

Getting the competitive edge

‘Intelligence’ new weapon for business

Anticipating markets, trends, products, advances and other influences, then projecting your business decisions based on those intelligent hypotheses is a hot new trend that's paying some businesses

BY DEBORAH NASON

“If all you focus on is the short-term sales needs of your customers,” says Bruce Banyai, “you don’t know where the future will take them.” Banyai is the business development manager for Salem-based Novozymes, and is a practitioner of competitive intelligence (CI), a future-oriented approach to assessing the competitive environment.

“Just having a good idea is not enough if it is not sustainable,” says Banyai. He gives an example of how his CI skills saved a previous employer from making an unprofitable multi-million dollar investment. “I did a business intelligence study in 1999 to evaluate a marketing opportunity through the use of the Internet,” he says. “I concluded that [feasibility] would not happen for a number of years,” and he advised the company against it.

He says his recommendation appeared counter-intuitive at the time, but the bursting of the Internet bubble eventually vali-



Bruce Banyai of Novozymes: ‘Managing information is the biggest challenge, it’s very important to validate your sources, and make sure you don’t act on incorrect information’

dated his findings. “The company avoided the expense of setting up a whole Internet marketing group – at that particular time. In business, timing is everything.”

The Society of Competitive Intelligence Professionals (SCIP) defines the discipline of CI thusly: “A systematic and ethical program for gathering, analyzing, and managing external information that can affect your company’s plans, decisions, and operations.” The society emphasizes the ethical side of information gathering, to counter the espionage association that comes with the word “intelligence.”

Key component

“CI is part and parcel of our investment and research activities,” says Rob Patzig, senior managing director for Third Security, an investment and

advisory firm based in Radford. “Our goal is to identify the best investment opportunities that we can,” he says. And before investing in a company “you have to understand its competition, its barriers to entry” and its threats.

He gives an example from the national economic scene. Fast-growing bakery chains are now suffering dramatic losses because they were blindsided by the popularity of low-carbohydrate Atkins diet craze. “Who would have thought?” he says, “But our goal is to think about it.”

According to SCIP, the goal of CI is “actionable intelligence that will provide a competitive edge.” Garland Wiggs, a management professor at Radford University who teaches a class on CI,

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offers some more specific objectives for CI:

- Detecting competitive threats;
- Eliminating or lessening surprises;
- Enhancing competitive advantage by lessening reaction times;
- Finding new opportunities.

So what's the difference between market research and competitive intelligence? "Market research tends to be backward-looking, while CI is future-looking," says John McGonagle, managing partner for the Pennsylvania-based Helicon Group, a CI consulting, research and training firm.

He says that the two sets of activities focus on different questions. Market researchers want numbers, and ask, "How fast did this area grow? What was the pricing?" With CI, "there are no numbers for the future." These researchers ask, "What are our competitors' plans for the future? What is their pricing strategy? How will they respond if we cut prices?"

An understanding

"Market research helps to understand what's going on out there," adds Patzig. "While CI helps to understand what could happen—and how to make your scenario happen." He offers some tips:

- **Follow press coverage.** "Look at the amount of positive or negative press coming out."
- **Dissect sales trends.** "Very carefully analyze your sales trends. Is your customer base of a specific racial, economic, or geographic segment? Is it becoming more diverse or more narrow?

Have sales flattened?" Analyze scenarios, he advises. "Look at what combinations of products sell."

- **Monitor advertising.** "Watch advertising in cutting-edge areas," he says, because our region tends to lag behind.

- **Pay attention to thought leaders.** "Who are they? What are their priorities? Who is listening to them? How can we appeal to them?"

Banyai gives an example of how CI adds value in his own company. "Suppose R&D has a solution to a perceived problem. A market assessment will be done, same as in most companies. But we take an extra step and do a competitor assessment," he says. "We look at existing competitors and—here's the key—potential competitors."

"We look at the strength of the industry, and answer questions like, 'Is this idea sustainable?' or 'Is this a \$1,000 or a \$1 million idea?' If we decide to go forward, we do scenario planning—the 'what ifs?'"

Banyai offers more questions, such as "Does someone else have this on the shelf already?" and "What potentially disruptive technology is out there?"

Finally, future budgeting is set, he says, "from a CI standpoint, depending on whether the decision is to [for example] expand, watch or collaborate."

Categories

McGonagle sees the activities of collecting data and providing analysis as "active CI," and segments this into four categories:

- **Tactical.** This looks at a short window in which to act on decisions regarding marketing, product development or roll out, "go or no-go." Analytical tools include SWOT analyses and relationship maps.

- **Strategic.** This approach is used by senior management to make long-term decisions. Tools include scenario analyses.

- **Technical.** Finding out what technological inventories competitors possess ("do they have it or are they buying it?"), who is "messing around" in an area of technology, is it time to seek a joint venture? Tools include patent mapping, blindspot analysis and linguistic analysis.

- **Targeted.** Focused on a specific entity.

Extending the reach of CI, McGonagle identifies another area he calls "defensive CI." These activities "protect your company against people like me," he says. "You can't do it alone, You need to get to the people who are the targets—those at high levels, in technical areas, the sales force, your distributors, your suppliers, and your call centers. These are the places people like me go to harvest information."

In this defensive capacity, says McGonagle, "CI professionals ... help their firms determine what kinds of raw data competitors will probably try to capture, teach all company employees to understand what is competitively sensitive information ... and to understand how to protect that data."

Banyai offers some caveats for would-be CI practitioners: "Managing information is the biggest challenge, it's very important to validate your sources, and make sure you don't act on incorrect information."

Adds Patzig, "There is a risk of getting buried in information. At some point you have to step back and say 'I have enough.' You never have all the pieces."

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