

Competitive Intelligence In Action

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SHEILA WRIGHT | JOANNE CALLOW | DAVID PICKTON |

Introduction

This document reports on the findings of a mail and interview survey conducted between June and September 1998 on the topic of Competitive Intelligence in UK firms. The work was partially funded by Leicester Business School, therefore the authors own the copyright and intellectual property rights to the raw data and any subsequent analysis.

We would like to thank those who participated for the time they sacrificed in completing the original questionnaire and special thanks are due to those respondents who agreed to participate in a follow up telephone or personal interview. Due to time and resource constraints it was not possible to follow up all of these offers of assistance at the time but we hope to achieve this at a later date. All sources of information provided by respondents were equally valuable and have been influential in shaping the conclusions to this project. All confidences have been maintained and the report that follows presents only summary findings.

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Sample Frame

The mail questionnaire was produced with the underlying assumption that the respondents would at least be aware of Competitive Intelligence (CI). The Society of Competitive Intelligence Professionals (SCIP) membership directory was selected as the best source of information for the primary sample frame. Permission was obtained from the US headquarters for the list to be used and an errata sheet was supplied to update the 1997 directory. SCIP officers in the UK were also contacted to provide verification on the status of some members i.e. whether they were management consultants or employed by CI practising firms. The sample selected for analysis were all UK SCIP members.

In total, 218 questionnaires were mailed and a response rate of 27% was achieved. Electronic and face-to-face interviews were held with a total of 20 companies to discuss some of the issues in greater depth.

For the purposes of this report, responses from consulting firms were excluded. It was considered more appropriate to use the information from consulting firms as the basis for further research and a subsequent report.

Profile of Respondent's Firms

There was a trend towards manufacturing companies responding to the questionnaire. This may be because manufacturing companies have necessarily been more competitor aware for a longer period of time than services companies, so they may be more aware of formal CI practices. However, services were well represented and showed evidence of reacting quickly and competitively to the recently increased pressure on maintaining a competitive advantage. Similarly, services companies linked CI more with customers and customer-focused actions than the manufacturing companies.

89% of respondents described their company's turnover as 'more than £10 million'. Whilst it is impossible to make conclusions regarding non-respondents, such a high response rate from large firms would tend to suggest that, on this occasion, CI is the domain of these companies.

Scientific, pharmaceutical and chemical companies accounted for 20% of respondents. Telecommunication companies have necessarily become more CI-active and they made up 11% of respondents. Due to deregulation and legislation, it has been necessary for previously public companies to become proactively competitive. This was emphasised by the 17% representation of energy-related companies. Another sign of recent market changes was the large number of financial services companies which are finding it essential to undertake CI in order to stay alive (33% of service respondents).

CI literature tells us that speed and differentiation are the ways to keep ahead of the competition. This was reinforced by the respondents' lists of their own Critical Success Factors (CSFs). Innovation was the most often cited factor. It was also the factor on which CI was seen as having most effect.

Closely linked factors such as technical excellence, high product quality, exceptional technology and speed to market all featured in the top ten most common CSFs for the manufacturing companies. As expected, the services companies focused on 'softer' CSFs – the top 3 factors being customer service/satisfaction, reliability and having a trustworthy reputation. CI was seen to have had most impact on improving customer service – which for many services companies is the only way to obtain competitive advantage.

Both manufacturing and services companies presented increasing competition and low price competition in the top three problems affecting the company. Although nearly all the firms cited these as big problems, they also indicated that CI was helping them address the issues.

In CI literature, the words *Competitor* and *Competitive* Intelligence are often used interchangeably. The questionnaire gave the respondents the opportunity to explain their standpoint on this – 50% of services companies and 52% of manufacturing companies made no distinction. Some practitioners said that it was not important what the activity was called as long as it was carried out effectively.

An interesting finding was that 71% of respondents felt that SCIP membership had improved their understanding of CI. This linked to recurring comments further in the questionnaire that lack of CI awareness and understanding was one of the biggest barriers to effective CI. The growing interest and use of CI was reflected in the short length of time that most respondents had been SCIP members. Ranging from ten years to one month, the number of respondents who have been a member for three years or less totalled 73% of all respondents.

The CI Practitioner

The difference in the length of time that manufacturing and services companies had been competitor aware, was reflected in their personnel. In both cases the majority of respondents had only been in their current job for two years or less (manufacturing – 66%, services – 61%) However, the length of time that the manufacturing respondents had been actively involved and aware of CI extended much further into the past than the comparative respondents in services companies. The longest that a manufacturing respondent had been actively involved in CI was 40 years. Many respondents answered that they had been aware of CI all their business lives. Services companies had an awareness and involvement in CI more geared towards 10 years and under.

