and tends to be collected internally rather than by outside agencies. BI is usually closely related to businesses' KPIs (key performance indicators).

This paper

With the above definitions in mind, *this paper discusses how to add value to your business using market intelligence, with particular attention paid to the important discipline of competitive intelligence.*



THE PURPOSES OF MARKET INTELLIGENCE

Market intelligence can be used to assist with more or less every decision faced by a company. The overriding purpose of most market intelligence, however, is to help the company grow – to increase revenue, profit, or market share. Good market intelligence can therefore have a huge return on investment - \$40,000-\$150,000 spent on intelligence can generate or save many times that amount in extra customer revenue or the avoidance of a bad investment decision.

The purposes of market intelligence are constantly evolving. Figure 2 shows the key purposes of market intelligence, and the type of market research or market intelligence study that is typically used to meet these requirements.

Figure 2 - The Purposes Of Market Intelligence

Purpose	Type of study that typically meets this purpose
Help enter new market, or expand presence in a market	Market entry and market expansion studies
Minimize the risk of an investment decision being wrong	Market assessment or acquisition studies
Keep ahead of the competition, obtain first-mover advantage over competitors	Competitor intelligence study
Give the customers what they want, expand market share	Needs assessment studies
Establish and maintain a distinctive corporate identity	Corporate positioning studies
Tailor products and marketing effort around customer needs	Segmentation studies

Market entry and market expansion studies

Means of gathering market intelligence vary according to the objectives of the intelligence. The first example in the table above – market entry and market expansion intelligence – is the most varied in terms of the mix of intelligence gathering methods used. In order to gather enough good quality information to inform a decision to invest in a new market, or simply to increase investment in an existing market, the market research and intelligence firm would gather information from the following sources:

- **Potential buyers** – to ascertain how much demand there is for the product/service
- **Distributors, agents and other intermediaries** – to find out how to best get products and services to market, and again to ascertain how much demand there is for the product/service
- **Competitors** – to find out how other companies have successfully entered and stayed in the market, and judge the market's likely response to a new entrant
- **Industry experts such as journalists and industry associations** – these organizations can frequently provide a quick and concise overview of the market, as well as numerous leads in the form of contact details of market players

In short, conducting a comprehensive and actionable market entry or market expansion project requires a 360-degree view of the market.

Market assessment studies are extremely similar in their approach, albeit the consultant is generally cross-checking a decision that has largely been made, rather than exploring a completely new market or opportunity. *Acquisition studies* form part of the due diligence of an acquisition target, with most of the information being gathered through the following means:

- **Interviews with the acquisition targets themselves** – to gauge their strategy, intentions, performance and characteristics
- **Interviews with competitors of the acquisition target** – to assess their views of the company's strengths and weaknesses as well as the strategy, intentions, performance and characteristics of the competitors
- **Interviews with customers of the acquisition target** – these are arguably the most important interviews of all, as they allow us to gauge the reputation, performance and brand values of the acquisition target, as well as pick up 'industry gossip' regarding issues such as the target's financial status
- **Published information such as annual reports and industry reports**
- **Suppliers and distributors to the acquisition target** are generally of less use, but can provide some interesting perspectives in terms of the performance and attributes of the acquisition target



Competitor intelligence studies

Competitor intelligence studies are in increasingly high demand, and typically companies seek the 'inside' view of that company's strategy and approach. Sales figures and production data would be a typical example. Certainly this inside view can be extremely valuable. What can be even more valuable, however, is 'external' intelligence on the competitor. Such information does not require anyone to 'tap up' an employee or search through the company's garbage can. Typical sources of information used in a competitive intelligence study are described below.

Press analysis – Publicly available information such as headline financial figures, changes of key personnel, senior management statements etc can be of great interest, and most companies conduct such research in-house on a regular but unsystematic basis. On a more formal basis, a common project conducted by external market research and intelligence agencies is marketing analysis of competitors. For example, detailed tracking of adverts placed over a period of time can be combined with exploration of publications' advertising rates to come up with an accurate estimate of a competitor's advertising budget. Press analysis can also be used to assess competitors' marketing strategy (by assessing the messages behind the adverts) and, through examining employment advertisements, gain valuable intelligence on wage rates.

