South African Journal of Information Management
[DoE accredited]
Competitive Intelligence Vol.8(1) March 2006

Parts of competitive intelligence: competitor intelligence

Marié-Luce Muller
Director and Analyst
IBIS Business and Information Services
mlm@ibis.co.za
www.ibis.co.za

Introduction

Having written columns for this journal for over two years now, the abundance of topics related to competitive intelligence (CI) is a clear sign that CI is evolving continuously. Also in South Africa, CI has noticeably evolved over the past decade. It has become part of business language and one can even venture to say that there are companies in South Africa that are maintaining a high level of CI maturity.

The time when CI was a hush activity that one could not call by its name is fortunately rapidly coming to an end. It no longer carries the burden of being wrongly associated with industrial espionage and unsavoury activities or being bundled under the security umbrella. It is also heartening to notice CI maturity reaching the levels of it being more closely related to companies' strategic planning whereas in earlier years it was buried somewhere in marketing or IT or seen as the company's library service or its knowledge management function.

And finally, it is heartening as competitiveness advisor to notice the maturity in the skills of people conducting CI in companies. This augers well for competitiveness in general and perhaps it is time to compliment our tertiary institutions who have come aboard and are teaching CI in various ways to a growing number of eager students.

Having said that, learning and education never ends and the next few columns will focus on the various parts that make the CI whole. CI is no substitute for other business processes but really sits upon all those components hopefully integrating information to create a comprehensive and easily interpretable picture of any company's competitive environment at any given time. CI comprises many aspects of which the following are utilized most often: competitor intelligence, technical intelligence, market intelligence, financial intelligence, marketing intelligence, product intelligence and customer intelligence.

In this issue, the focus is on competitor intelligence.

Competitor intelligence defined

Competitor intelligence is the analytical process that transforms disaggregated competitor information into relevant, accurate and useable strategic knowledge about competitor positions, performance, capabilities and intentions. The purpose should not be to obtain business or strategic plans but rather to gather continuously, in a systematic manner, a wide range of information that, when collated and analysed, provides a fuller understanding of a competitor's structure, culture, behaviour, capabilities and weaknesses, and possible future plans (Garcia 2005).

Johnson (2005) defines competitor intelligence as follows: 'Competitor Intelligence is the purposeful and coordinated monitoring of your competitor(s), wherever and whoever they may be, within a specific marketplace. Your competitors are those firms which you consider rivals in business, and with whom you compete for market share. It also has to do with determining what your business rivals will do before they do it.' This is to gain early warning of their plan in order to devise counter actions. To Gray (2004), competitor intelligence is a tool by which businesses gain information about their competitors, with the aim of gaining a commercial competitive advantage in the marketplace.

Johnson (2005) further described the aim of competitor intelligence as being able to develop the strategies and tactics necessary to transfer market share profitably andconsistently from specific competitors to the company. He warns that companies that do not continuously and systematically monitor their competitors leave themselves vulnerable to threats. 'The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyse and act upon competitive information in an organized fashion can lead to the failure of the firm itself' (Johnson 2005).

Classifying competitors

Any company that in any way encroaches or will encroach on your business should be regarded as a competitor and should be watched. Some competitors might be more obvious (direct competitors) while others are less obvious (indirect competitors). With the present day convergence of industries, competitors are no longer easily identifiable. For the soft drink maker, the competitor is not only another soft drink maker (traditional/direct competitors) but also the prepaid mobile phone voucher, or the company that is bottling and selling mineral water (substitute product/indirect competitor) or the Lotto or any product in the price range R1 – R10 that the consumer regards as an essential purchase, for example bread or even a premium on a burial policy (share of wallet or disposable income).

Weiss (2005) categorizes competitors as follows:

1. Companies that offer the same product or service now
2. Companies that offer similar products or services now
3. Companies that plan to offer same or similar (substitute) products
4. Companies that could remove the need for a product or service.

Hints for delivering effective competitor intelligence

1. Analysing a competitor should be a continuous process. What is currently a competitor, might be off the scene tomorrow. Equally, a small, insignificant competitor might, through a merger, become a threat overnight. Companies also change continuously – they roll out new products, expand into new markets, target a new consumer segment, change image and marketing and take over or merge with other companies.
2. Ensure that the picture built out of various pieces of competitor information is thoroughly analysed, interpreted and made actionable through a process of analysis. Some of the more popular competitor analysis techniques include strengths, weaknesses, opportunities and threats (SWOT) analyses; strategy hypotheses and alliance analyses; competitor plans and intentions analyses; competitor benchmarking

and competitor response modelling (Bensoussan 2005).

3. Prioritize competitors into various categories – those of immediate importance, those less of an immediate threat and those that are on the periphery. Few companies have the resources to continuously monitor and analyse all their competitors with equal rigour. The longer the early warning the better. Steele (1994) warns that competitor intelligence is inadequate and misguided if it focuses on watching the competition and 'trying to beat them through mimicry'. Understanding your competitor is an important objective; but companies should not underestimate the importance of understanding future customers and future opportunities and integrating competitor intelligence with other components of competitive intelligence.
4. Convey the intelligence in a palatable manner – make it easy for the client of the intelligence to understand the core message. Once competitor information has been collated, analysed and interpreted, the resultant intelligence has to be reported because there is no point in investing the time, effort and skills of the intelligence practitioner if the intelligence gained is not constructively used.