The job of a CI professional is not always obviously labelled. The research showed that most companies disguise the CI role under the title of analyst or planner. In fact, only 26% of respondents' job titles included the words 'competitor', 'competitive' or 'intelligence'. The use of 'intelligence' was mainly coupled with 'business' or 'market', rather than 'competitor' or 'competitive'. Analyst, analysis or planner as a job title involved 33% of respondents. It can be argued that labels are, in essence, unimportant and that it is the content of the role that affects the company. However, the research indicated, to some extent, that the CI practitioner's title reflected the way CI was seen in the company.

Practitioners with job titles specific to CI undertook the highest percentage of CI work. For respondents with the words 'competitor', 'competitive', 'intelligence' and 'analysis/analyst' in their job titles, the average percentage of the job dedicated to CI was 70%. For other respondents, without CI specific job titles, the average was 41%. The trend from the research was that the companies with officially named and delegated CI practitioners tended to be the companies with dedicated CI units. They also tended to be the companies with the most positive responses regarding attitude to, and use of, CI.

Most respondents had a marketing background (37% manufacturing, 55% services). Manufacturing companies also had many people with analytical and technical backgrounds whereas the bias for services was in sales and information. The list of previous job titles highlighted the fact that the focus on CI as a formalised discipline is relatively recent. Analysts still featured strongly, although the focus was away from competitors or intelligence. As was expected with professionals, most respondents had a Bachelor's degree (81%) and a postgraduate qualification (72%) – an MBA in most cases.

To gain insight into the day-to-day actions of a CI professional, questions on the core tasks were asked. Often, the most time consuming tasks were thought to be mundane and necessary, but not particularly important to the effective undertaking of the job specifics. However, in this research, the most time consuming aspects of the job were also indicated as being essential to effective CI practice. The most notable of these being networking and competitor, market and industry analysis. In all cases the majority of respondents felt that these aspects of the job were just as 'important' as they were 'time consuming'.

In-keeping with the huge focus on analysis in many companies, 66% of all respondents marked analytical and problem solving skills as a key requirement. Emphasising the importance placed on networking, 40% of respondents marked communication skills as the most important. Industry experience, industry knowledge and decision/judgement making skills were indicated to be the other most important skills. Of the skills added by respondents, the most insightful was the skill described as 'Good at relating many small pieces of information into an overall pattern – conceptual thinking'. The ability to see patterns and fit pieces of information together is a key skill in CI.

The main personal qualities needed were stated to be: inquisitive (57%), proactive (53%), intuitive(40%), coping with uncertainty (40%) and being self-sufficient/resourceful (21%). The qualities added by respondents were ones of objectivity, courage and diplomacy.

Attitudes and Integration of CI in Respondent's Firm

The top three ways that senior management viewed Ci activities were 'of good use for the company's situation', 'as a crucial and integral part of company success' and 'as a long term investment of increasing importance'. However, the fourth most common response concerning top management was that they 'don't understand but give support and show interest'. Only one respondent indicated that the company's top management saw CI as 'a short term fad'.

For most respondents, the way that CI was viewed by other departments was similar to the view taken by top management. However, general ambivalence and misunderstanding seemed to be higher in other departments than at top management level. This suggests problems of interaction, integration and communication as well as hinting that the structure and culture of these particular companies may not be CI-friendly. In some cases, the same respondent ticked both positive and negative statements, indicating a more complex and potentially inconsistent attitude towards CI.

When considering the main benefits that CI had brought to the respondents' companies, it was encouraging to see that 'strategic guidance/insight' was quoted by 44% of respondents, with 'identify, understand and exploit significant threats and opportunities using market and competitor knowledge' being the next most popular benefit for 40% of respondents.

General awareness and alertness, whether or not any action was taken, was also high on the list for 33% of respondents. Whereas knowledge of customers was only mentioned by one manufacturing company, 22% of services companies mentioned a customer focused benefit. This trend of services companies focusing more on customers, as well as the more tactical use of CI by services, is echoed in future sections of the questionnaire.

The majority of the services companies responding to the questionnaire had a dedicated CI unit (71% as compared with manufacturing companies 55%). Also, 83% of the services companies in the sample frame had a turnover of over £10 million so they could have the backing to dedicate time, resources and staff to a specific CI unit. It was interesting to note that in the services sector, the length of time the CI units had been established is often equal to the length of time that the respondent has been actively involved in CI.

