Competitive Intelligence MAGAZINE

Truth or Consequences: 10 Myths that Cripple Competitive Intelligence

The public often misunderstands CI. Here's how to counter their misperceptions.

Seena Sharp, Sharp Information Research

Shysters. Flacks. Bean counters. The same folks who prefer these terms for lawyers, publicists, and accountants will undoubtedly coin an equally malevolent moniker for another misunderstood profession: competitive intelligence. Anyone who makes a living by gathering, analyzing, and strategically using information has felt like Rodney Dangerfield on occasion. Respect? Until recently, CI professionals were as revered as used car dealers (although we do tend to dress better).

The only way to destroy, or at least diffuse, the misconceptions about our profession is by explaining the realities and communicating the value of what we do. Whether you're a charter member of SCIP or are still new to the field, make it your business to explode these 10 myths.

(For this article, 'customers' is a generic term and refers to those who buy products or services, be they consumers at retail or clients of business-to-business firms or institutional organizations.)

1

Myth #1

Competitive Intelligence and Market Research are the same.

Sure, like apples and oranges are both fruit. Market research is widely defined as primary research, with results from surveys, questionnaires or focus groups. In contrast, competitive intelligence draws on a wide variety of sources, with different expectations from the results. These differences are described more fully in the "Important Distinctions" matrix below.

Important Distinctions

Market Research	Competitive Intelligence
• A snapshot of a particular time. • Tactical and methods-driven. • Draws mostly from consumers. • Relies on direct contact. • Reflects customers' thinking and beliefs, which may be different from reality. • Primarily quantitative with a qualitative component. • Objective: Answer questions.	• An action film where the stars and the plot are always changing. • Strategic and results-driven. • Taps a wide range of constituencies, including customers, competitors, suppliers, distributors, substitutes, etc. • Exploits primary and secondary sources. • Captures the facts--what is actually occurring. • Primarily qualitative; may include a quantitative component. • Objective: Answer questions; Raise questions; Take action.

(Thanks to SCIP member Tim Powell for his contribution)

Myth #2

Competit*ive* Intelligence and Competit*or* Intelligence are the same.

Again with the fruit! Competitive and competitor are not synonyms.

Competitive intelligence (or, as it is sometimes called, *business* intelligence) targets anything in the business universe that affects the ability to compete. Competitor intelligence focuses on one or more specific competitors, and is an important subset of competitive intelligence.

Competitor intelligence includes monitoring and understanding competitors. However, it cannot stand on its own because tracking only the competition is the surest way to develop tunnel vision, and be blindsided by significant marketplace changes.

All too often competitors are marching in lock step with each other and fail to recognize the customer's needs. Yet while companies are loath to admit they emulate their competitors, customers may view the competitive offerings as increasingly similar. That is, the customer doesn't see enough difference, while the company can only see differences. Competitive intelligence literature is filled with examples of companies that lost their competitive advantage through sheer ignorance of their customers' priorities:

- Apple Computer thought its chief competitor was IBM while a company called Microsoft proceeded to take over the computing world.
- Xerox also assumed IBM was its greatest treat, while Kodak was branching out from photography into copiers because they were both ways to image.
- IBM itself failed to recognize a serious threat from products not identical to their own. (Ditto for distribution channels.)
- The United States auto industry is notorious for dismissing non-American manufacturers as serious competitors. That's how the Japanese were able to successfully infiltrate the auto market in the early 70s, and then were able to repeat this success in the luxury market in the late 80s.

As shown by these examples, the competitor consensus can be wrong. Companies tend to overrate the activities of obvious competitors, and to underrate the potential of indirect competitors such as substitute goods or services, as well as unknown/upstart companies.

The introduction of the videocassette recorder demonstrated what can happen when the major players aren't seeing (you'll excuse the pun) the big picture. They did not fill a consumer need -- making programming easy. The upstart VCR-Plus device seized an opportunity all the manufacturers missed, despite repeated and widespread customer -complaints.

The ability to mine the entire marketplace for information provided a solid footing for the launch of companies like The Body Shop and CarMax and insured continued success for firms like Rubbermaid and 3M that introduce new products and improve existing products at a breakneck pace.

Myth #3

Data, Information, and Intelligence are the same.

To the apples and oranges, add bananas, then understand this: Data is raw material. It's numbers or facts presented in a vacuum. It's discrete, scattered, and has no larger meaning. Data is the first step in a process.

For example:

- Hospital A has a death rate of 2%, or
- Revenues from Company R were $4.7 billion in 1999.

This is raw data. It is true, but isn't very useful.

Information, on the other hand, is data in context. This is step two. It's grouping data (comparative or additional) to reveal a larger picture and more meaning.

For example:

- Hospital B has a death rate of 5%, while Hospital A's rate is 2%.
- Company R's revenues increased 45% between 1998 and 1998, compared to the industry average of 20%.

Now the facts are a little more interesting. On to step three.

Intelligence is information that has been analyzed and suggests actions, strategies, or decisions. Intelligence reveals critical information or insight and implications beyond the data.

