

Intelligence Operations

The phrase has undertones of Watergate-like intrigue – something unseemly, maybe even a little dangerous. But collecting competitive intelligence is an essential business tactic, one that has little to do with skulking around in a black catsuit.

BY JOHN MOORE

Those who don't utilize competitive intelligence risk being left behind by their competition, or put out of business altogether – that's a fact. More over, those who do it well can get a leg up on the competition and put themselves in a position to thrive. First, though, you have to know what competitive intelligence is and what it isn't.

Know Your Adversaries

On a basic level, competitive intelligence is information that helps you understand the business landscape and informs better decision making. That usually begins with identifying your competitors (and spotting possible future competitors), knowing their capabilities and discovering their intentions.

It sounds simple, but too many small and medium businesses don't take these steps, according to John McGonagle, managing partner at Helicon Group, a Blandon, PA-based competitive intelligence company.

"You'd be surprised by how many people don't know who their competition is or how they're positioned," McGonagle says. "Even the people you deal with, your partners, can turn out to be your competitors because they're looking to expand. And where are they going to expand? In the areas they know best, and that might well be you."

A common mistake is confusing market research with competitive intelligence. "Market research looks at large groups of people in aggregate and scrutinizes data in the past," says Leonard Fuld, president of Fuld & Company, a Cambridge, MA-

based competitive intelligence firm. "Competitive intelligence looks at the present and into the future. The idea is to provide you with insight and foresight. It's meant to understand on a company level, company operations, profitability, distribution channels, marketing strategy. How will these companies compete in this particular sector? What is their likely strategy? How will they execute their tactics?"

To that end, competitive intelligence involves keeping an eye on larger trends and regulations that can affect your business in the future. The trouble is, too often smaller businesses aren't watching for changes in the business landscape that can be cataclysmic. The home-repair business is a prime example. How many mom-and-pop operations were blindsided when Lowe's and Home Depot starting providing basic contractor services?

Years ago, a client involved in trading raw materials asked Helicon Group to conduct broad research of the competitive landscape. What McGonagle and his team discovered took the client by surprise.

"First, the federal government, which had accumulated surpluses of this stuff, was going to put it on the market, which would certainly affect the price of the raw material," McGonagle explains. "Second, there was research being done in Europe to use as a catalyst in reducing emissions in the production of certain kinds of fuels. Third, there was research ready to be published by a couple of universities that this material was significantly more toxic in terms of handling and manufacturing than had been believed to date."

COMPETITIVE INTELLIGENCE

The Ethics of Competitive Intelligence

The thought of engaging in shady behavior is one factor that prevents companies from performing competitive intelligence. Tales abound of dumpster diving and theft of trade secrets, but true competitive intelligence is both legal and ethical.

Not engaging in illegal activities is a given. But the ethics of competitive intelligence are a bit trickier. A good rule of thumb to use: If something feels wrong to you, it probably is.

"We have something called the Harm Rule," says Leonard Fuld, president of Fuld & Company, a Cambridge, MA-based competitive intelligence firm. "It says, 'I will not do anything that may now or in the future harm or embarrass the corporation.' If you feel that what you're doing might be the case, then don't do it."

John McGonagle, managing partner at Helicon Group, a Blandon, PA-based competitive intelligence company, advises his clients to follow the Front Page Rule. "Don't do anything that you would be embarrassed to see on the front page of your hometown paper."

The trouble is, that level of harm or embarrassment is different for every industry. Take that dignity-stealing tactic known as dumpster diving. "In some cases it's perfectly legal, in some cases it's highly illegal," McGonagle says. "I think it's unethical."

Nonetheless, there are certain guidelines everyone should follow.

"We never misrepresent who we are," McGonagle says. "If you're talking to people, you've got to be honest. Don't say you're a student doing a paper, that's highly unethical. Don't go into a trade show with a badge other than who you are. If you also work for a subsidiary, you can put your subsidiary's name on it. But don't use a fake name or put down that you're a consultant when you're actually the marketing director."

"If you come across a document that's marked with words like 'confidential' or 'proprietary,' get away from it," McGonagle adds. "Don't finish reading it. Get ahold of your lawyer right away and dump it on his or her desk. Anything that's a trade secret – I don't care even if someone says it's no longer a trade secret – you walk away from it. You could be facing criminal penalties, not just civil penalties."

Fuld & Company has a statement of ethics on its Web site (www.fuld.com), including the Ten Commandments of Legal and Ethical Intelligence Gathering (Commandment #4: Thou shalt not bribe). The Society of Competitive Intelligence Professionals (SCIP) also lists a code of ethics on its site (www.scip.org).

The bottom line: If in the name of competitive intelligence you do something that makes you feel like you need a shower afterward, then it's time to reconsider your methods.

McGonagle says, "Any one of those three would be critical to a business's success, survival and growth. But the company was not aware of them because they said, 'We know what's going on out there.' But they didn't, because they weren't looking at it in that way."