Companies Without a Dedicated CI Unit

When asked why they thought there was no dedicated CI unit in their company, 38% of respondents indicated it was because of the limited size of the company. The perception that CI is too costly and that extra human resources are needed were cited by 25% and 31% respectively as the reasons for not having a dedicated CI unit.

Even though 88% of respondents believed that a CI unit would probably or definitely aid business performance, only 13% of respondents could see a unit being established in the near future.

Despite the fact that respondents to this part of the questionnaire were not part of a dedicated CI Unit, all indicated that their colleagues were aware of CI and that they either 'show an active interest and offer support and help' or 'support and help if asked'. For both services and manufacturing, the targeted CI practitioners were mainly based in marketing related departments (50%). The fact that 44% of respondents said 'a lot of interdepartmental liaison/communication occurs' and the same amount again said 'some interdepartmental liaison/communication occurs' would suggest that CI is being carried out well in these companies.

Companies With a Dedicated CI Unit

All the respondents with a dedicated CI unit represented companies with turnovers in excess of £10 million. 48% of the units had only one or two members and lack of resources represented only 12% of all major hurdles in establishing the unit.

The other major hurdles highlighted constantly recurring themes such as the need for evidence of the benefits of CI (44%), problems of integration and acceptance by other departments/managers (41%) and location and responsibility issues (44%). Also, the lack of experience in CI and scarcity of UK models of CI in action caused 44% of respondents to have a problem of knowing what was needed for the unit.

Most (67%) of the respondents with a dedicated CI unit believed it is essential to have one. Reasons included the need to have a centre of expertise to which information can be channelled and the need for an unbiased, specialist skill set devoted to company-wide CI. 15% of respondents marked that a CI unit is only sometimes essential or that it is 'a good idea but never essential'.

As previously mentioned, 88% of no-CI unit respondents believed that their company's business performance would either probably or definitely improve if a unit was established. However, 30% of respondents with CI units indicated that their company's performance had not really improved. This is not as depressing as it initially seems and many of the reasons given for the 'improved somewhat' answers explain the current situation more fully. Respondents felt that it was too difficult to relate the use of CI directly with business performance and that it was the lack of CI-based action taken by top management that had hindered improved performance.

Questions were also included about the impetus for CI projects. 55% of respondents 'agree projects in consultation with senior management/strategic unit'. 21% of respondents indicated that they initiate their own projects and 24% 'work on projects specified by senior management/strategic unit'. From this, it seems that there is a lot of interaction with top management, at least in the conception of CI projects. It also appears that there is slightly more interdepartmental liaison/communication (48%) than in companies without a CI unit (44%).

Intelligence Gathering and Dissemination

The least common methods of information gathering were 'sending bogus customers into contact with competitors', 'watching competitors' premises' and 'hiring competitors' staff'. Hiring competitors staff was much more prevalent in services companies. Although mention of customers was scarce in most of the replies, it seems that the majority of respondents do communicate with them in order to gain information. All respondents indicated that they mainly use material in the public domain but 70% also use other resources.

It was pleasing to see that 49% of respondents said that CI was the 'understood responsibility of all company employees' which indicates an increasing move towards the perfect CI company which would be able to class all of its employees as CI practitioners to a greater or lesser extent.

The list of problems faced when gathering CI reinforces previous findings. The most common problem cited by respondents from companies with no CI unit was 'lack of time/too many projects'. Conversely, disinterest and difficulties in the identification of accurate information sources was a concern for 21% of respondents while a lack of CI understanding was a problem for 14%.

The most popular dissemination method was the report (72%) either ad hoc (45%) or monthly (36%). Continuous e-mail dissemination was used by 81% of respondents who cited e-mail as a main dissemination method.

The second most popular method of dissemination was meetings or presentations (40%). It was interesting to note that one of the most marketed CI tools, computerised databases, was one of the least-cited modes of communication. Few CI practitioners indicated that they are involved in discussions once they have disseminated the information.

The most common problems faced by respondents were 'making the information and structure relevant to the audience whilst being brief yet useful' (21%), 'targeting the correct/most influential audience' (19%), 'making sure CI is timely' (12%) and busy or disinterested people leaving reports unread (10%). All these problems are surmountable with increased experience of CI and a more dedicated and effectively-run CI process.