Pricing research – there are a number of different types of pricing research. Statistical techniques such as conjoint analysis and SIMALTO are pure market research techniques which are used to calculate what prices the market would bear for different types of offering. In terms of competitive intelligence studies, competitor pricing research is easier to explain but arguably no easier to carry out! This painstaking work involves trawling websites, price lists and other sources of information for the prices of competitors' products and services. This information is then benchmarked against one's own prices.

Competitive pricing research is increasingly difficult, increasingly valuable and increasingly expensive. The key reason for this is that pricing models are increasingly complex. Definitions of 'product' in most markets have broadened to encompass service benefits and intangible brand benefits. The services associated with a product are sometimes priced separately as add-ons, and sometimes included as part of one 'all-in' price. Even the product benefits themselves can be priced as part of one overall price in some cases, and as add-ons in others.

By way of example, it is worth considering the way different cars are priced in the USA. A BMW 3-Series (www.bmwusa.com) is advertised at around \$35,000 for a basic model, whereas the starting price of a Lincoln MKS (see www.lincoln.com) is advertised at between \$37,000 and \$38,000. It would therefore appear that the BMW is the cheaper vehicle. A closer look at the BMW website reveals, however, that the buyer is invited to 'build their own' vehicle. A host of options ranging from metallic paint to leather seats, sun-roofs and satellite navigation are available for extra incremental fees. Exactly the same applies to the Lincoln. However, not only does the price of each of the options vary between the vehicles, so too do the options themselves.

The delivery fee for the BMW is \$825, against \$800 for the Lincoln – the price of these two equivalent offerings can be directly compared. This is the exception, however. Look further

and it can also be seen that the Lincoln offers a set of '20" polished cast aluminum 11-spoke wheels' for a fee of \$1,195. The BMW offers no such option, but does offer '17" V-spoke wheels with run-flat tires'. How do we compare the prices of these two completely different types of wheel? Add to this running costs, fuel efficiency and other outgoings associated with owning a car, as well as the fact that prices of all packages, options and benefits constantly change over time, and it is clear that price benchmarking is an extremely difficult and resource-intensive task.

Figure 3 - Complex Pricing Options (www.bmwusa.com)

The screenshot displays the BMW website's configuration tool for a 2009 328i xDrive Sedan. The main area shows a list of options categorized into Performance, Convenience, Entertainment, and Safety. Each option has a checkbox and a price. On the right, a summary table lists the selected options and their prices, along with a total MSRP as built.

Option	Price
17" V-spoke wheels (only 200) with all-season run-flat tires	\$500
Sports leather steering wheel with paddle shifters	\$100
STEPPED automatic transmission	\$1,325
Active Cruise Control	\$2,400
Comfort Access system	\$500
Fold-down rear seats	\$475
Heated front seats	\$500
Navigation system	\$2,100
Power front seats with driver seat memory	\$995
Rear manual side window shades	\$575
MSRP	\$35,200
Space Gray Metallic	\$500
Beige Leatherette	\$0
Dark Burl Walnut wood trim	\$0
Destination & handling	\$825
Total MSRP as Built	\$36,675

Market research and intelligence agencies are employed, of course, to devote the time and expertise necessary to make sense of such data. The agencies scour pricing lists and store the information they gain into databases. As the databases are complete, closely comparable 'options' are compared directly against each other. In addition, typical 'packages' of benefits are drawn up and then priced. So, a 'typical' basic BMW package would be compared with a 'typical' basic Lincoln package, even if the composition of the two packages is not exactly the same.

It is worth mentioning that competitor pricing studies allow us not only to compare prices, but also to compare our respective companies' ability to capture value. If our product or service is more expensive than a competitor's, this is only cause for concern if our revenue, market share or profit is decreasing. Our price must reflect the value to the market of the package of benefits offered. Every aspect of our product, associated services, and the intangibles such as brand should be charged for, if they are valued by the target audience.

