



Building blocks of competitive intelligence – marketing intelligence

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Introduction

In the previous column, I wrote about the abundance of topics related to competitive intelligence (CI) and that the continued and growing interest in CI is a clear sign that CI is here to stay. CI is no substitute for other business processes but really sits upon all those components, hopefully integrating information to create a comprehensive and 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 and marketing intelligence, financial intelligence, product intelligence and customer intelligence.

In this issue the focus is on market and marketing intelligence.

The competitive environment of any company is constantly undergoing change. The nature of that change differs in pace, effect and the variables that impact on change. How companies compete differs – some compete with more efficient technologies, others on price and so on. In the competitive environment, competitors all vie for the customer. They now have better access to their cost options and communication has changed significantly in the information-rich environment of today,. Also, information has become abundantly available, leading to informed and demanding customers who are spoilt for choice. The changes in the competitive environment are numerous and therefore marketing strategies, combined with the plans available to implement strategies, have had to change in nature and become more flexible.

Many large companies are turning to marketing intelligence (MI) for input into their strategic marketing plans and decisions. Tan Tsu Wee (2001) states that conventional marketing research is too narrowly focused on tactical and operational issues and that there is too much emphasis on quantitative research rather than qualitative research. Conventional research is also too reactive to be beneficial in an increasingly fast-paced competitive environment. Marketing intelligence is therefore not the same as market research. Market research is a well-defined discipline with a long history of application to the business world. It takes many forms and the ultimate goal is to enhance a company's understanding of the market and its customers.

Any thorough marketing initiative depends on research and analysis that should lead to implementation and action. This means that the main input into any marketing plan, strategy and action should be preceded by an in-depth MI process and output. Simply put, key focus areas should be identified and the right information should be gathered and analysed to identify opportunities and create the ability to better meet customer needs. Then a plan must be devised on how to capitalize on opportunities where after action should follow. MI underpins any sound marketing strategy that in turn is the basis of a marketing plan that serves to achieve certain aims. An example of a typical aim would be 'to increase your current customer base by 10% and increase sales volumes by 50%.'

MI does not take place in isolation of the overall corporate strategies and aims but, like CI's key intelligence topics, should flow from a company's mission statement as well as its strategic objectives. Of course many variables will impact on MI; therefore marketing strategies will have to be dynamic and flexible.

MI's main application is to identify successful new opportunities in time to prepare the company to profitably launch new products. By using this knowledge about the external environment, companies can successfully innovate to stay ahead of the competition. MI is the key to an environment that requires real-time responses to complex questions (Chettayar 2004).

Marketing intelligence (MI) defined

Successful business planning and development requires sound knowledge of market potential and of a company's capabilities against those of its competitors.

MI can be defined as the process of determining key intelligence areas and then acquiring and analysing, supplying and applying information (both qualitative and quantitative) about the external market environment in order to understand market forces (including products and customers). This is done to assess and anticipate current and future needs and preferences, consumer attitudes and behaviours and to assess changes in the business environment that may affect the size and nature of the business in future (Cornish 1997).

Cornish (1997) states that insights, triggered through the MI efforts can improve planning, decision-making, operations and performance, as well as 'the clarity with which the voice of the customer is heard'. It is done to equip businesses with intimate and current knowledge about markets and competitor activities and capacities in these market places in a timely, user-friendly and efficient fashion.

The American Marketing Association defines MI as the 'process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives'. Overall, it can be described as the process of acquiring, analysing and interpreting information about markets (American Marketing Association 2006).

Huster (2005) defines marketing intelligence as 'the ability to fully understand, analyze, and assess the internal and external environment related to a company's customers, competitors, markets, and industry to enhance the tactical and strategic decision-making process. Creating this ability requires the integration of competitive intelligence, marketing research, market analysis, and business and financial analysis information.'

Focus of MI

Though understanding one's competitors is key to success, it is access to timely and accurate intelligence about a current or potential market that can mean the difference between success and failure. By understanding one's competitive capabilities and assessing them against the key success factors in any given market, foreknowledge about impending market changes can be developed.