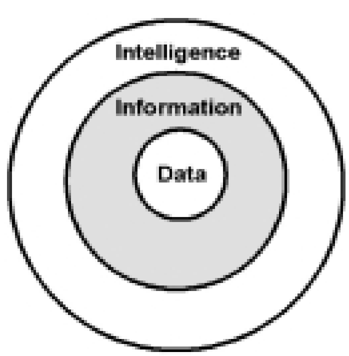
For example:

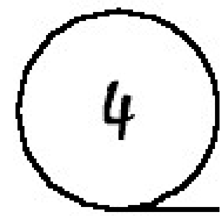
- Hospital B accepts cases rejected by Hospital A. In a comparison of like surgeries, Hospital B has a lower death rate than Hospital A.
- Company R's revenues increased primarily due to acquisitions.

Data is a subset of information, and information is a subset of intelligence. Many companies are data rich and information poor. They spend their resources mining data, but they have little intelligence.

Without an appropriate basis for comparison, it's easy to make erroneous assumptions. Without sufficient information, it's easy to make mistakes about the underlying causes or dynamics of the current industry.

The goal is to evolve from data to intelligence, to transform simple facts into a valuable perspective that uncovers new patterns or emerging trends, or that sparks new ideas, new solutions and new possibilities. Remember the SCIP mantra: *The purpose of CI is action.*



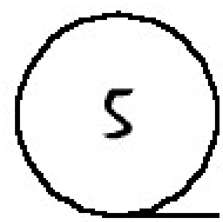


Myth #4

Competitive Intelligence is spying.

Sorry, but SCIP is not a division of the CIA. Besides being illegal and unethical, dirty tricks like phone taps, dumpster diving and surveillance are simply unnecessary in competitive intelligence because an estimated 95% of the information you want is publicly available.

That other 5%? Access to a competitor's truly proprietary information--such as customer lists, pricing, intellectual property--wouldn't be valuable for long because the most successful companies are constantly creating new ways to satisfy their customers. Covert operations are just not part of the competitive intelligence job description.



Myth #5

There's no information on private companies.

As *X-Files* fans know, the truth is out there. The amount and type of information available varies by company and industry, and directly correlates to:

- The media interest in that company or industry.
- Support from the industry (in subscriptions or advertising).

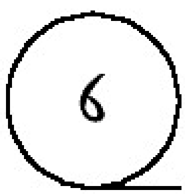
The public face presented by the company.

Some private companies generate (or encourage) as much ink as their publicly held counterparts. Even the most private companies cannot escape the efforts of a determined investigative reporter.

Information on private companies appears in unexpected places. Some U.S. private companies provide SEC-type financial information, while all companies in some countries are required to file financial documents. (Another source to add under Myth #6!)

The private company's hometown newspaper will report on local businesses and may contain rumors or locally known information. Further, these papers often provide more detail (more inches), as well as more data and commentary than the primary papers, since one's guard is often down in interviews conducted by small, local papers.

Even usually guarded information has a way of sneaking out. Financial details on a very successful private food company was revealed in an industry publication devoted to information technology. The background information (financial and marketing) was included in order to put the information on technology systems into perspective. A privately owned, very successful, and rapidly growing chain of shoe stores in Texas exposed an extraordinary amount of financial, operational, and strategic information in an article devoted to the success of a local retail business.



Myth #6

The best industry information comes from my industry.

If only the business world were so orderly! Yes, trade publications and associations provide valuable information about an industry. The flipside? Their perspective can be insular and narrow. The interrelationships between competitors, suppliers, distributors, and customers has created an environment where non-industry viewpoints are as essential as those from the industry.

Trade information needs to be balanced by an outside view such as respected general business publications (*Wall St. Journal, Fortune, Fast Company, Economist*); from publications that cover industries indirectly related to your business (i.e., packaging, distribution channels, materials or components). Articles from these non-industry journals often detail needs, changes, gaps, potential problems, substitute products, ancillary issues, and valuable insights that none of the competitors are addressing.

For example, packaging magazines may discuss the products they are encasing, or a grocery newsletter could explore in-store banking. These non-industry publications often provide a macro view that is missed by the specific industry magazine. At Sharp Information Research, for example, most of our reports draw from 40 to 100 different sources, with an average of 30% from non-trade sources.

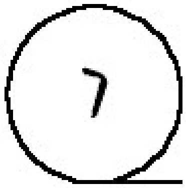
An excellent, but frequently underused source of information on companies is the local newspaper from the company's headquarters or branch office. The guard is often down with the hometown press, so information on the company and/or industry may be found here over the larger publications.

A third overlooked source consists of lesser known trade publications and pricey subscription newsletters. The increasing interest in information, especially targeted information, sparks the launch of more than 1,000 new periodicals every year, Virtually every industry is served by 30 to 100 or more trade publications, yet only the leading two or three are widely read. While there may not be the time to check out these other titles, they all contain some substantive, valid information about an industry.

Finally, a source that is often overlooked includes publications that are not known for their editorial content. Costco, a major chain of warehouse stores, publishes a monthly newsletter that is primarily an advertising circular. A full-page article on eating and food-buying habits of Generation X was substantive enough to have appeared in an industry publication.