Competitor interviews – Competitor interviews are a difficult, but valuable means of gaining competitor intelligence. Clearly senior management such as Marketing VPs are particularly useful sources of information, if they can be persuaded to talk. Gaining co-operation with such groups is one of the most difficult tasks carried out by research and intelligence agencies. If the agency can avoid revealing the sponsor of the survey (this is very rare), a financial incentive may gain co-operation. Far more commonly, the respondent is happy to take part in an 'information exchange'. This usually results in the respondent receiving a synopsis of the overall market research findings in return for a face-to-face or telephone interview.



It should be highlighted that a competitor interview does not necessarily need to target a high-level respondent in order to be useful. Mid-management employees such as Sales Managers can be an extremely useful source of information on products, innovations, overall strategies and a host of other topics. These employees are trained to talk and persuade and tend to be less circumspect than their colleagues in other departments. The typical format of an interview with a competitor's sales team is the 'mystery shop', where a market research agency rings makes contact as a prospective customer and obtains answers to a range of pre-defined questions.

Speaking to a variety of competitors – If asking a competitor to provide details on their own business is difficult, asking them to talk about other market players is more easily achieved. Given that staff of all levels move between competing companies, and competitors talk to each other, asking Competitor 1 to 'dish the dirt' on Competitor 2, before asking Competitor 2 to return the complement, can be an extremely effective way of gaining competitor intelligence as well as an overview of the market as a whole.

Customer interviews – There is no more effective, reliable or valuable source of competitor intelligence than customers. Buyers have never been so willing to say exactly what they want, and how they want it, nor so willing to complain or take their business elsewhere if their requirements are not fulfilled. Customers often display a remarkable level of candor when talking about their suppliers, even those with whom they have a close and collaborative relationship. Issues as diverse as price, service, contractual details and technical information can be discussed, as well as 'industry gossip' such as who is buying who, or which company is in financial difficulties.

Interviews with suppliers, distributors, other industry players and experts – In every industry it is worth mapping out the supply chain in order to assess who might be able to provide valuable market intelligence. Those at the centre of the supply-chain – intermediaries such as distributors, agents and importers – are often those that know most about the market, as they are in frequent contact with manufacturers and sellers alike. Most markets have a number of 'experts' of some kind who are independent and willing to share the information they possess. Industry associations and journalists at industry publications are typical examples.

Company websites are an obvious, but increasingly effective, source of competitor intelligence. Information which only a decade ago would have been top-secret, or only obtainable by making a visit to the company, is now freely available. Technical data sheets, company vision and strategy, product innovation, staff credentials and a host of further information is available to anyone willing to spend the time sifting through the often substantial content.

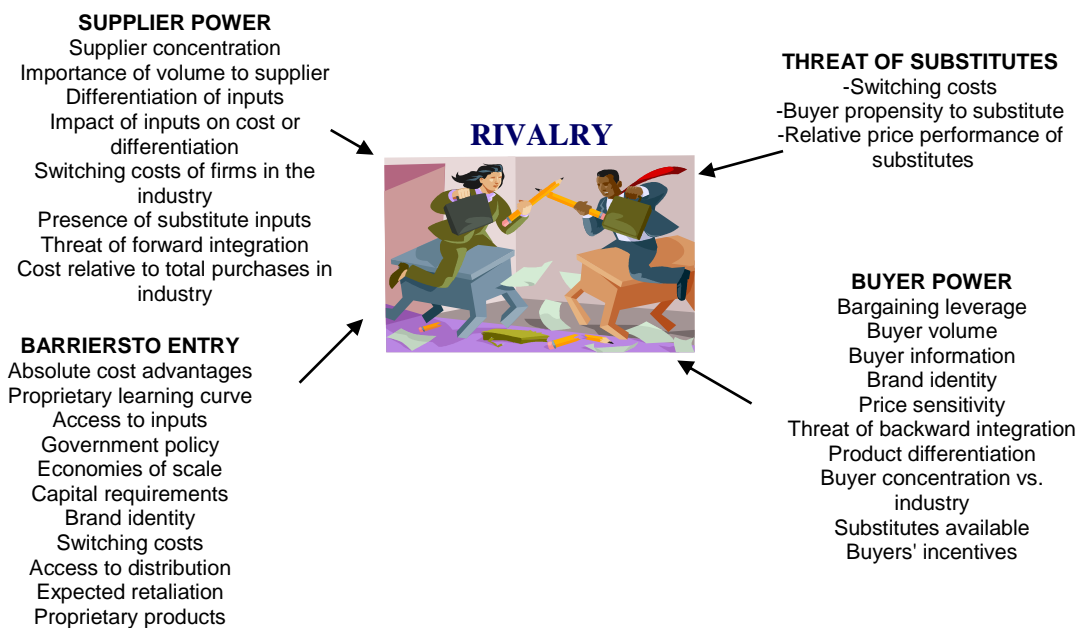
Output of competitor intelligence studies