As with the more encompassing CI, it is equally important for MI to focus on the right things. These key intelligence needs (KIN) should include all variables that might impact on a marketing plan and that are therefore important to track and scan. Foremost of the key MI needs is information about markets and specifically the competitive landscape in a new market. Forces in the competitive landscape that need to be researched include the following:

- Customer intelligence
- Key trends and forces driving a market
- Competitive success factors
- Competitors and their market share
- Competitor capabilities
- Risk variables.

Ensuring continuous high quality MI

To function efficiently and yield timely, actionable intelligence, MI requires the right support and resources. This may well include the following:

Be clear on the outcomes of the MI activity. As the main users or clients of MI, top management and the sales and marketing corps of a company should be thoroughly debriefed on their MI needs. This is often a difficult process and it is a challenge to formulate such intelligence needs. Knowing what the marketing objectives are might be a starting point to formulate the intelligence needs.

The MI and CI cycles and purpose will have to be explained properly to both the intelligence clients (e.g. sales force, marketing managers and management) and stakeholders (M&A, legal departments, finance, etc.). Once understood, the entire intelligence effort should be much better accepted and supported throughout the company.

- Obtain a mandate from top management to invest in MI and ensure that the right resources are made available to develop MI as a company-wide activity. Having top management support also leads to acceptance of MI and ensures participation in and contribution to the process. This way decision-maker support will be secured.
- Ensure that both internal and external sources of information are consulted in order to find the right information. Both primary and secondary sources should be used. Typical primary sources could include the company's sales and marketing people, agents and alliance partners. Secondary sources could include field studies and industry analyses.
- A good, experienced analyst is required to take the relevant information, sift and filter it and add value to it by applying appropriate analysis techniques. This process of analysis should yield actionable MI. MI requires analysts with the proper skills and capabilities who are in a place in the organization where they influence decision makers and cross-organization cooperation. The analysts must have excellent analytical skills, strong communication skills and a cross-discipline mentality. The real power of MI comes from the ability to pull together information into a comprehensive understanding of the market and market dynamics. This requires good intelligence gathering, strong partnerships with market data providers, solid analytical skills and techniques and skilled, focused MI staff (Huster, 2004).
- Effective communication of MI is a further prerequisite for an effective MI capability. Typical means of communication could include inputs at marketing strategy meetings, presentations and MI reports.

Benefits of MI

MI carries many benefits. Perhaps the biggest is that it forces a company to become more externally and customer or market focused. Gaining and maintaining a better understanding of the competitive forces, will increase chances of attaining more successful products and services in the market.

Losing sight of or relegating the external forces to second priority due to operational pressures such as administrative actions, employee issues, product development and other internal matters, means that little time is left to spend on getting to know the market.

MI will focus the marketing and sales efforts into the frontline, providing a constant view on the external impact and market opportunities available. This will promote and strengthen priorities that position a company to better capitalize on opportunities and avoid threats. Some of the benefits of MI might include:

- Improved market and customer orientation, forcing employees to become more externally focused and thereby enhance customer knowledge. Closeness to the customer will mean that the company is more in touch with changing needs and preferences.
- A higher chance of seeing the opportunities as they arise and enabling the company to capitalize on them. Ideally this should occur before the competitor also sees the same opportunity. Beating the competition where it matters most, that is, in the market place, is important.
- With the sights set on competitive factors, detecting what the competitor is up to will probably

become clearer. Losing valuable market share is preventable provided the right intelligence is available and the right action is taken to neutralize the competitor's moves.

- Managed risk because threats might be easier to detect in time to avoid and might prevent costly ill-timed expansions, launches and so on from taking place.
- Improved market knowledge will lead to informed decisions about new markets to penetrate as well as market entry strategies that should best be followed. More thorough market knowledge will reveal the best opportunities available.
- Heightened competitive awareness among employees, especially those who are active externally, will mean that they are more likely to contribute competitive market information if they are sensitized. Often, a company's own employees are the best source of unique market, customer and product information and insights.
- Quicker identification of upcoming trends and opportunities will become possible and better use will be made of intelligence reports because a more integrated view of the external environment will become apparent. Owing to more stakeholders becoming involved, there will be enhanced cross-functional collaboration and action planning.