Use of CI in Respondent's Firms

Strategy's marriage with CI is well-documented and the use of CI is the step that makes all the other steps worthwhile. In 73% of the respondents' companies CI was said to be used either 'always' or 'often' in strategic planning and decision-making.

When using CI methods for strategy formulation, some activities and sources were relied on more than others. For both services and manufacturing, industry publications were used less than the company's own primary research. This is a positive finding as information gained from less-public sources is often the most valuable and it suggests a more proactive approach to intelligence gathering. Unsurprisingly, 'industry knowledge/experience' (84%), 'competitor analysis' (77%) and 'customer/market analysis' (65%) were the top three most used elements.

Services companies tend to use CI more for tactical decisions than manufacturing companies. 94% of services companies and 85% of manufacturing companies indicated that CI was used always, often or sometimes when making tactical decisions. These high figures show that CI's focus need not be entirely on strategy and it seems that most companies would agree with one respondent's view that CI is choked if only used at a strategic level.

For all respondents, new product development was the most common tactical action with 'change type/mix of marketing activities' and pricing changes following closely. For both manufacturing and services companies 46% of respondents used CI to add services.

It was encouraging to find that the more reactive reasons for undertaking CI were often the least cited. For example, 'copying competitor activity' was only ticked by 11 % of respondents whereas 'exploiting competitors' weaknesses' was ticked by 44%. The most common reason for undertaking CI, both in services and manufacturing companies was to 'identify opportunities/threats in the industry' .

The second most common reason for services companies to undertake CI was to 'aid effective strategic decisions' (56%). However, for manufacturing respondents, it was to 'track competitors' (70%) which could hint of a focus on gathering rather than analysis, dissemination and use.

For all the questions about action taken using CI, the companies with the newest CI processes (3 months – 1 year) indicated that it was too early to be able to answer. These were also the questions with the most blank answers, mainly from services respondents. A small number of respondents admitted that decisions using CI had, on occasion, proved detrimental but did not offer further details. This is in-keeping with the assumption that it would be more difficult to get respondents to discuss failures or negative cases than to give positive examples.

Conclusions on Survey Responses

The number of respondents who added comments and filled in the 'other(s)' spaces was encouraging and provided some valuable and illuminating insights into CI practices. It also reflected the respondents' enthusiasm that CI in action was being researched.

Unsurprisingly, there has been a recent increase in dedication to CI which was shown by the high number of relatively new CI units and the bias towards new members of SCIP. Regrettably though, it seems that misunderstandings surrounding CI persist. CI is still thought to be the domain of large companies and is seen as needing considerable financial and human resource investment.

It could be argued that the focus on tactical use of CI suggests that in general, few companies are taking a longer term strategic view of CI. However, it may be that tactical actions are more easily identified, reported and measured. Furthermore, especially in the services sector, many companies are new to CI so have had little chance to implement CI-based strategies. The fact that so many are establishing dedicated CI units suggests a long term commitment to CI.

The questionnaire results showed that on the whole, companies had some areas of CI that were working well but other areas that were not so effective. However, one company's CI practitioner, whose questionnaire was left anonymous, was really struggling with every aspect of CI. The firm had no CI unit, there was no management support and obstruction of CI effort had been experienced. Other departments saw CI as a waste of time, there was no interdepartmental liaison and only secondary sources were used because of huge organisational constraints. Consequently, the respondent could not answer any of the questions asking how CI was used, nor could examples of benefits be given. This company epitomises all that is wrong if CI is seen as an 'optional extra'. Our hearts go out to this individual and we hope that it will not be too long before he or she finds some CI friendly territory or the firm begins to recognise the benefits which CI can bring.

Further Work

Members of the CIMS team are working on a number of parallel projects in CI and further reports are planned.

A report on CI for the Smaller Enterprise has also been completed and it is expected that this will be extended at the appropriate time. Other aspects of developing CI for Smaller Enterprises is also planned.

Similarly, the findings of a study of UK firms enabled the presentation of a paper to the Academy of Marketing in 1998 titled '*Competitive Intelligence in UK firms, A Taxonomy of Attitude, Gathering, Use and Location Type*'. The findings from the work presented here, alongside other studies currently in place, will enable refinement and development of this taxonomy with the objective of presenting an exemplar for UK firms wishing to embrace CI activity.

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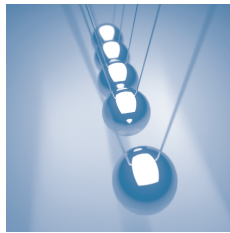
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