It can be seen that competitor intelligence studies are diverse and rich in the information they provide. These studies provide a comprehensive description of the competitive environment as well as detailed competitor profiles covering topics such as company characteristics, needs, views on supplier performance, investment plans, marketing strategies, financial data, expansion record and plans and much, much more. Competitor



profiles are by nature tailor-made, although models such as Porter's 5 Forces (see Figure 4 below) can be used as a basis for a high level assessment of the overall competitive environment in any markets.

Figure 4 - Porter's 5 Forces



Needs assessment, customer satisfaction, corporate positioning and segmentation studies

Needs assessment, customer satisfaction, corporate positioning and segmentation studies are based on two key sources of information – customers and potential customers. Indeed, the topic areas covered by each are similar, each referring (in different levels of detail) to how the decision-making process and buying process work, requirements from a supplier and views on suppliers.

The four types of project vary greatly in terms of output, however, with corporate positioning and segmentation studies being the most complex in terms of analysis.

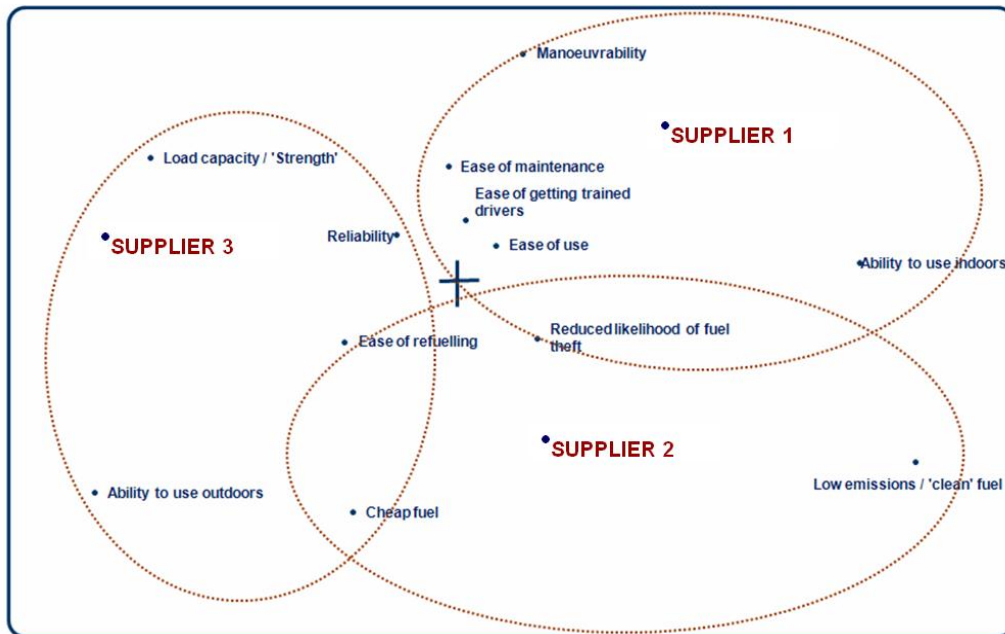
Corporate positioning studies are designed to establish the essence of a brand, and make recommendations in terms of how to make the brand values as clear and positive as possible, and how to increase a market's awareness of the brand. A key output of many branding studies is a **competitive brand map**, which uses satisfaction and perception scores provided by customers to statistically plot the relative strengths of competing companies against each other.