The MI process

The process for MI mirrors the intelligence cycle for CI (Figure 1). Research has found that although many companies would say they are generating sufficient MI, few have the right systems and processes (MarkIntell 2006) in place. Such a system should systematically gather and process critical business information, transforming it into actionable management intelligence for marketing decisions (Cornish 1997). MI activities need to support the MI cycle and its continuous intelligence activities and tasks. Like any other well-established business process, the MI process needs to flow in a continuous cycle.

There are basically four main elements in the MI process:

1 Defining the goal: Key MI needs analysis

The typical users and clients of MI are marketing analysts, salespeople and the decision makers they support. Characteristic of these groups are requirements for timely awareness of events external and internal to their organization, the ability to monitor specific areas of interest (markets, industries, companies, people, products or services, issues, activities, etc.) and an ability to conduct research of either a broad or detailed nature without incurring significant ancillary work or time delays.

Knowing what the business aims are, the framing of the information can follow. This will form the direction of the MI process and will determine what information should be gathered.

2 Information collection

Once the key MI needs have been identified and analysed, a collection effort has to start. A data audit and source map is the first step in developing an understanding of what is available and what is not. Data and information resources for the key intelligence areas need to be selected following the identified intelligence requirements. Various sources should be consulted. Often the challenge is not a lack of source and information, but finding the right information that is trustworthy, of high integrity and reliable. Primary sources of information could be the sales and marketing force, agents, distributors and customers.

Secondary sources of information could include industry analyst reports, annual reports, media reports and market overview and country reports.

3 Analysis

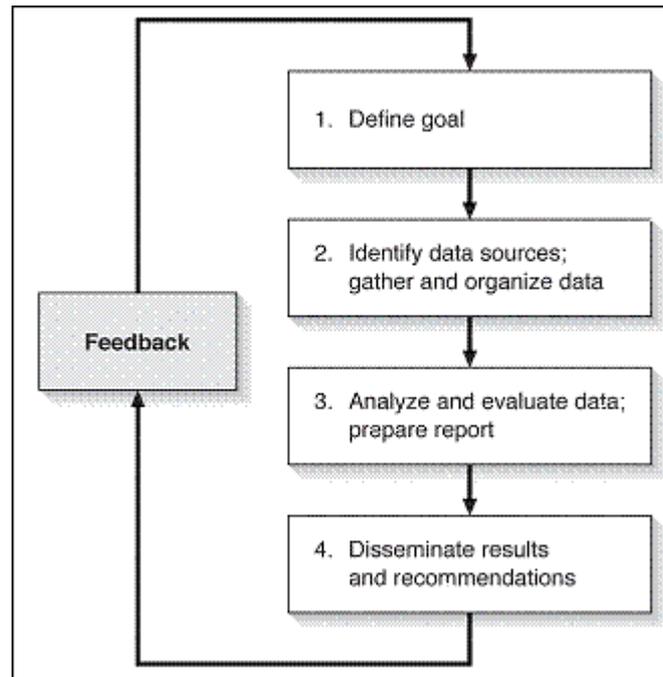
Information becomes information when the disparate pieces are combined to create a complete puzzle of what happened, especially when it relates to a customer. This is the task of the analyst. Since intelligence cannot be measured solely by the amount of information available for consideration, analysis is critical to the 'reduction of complexity' that produces sounder deductions. Various analysis tools can be used including profiling, statistical tools and market analysis and consumer analysis. The

intelligence that is developed is the ultimate outcome or product of MI and should contain clear findings, conclusions and recommendations (action steps, scenarios, etc).

4 Disseminate results and recommendations

The intelligence developed through the process of analysis should be communicated in an actionable and digestible manner to the client of MI (those that posed the questions in the first place). The communications vehicle could include market and competitor profiles, industry and consumer profiles, risk assessments and so on.

Figure 1 MI process



Source: Sivaraman 2005

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