Put Your Assets to Work

Although the stakes are high, competitive intelligence doesn't have to involve a dedicated team crunching numbers and generating complex reports. Essentially, it's a business tool, one that should be part of an organization's day-to-day operations.

"Twenty or 30 years ago, companies had enormous strategic planning departments," McGonagle says. "Now, the average company has one person doing it. People should view it as a part of their job to keep posted on what's happening with their competition."

Discovering this information is a matter of basic due diligence. Fuld points out that simply signing up for Google Alerts to keep track of particular companies or an industry can be

beneficial. Similarly, running a search query on your company, then doing the same for other companies in your industry, is a good way to find out who your competition is.

Networking is also a valuable asset. For industry suppliers, Fuld notes that trade shows are fertile ground for competitive knowledge. "You and all your competition are exhibiting there," he says. "Your best bet is to organize yourself before you go to the show to ask the right questions. Ask questions of your competition's clients and also their vendors. They're getting information from your competition, so you might as well tap into them in an organized fashion."

Companies also have plenty of in-house resources at their disposal. McGonagle suggests debriefing the sales force, particularly when they lose a sale to a competitor, to find out what your competition is offering that you aren't.

Then there's possibly the richest source of information of them all – feedback from your customers. "If you have a feedback card, put a line in that asks, 'Who did you consider before deciding to do business with us?'" McGonagle says. "You might be surprised to see who's out there. It's cheap, and if they don't

answer you haven't lost anything because you haven't given the names of competitors."

Smart Tactics

Although most companies should be able to integrate competitive intelligence into their everyday activities, there are times when third-party assistance is necessary – when the tasks grows to the point where you need someone to work full time on tracking the information you seek, for example. Or, in some cases, if it involves direct contact with your competitors.

That brings up the issue of ethics. Mention the term "competitive intelligence" and some people get scared off by sordid stories about corporate espionage and dumpster diving (see sidebar, "The Ethics of Competitive Intelligence," on page 36). But it's important to know what's acceptable practice for your particular industry.

"If you're an employee of a Marriott, you can rent a room at the Sheraton under your own name and sleep there and see how they serve you and learn a lot," Fuld says. "It's perfectly appropriate and done throughout the industry. But if you work for an aerospace company, you're not going to stroll into a competitor's plant and take a look. It's considered spying."

For ad specialty suppliers, the appropriate level of contact falls somewhere in the middle. "You can't go to your competitor's offices and rifle through the file cabinets," Fuld says. "But you can go to their Web site, you can go to trade shows and ask tough questions of them, of their customers. There are thousands of companies reselling and hundreds of suppliers."

Technology certainly helps keep tabs on what your competitors are up to. You can find products that monitor Web sites and track any changes made. You can, for example, set the software to track changes made to product or pricing pages. But McGonagle warns not to get too caught up in using technology to

aggregate data. "The problem is if you do it for too long you get immunized to looking for changes," he says. "Don't use technology to use technology. Decide what it is you want to get and how you intend to use it. Knowing something because it's good to know isn't competitive intelligence, it's curiosity."

Competitive intelligence works best when you keep your focus narrow. Looking for every bit of information about your competitors can distract you from what's really important.



"I have a test I use for clients," McGonagle says. "If I gave you this information now, what would you do with it? What decision would you make? What action would you take or not take? If they don't have anything particular in mind, then we're back to 'good to know.'"

Fuld suggests keeping a short list – say, three or four key questions that you need answered. That way, your sales force, marketing team and top executives are consistently keeping track of the information you need.

"What you learn becomes part of an internal discussion, becomes part of meetings," Fuld says. "Let it become part of the dialog of your company when you're doing planning. The notion here is that if you can make it part of the company conversation, then you've achieved a small victory. I'm not talking about producing PowerPoints, long reports, fancy Wikis. Nothing like that. If it can inform management and change decision making at a critical

junction, that's great."

It's important to remember that competitive intelligence isn't a crystal ball that will reveal all the secrets of your competitors. Seldom will there be an "a-ha!" moment when you discover that a competitor plans to expand, or that a new player is entering the field. But, when done properly and consistently, competitive intelligence puts you in a position to adapt to changes and continue to thrive.

"You're not going to find everything you want to know about a competitor," McGonagle says. "But what's scary is how much companies don't know about the competition. Sometimes competitive intelligence isn't designed to get you to win. It's just enough to get you out of the way of pretty serious harm. I always tell people that's still a win – if you avoid getting run over by somebody, you've succeeded. You're still here when you might not otherwise be."  

John Moore recently wrote about getting peak performance from your employees for Supplier Global Resource and is a regular contributor to CNBC.

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JOHN MCGONAGLE, HELICON GROUP

How Do You Measure Up?

ASI offers a free service called MediaStats, which allows suppliers to view where they're ranked against their competitors in different product categories on ESP. For more information, go to www.asi-mediastats.com. Suppliers can also purchase a version of ESP at the cost of \$79 per month to monitor where they stand vs. their competitors on pricing, ratings and service offerings. For more information call your ASI sales rep or (800) 546-1350.