Ask yourself--if you were in the food business, what is the likelihood that you would read an article about your industry that appeared in a throw-away newsletter? And, if you did, what is the likelihood that you would believe the content?

Those who looked beyond their bias for "real" sources found a real gem of information for restaurant or grocery store research.



Myth #7

Information is free.

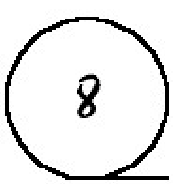
There's no such thing as a free lunch...or free information. Acquiring information requires an expenditure--of time or money or both. Yet many people still connect information with the good ol' public library.

Although libraries contain a wealth of information, even the best business library contains just a small percentage of publicly available business information. The amount of information housed outside the library is increasing exponentially. It's at association offices, in fringe or tightly targeted publications, in proprietary newsletters, within conference proceedings, from experts, etc.

A growing amount of information is available electronically, from commercial online vendors (Dialog and Nexis/Lexis), the Internet, and software providers (Individual, Knowledge X.) Charges and fees are inevitable, whether the information is gathered by an employee (on salary, by the way) or a professional researcher.

The proliferation of information frequently prompts many executives to assume that specific information is relatively easy to find -- and therefore, very inexpensive. How many times have you heard, "I know I read it somewhere," *or* "I only need a few statistics" or (a perennial favorite) "You should be able to find that in five minutes."

In reality: The desired information is buried somewhere; the source is incorrect; it can't be identified by key words in an electronic search.



Myth #8

Information costs too much.

Compared to what? Making a huge, expensive blunder in the marketplace? Everything necessary to run a successful business has a price tag. From raw materials to real estate, computers to coffee makers, personnel to paper clips--everything costs.

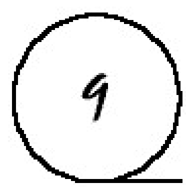
Information is the raw material of good decisions. Profits result from making good decisions, avoiding mistakes, and minimizing risk.

The cost (in time or money) of obtaining information must be appropriate to the purpose. A decision requiring significant outlay of resources, such as entering a new market, or targeting a new customer base, or exploring an acquisition or merger, requires an in-depth investigation.

On the other hand, the background needed for an upcoming first meeting with a client in an industry that is unfamiliar would probably require a minimal amount of information -- sufficient to enable a basic understanding and to be able to ask appropriate questions.

The range of available information and/or the difficulty of obtaining it is a mystery to those outside the competitive intelligence profession. They need to be made to understand that competitive intelligence is the least expensive part of most transactions. When the question of cost arises, ask, "What is the cost of incorrect information, of missed opportunity, of a bad decision, of erroneous assumptions, of incomplete data, of being surprised?"

Sure, information costs. But when properly used, information is an investment.



Myth #9

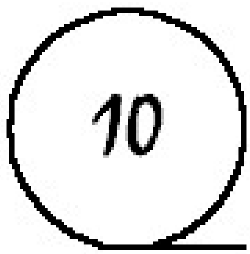
Not every decision requires Competitive Intelligence.

Actually, there's a bit of truth to this. The decision to skip the competitive intelligence process must be weighed against the ultimate cost of a wrong or bad decision.

If a company can afford the cost -- in time, effort or money -- or if a tight time frame precludes adding competitive intelligence to the equation, then the gamble may be worth it.

In most case, CI enhances the chances for success. Growing a business, expanding offerings, attracting new customers, or selling in new or different channels are highly competitive activities. Being a profitable player involves posing a threat to other companies and creating a visibility that may prompt an existing or emerging competitor to go after your business.

Because the cost of competitive intelligence is only a fraction of any decision cost, it should be part of the plan in most cases.



Myth #10

Competitive Intelligence is a waste of time.

So is flossing, unless you want to keep your teeth! Decision-makers who don't want to make an investment in competitive intelligence deserve an "A"... for arrogance. While they correctly assume they know their business, they are dead wrong about assuming they can't learn anything of value from outside sources.

In reality, decision-makers are most knowledgeable about the past, and most confident about the information and decisions that brought about their present successes and experiences. However, the rate and complexity of change in the marketplace steadily decreases the value of historical information. Why open new stores when your customers are increasingly buying online?

As for the future, few decision-makers have the time to methodically and creatively think about where their industry is headed. If they're working in global and/or downsized organizations, they're too busy handling multiple projects and putting out fires.

Timelines aside, management also needs information with one or two degrees of separation from their core business. In fact, the most valuable competitive intelligence counters, rather than confirms, what the company believes.

Although these lies are far too serious to appear on Letterman, adopt them as your own "top ten" list and make it a point to educate your employer or clients about the powerful potential of competitive intelligence. After all, if private investigators, computer technicians, and coffeehouse employees had better educated the public, no one would be calling them dicks, wonks, and java jerks today.

Seena Sharp is a principal of Sharp Market Intelligence, which she founded in Los Angeles in 1979. Ms. Sharp's clients include Fortune 500 firms as well as local companies and consultants who seek her input for market entry and expansion, business development, strategic planning and business plans. Tel: +1 310-379-5179; fax: +1 310-379-1030; e-mail: ssharp@sharpmarket.com www.sharpmarket.com