In a brand map (see Figure 5 below), the attributes towards the center of the map are least differentiating, whilst those towards the borders are most differentiating. The same principle applies to the suppliers or brands on the map – the nearer they are to the border, the more distinct their corporate position. A supplier or brand with a truly unique



positioning will be plotted near to an attribute towards the border of the map, but a distance away from competing suppliers. In Figure 5, it can be seen that each of the competing suppliers are perceived as being quite distinct from each other, although none has really gained ownership of a particular attribute. The forward-thinking supplier would invest in resources and marketing effort that associated it with an attribute that was distinctive, important, and in which that supplier has already demonstrated some aptitude. **By communicating a clear and distinctive message and delivering against that message, the supplier can increase customer loyalty, sales revenue, prices and ultimately profitability.**

Figure 5 - Brand Map



Segmentation, like branding, is a means of differentiating oneself from the competition, in order to increase profitability. The most effective type of segmentation – needs-based segmentation – is based upon quantitative data on the target market's requirements. The target audience is broken down into groups of companies with similar needs. Each of these groups is then targeted (or not targeted) on the basis of these needs and the likely profitability of the segment to the supplier. Implementing the segmentation takes the form of developing and marketing different offerings for each of the chosen segments. Hence, **segmentation studies have direct input into product development and marketing creative.**

MARKET INTELLIGENCE IN INTERNATIONAL MARKETS

The systematic gathering, analysis and presenting of market intelligence has taken place in Western markets for around 4 decades. Currently, however, it is in the developing markets that demand for market intelligence is increasing. Countries such as China, India, Russia, South Africa and Brazil are seeing repeated double-digit growth rates year-on-year. Most of



this growth, it should be started, is driven by Western clients both inside and outside their home countries.

There are few real methodological differences when it comes to obtaining market intelligence in different countries. When it comes to data collection, it is true that Asian markets, for both cultural and logistical reasons, often require more face-to-face data collection than Western markets. It is also true that market intelligence can be more difficult to obtain in developing countries. A key reason for this is that economic records tend to be less well-established. However, a market intelligence provider with well-educated employees and a multilingual capability should be capable of obtaining intelligence across different markets. Indeed, this skill is increasingly essential as the requirement for multi-country intelligence increases.

THE ROI OF MARKET INTELLIGENCE

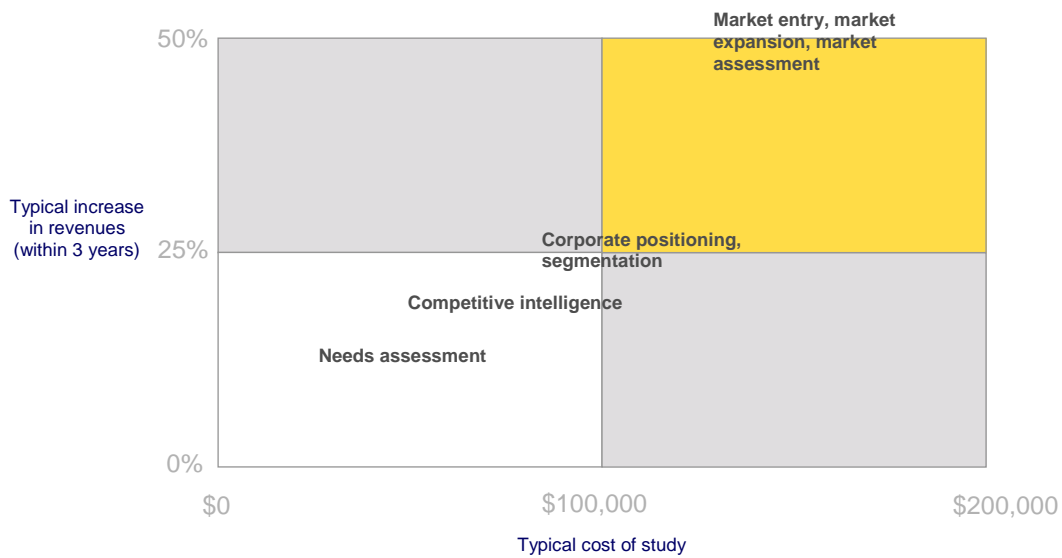
This paper has summarized the main types of market intelligence, placing particular emphasis on competitor intelligence. The purpose of all of this intelligence is to increase profitability. Market entry, market expansion, market assessment and acquisition studies achieve this by advising on the correct course of action when investing in a (usually new) market presence. Needs assessment studies allow us to better meet customer requirements and therefore increase market loyalty and market share. Segmentation, branding and competitive intelligence studies tend to refer to markets where there is an existing presence, and are particularly useful in helping us differentiate ourselves from the competition and capture more value.