Key intelligence needs on competitors

Any CI function succeeds or fails at the stage where key intelligence requirements or topics or questions are expressed. It is not a simple action and few company leaders can recite his or her key intelligence requirements off-hand. It is often the CI practitioner who has to promote and probe to get to the right set of questions and who will guide the intelligence process. The questions can become too many to handle – best practice suggests that CI should not take on too many tasks and that a total of five key intelligence needs are manageable.

Competitors are an important competitive element and various intelligence clients in a company would probably have many competitor-related questions on their minds.

Company leadership

For senior management, competitor intelligence should yield a clear picture of the activities and interrelationships between companies to track the company's own performance relative to that of competitors and to be clear on what strategic direction to take. Improving own performance is often the main objective. For example, a company distributing glass products might notice its distribution costs rising as a percentage of its sales when compared to the competition, and this might point to fixed costs being higher than the competitor's fixed costs.

Top management should also be interested in how competitors are adapting to changing market or industry trends to determine what action it should take to manage the potential impact of change.

Changes in ownership of competitors and their interrelationship are also extremely important, especially when creating an analysed picture of the potential impact of such change. For example, the Barclays–Absa relationship has changed Absa as a competitor for the other large banks in South Africa and the impact of this development should be a point of high interest to those banks. Also of interest is any new entrant in an industry or in the wider competitive environment. Virgin Mobile's entry into the South African mobile communications industry should make companies related to telecommunications, mobile content, banking and third-party payments sit up and take note as there might be opportunities and threats involved. How did the new entrant enter? How will it impact on your market? Are they a threat or perhaps a potential partner?

Managers in marketing

Competitor intelligence should yield valuable actionable intelligence on various issues pertaining to marketing, for example what customer segments the competitor is focusing on and why. Also, it is important to analyse how successful it has been in serving that particular segment, how its market share has grown (or declined) and why and what possible reaction you can expect if you enter the same market segment.

Of added interest would be intelligence on the regions a competitor is focusing on and why and how they typically enter a new market. Of course, how successful they are will also be important to note. Vodacom's inability to successfully penetrate the Nigerian mobile market should be not only of interest to other mobile operators, but intelligence should be of more than passing interest to any South African company planning to enter a new market in Africa. Kumba Resources' recent woes in Senegal similarly hold lessons about market entry strategies.

Other marketing strategy, competitor-related key intelligence requirements would focus on the competitors' advertising activities. What media do they use to sell and promote their products, why do they use these media and how successful are they. What do consumers think of a competitor's campaign or television advertisement?

Sales force

Traditionally, the sales force in a company is the most competitively minded group of people as they directly deal with customers and come in contact with competitor products. To conclude a sale, they have to be better than their counterpart.

Typical competitor intelligence that the sales person requires includes answers to questions such as what competing products have been launched or, better still, are going to be launched; how do your products compare with a competitor's? What marketing material is used to sell the product and how do your customers view these new products? What are their comments, and are your accounts being threatened? What counter strategies can you take to decrease the potentially negative impact? When is the optimal point to launch your new product?

Conclusion

In conclusion it can be said that competitor intelligence, albeit an important aspect of CI, should not be the only element in a company's competitive environment to analyse and interpret. Focusing only on its competitors leaves the company blind to other potentially important developments in its environment and it might miss opportunities, become vulnerable to threats and become ignorant of changing customer needs and future trends.

References and sources of information

Bensoussan, B. 2003. The 'value add' to information. Unpublished paper delivered at the Information Online 11th Exhibition and Conference, Australia.Fuld, L.M. 1995. New competitor intelligence: the complete resource for finding, analyzing, and using information about your competitors. NY: John Wiley

Gray, J. 2004. Competitor intelligence – aiming the market advantage. *Sales Manager Magazine* (3rd Quarter, July–September).

Johnson, A. 2005. What is competitor intelligence? [Online]. Available WWW: http://aurorawdc.com/whatisci.htm.

Steele, R.D. 1994. The theory and practice of competitor intelligence. Unpublished paper delivered at the Annual Conference of the Association for Global Strategic Information, Germany: 14–16 June.

Tyson, K. 2002. *The complete guide to competitive intelligence*. London: Blackhall.

Weiss, A. 2005. Competitor analysis – a brief guide to the basic principles of competitive intelligence. [Online]. Available WWW: http://www.marketing-intelligence.co.uk.

About the author:

Marié-Luce Muller is a consulting CI analyst with IBIS Business and Information Services (Pty) Ltd, a leading Pretoria-based CI consultancy. She has a distinguished career in CI. Her primary experience lies in assisting companies in honing their CI capabilities. She also performs tracking and scanning activities on behalf of companies. Marié-Luce has published many articles on competitive intelligence (*CEO Magazine, Finance Week, Business Week, Beeld, Die Burger* and the *South African Journal of Business Management*), including an article on South Africa as an emerging CI player, which was published in an international publication of the Society of Competitive Intelligence Professionals (SCIP). She has also published a series of booklets on CI (*Nuts and Bolts business series*, published by Knowledge Resources) and is a member of a research team participating in an international study of CI practices among exporting companies. Previously, she was involved in research into the status of CI practices in South Africa. A member of SCIP, she holds a postgraduate degree from the University of Stellenbosch.

ISSN 1560-683X

Published by InterWord Communications for Department of Information and Knowledge Management, University of Johannesburg