Figure 6 - Which type of research/intelligence? (Using the ANSOFF Grid)

	Existing products	New products
New markets	<p><u>Market development</u></p> <p>Acquisition studies Market assessment studies Market entry studies Market expansion studies</p>	<p><u>Diversification</u></p> <p>Acquisition studies Concept testing studies Market entry studies</p>
Existing markets	<p><u>Differentiation</u></p> <p>Competitive intelligence studies Corporate positioning studies Segmentation studies</p>	<p><u>Product development</u></p> <p>Concept testing studies Needs assessment Segmentation studies</p>

A key question, however, is what is the real ROI (return on investment) of this intelligence? How do the benefits weigh up against the costs? It is impossible to provide a definite ROI figure; however we can at the very least compare the relative ROIs of different types of project. Figure 7 below shows the typical picture in terms of outsourced market intelligence projects. Few studies cost more than \$200,000, and most cost significantly less than this (assuming one study covers one market). The rewards, it can be seen, may be substantial, with market entry studies and similar projects providing huge payback in terms of revenue gains or costs saved. Unsurprisingly, less costly projects usually yield less substantial returns.

Figure 7 - Estimated ROI Of Market Intelligence Projects





MAKING MARKET INTELLIGENCE WORK FOR YOU

The objective of this paper is to demonstrate that market intelligence can bring significant benefits to all businesses, whatever their activities or objectives. We finish by providing the reader with a brief overview and 5 key recommendations.

- There is more information readily available to businesses than ever before. However, information that can really help a business make decisions is scarce and valuable, and usually requires the services of an outsourced intelligence provider
- Market entry and market expansion studies provide intelligence to be used when entering a new market or expanding an existing market presence. Information is typically gathered from conversations with buyers, intermediaries, competitors and industry experts
- Acquisition studies form part of the due diligence of an acquisition target, with most of the information being gathered through interviews with acquisition targets, their customers, their competitors, their suppliers, and industry experts
- Competitor intelligence studies are increasingly sought after, and are based upon press analysis, pricing research, competitor interviews, customer interviews, interviews with other market players, and online research (particularly of company websites)
- Other types of market intelligence include needs assessment, customer satisfaction, corporate positioning and segmentation studies – each of these are most appropriate when the sponsor already has a market presence and is seeking to differentiate itself
- Market intelligence is increasingly purchased by Western companies seeking advice on developing markets. Whilst the fundamentals of gathering intelligence in these markets are the same as elsewhere, a knowledgeable provider with a local understanding is essential
- It is extremely difficult to measure the ROI of market intelligence; nevertheless, it is clear that the price of projects broadly reflect the potential benefits. The most expensive studies are market entry intelligence studies, on the basis of which huge investments are often made (or avoided)

It is worth finishing the discussion with some recommendations to ensure that the ROI of your market intelligence is as high as possible:

- **Clear scoping** of objectives at the outset of the project. Studies that are too broad in scope rarely obtain the detail necessary for full understanding
- Recognise the value of **different types of intelligence**. Competitive intelligence is one (albeit important) type of market intelligence, but other types of study can be just as valuable
- Do the results pass the **common sense test**? If you have used a good supplier, they almost certainly will!
- **What to do is based on fundamentals; how to do it is based on the detail**. For example, whether to enter a market depends largely on the high level findings of market size and growth, and barriers and incentives to entry. **How** to enter the market will be based upon many fine details, ranging from distributor profiles and transport channels through to promotional messages and human resource



availability. A good quality market intelligence provider will provide both the 'what' and the 'how'

- **Choose a provider that has been there before.** Your intelligence provider should have experience of closely related industries, but also of the target countries of interest. Sensitivity to different data collection and interpretation requirements in the countries of interest to you can have a strong impact on the validity and usefulness of a project.



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MARKET RESEARCH WITH INTELLIGENCE