



Seeds...

Issue Number 3

Thank you for the response to our web survey regarding your thoughts and needs on marketing issues. We received 100 completed questionnaires with the following results:

Market Research Conducted (from web survey)		Marketing Areas Needed (from past <i>Seeds...</i> issues)	
Competitor Intelligence	97%	Competitor Intelligence	71%
Customer Satisfaction Measurement	66%	Product Development/Introduction	52%
New Product Development	59%	Product Portfolio Planning	31%
New Market Assessment	52%	Marketing Communication	27%
Strategic Plan Development	38%		

(Note: Percentages add to over 100% as readers provided more than one answer)

I. Introduction to Competitor Intelligence

The reasons to collect and analyze competitor information are driven by both tactical and strategic needs.

There are two different perspectives from a tactical viewpoint. Quotes from well-known business consultants illustrate:

“To sustain a competitive advantage, taking exceptional care of customers via superior services and quality is the top priority.”
Tom Peters and Nancy Austin

“The true nature of marketing is not just serving the customer – it is outwitting, outflanking and outfighting your competition.”
Al Ries and Jack Trout

Which perspective is right is debatable. Marketing professionals may argue that both perspectives are correct. Going into an important negotiation without knowledge of your competitors is like playing golf with only half of your 14 club limit – you don’t have all the weapons available to you. Successful military operations treasure competitor information – so do corporations.

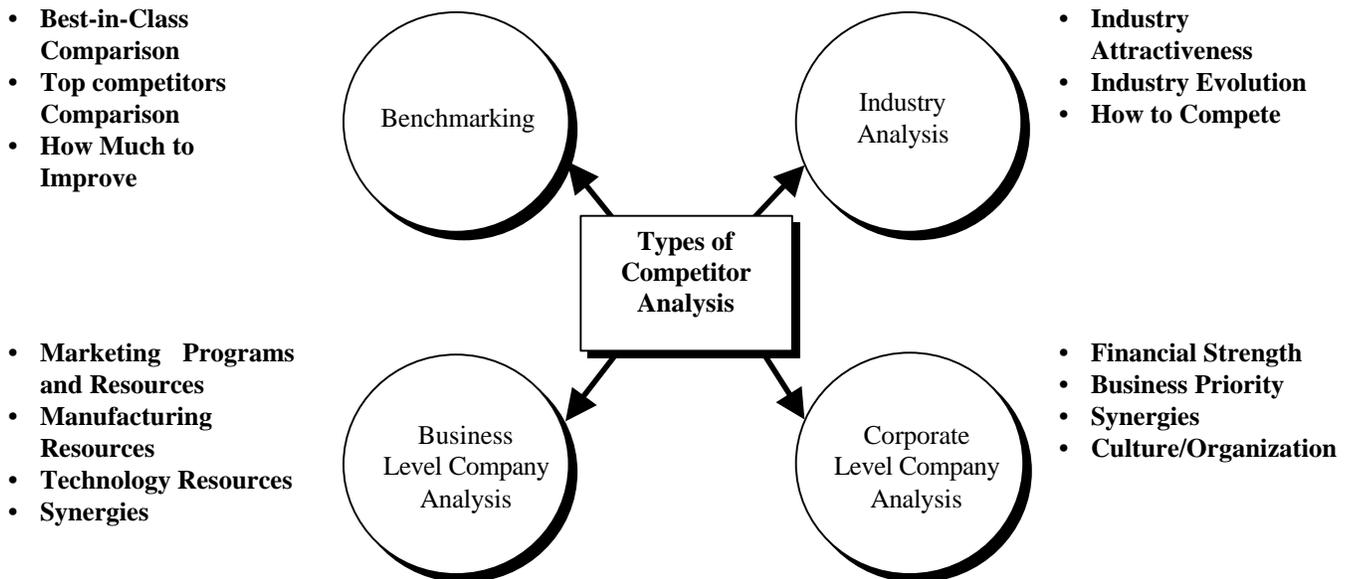
From a strategic viewpoint, there are many reasons to include competitor intelligence in the list of intelligence collecting activities. Competitor intelligence:

- Identifies sources of advantage competitors may possess.
- Identifies potential new threats to your long term business plan.
- Decreases your reaction time to competitor reactions taken (avoids surprises).
- Develops new opportunities to play in markets with less competitive intensity.

There is a lot to learn about your competitors and their strengths and weaknesses. The key questions in the collection process are: “Why do you want to know?” and “What will you do with the information once you have it?”. Answering these questions prior to starting will not only reduce the total effort, but will also generate more focused, higher quality information.

II. Types of Competitor Intelligence Needed

There are four different types of competitor intelligence needed as shown below.



The two types of competitor analysis shown on the right side are more strategically oriented, while the ones on the left are more tactically oriented. There is obviously some overlap.

Industry Analysis

This type of competitor intelligence is needed to determine which new potential markets would represent the best opportunities. The specific competitor information needed would be:

- Number of major competitors serving the market
- Product differences
- Brand identity levels
- Total manufacturing capacity versus demand
- Importance of market to competitors
- Exit costs
- Sales Channels
- Pricing

Corporate Level Company Analysis

This type of competitor intelligence provides an indication of the market's growth potential and capital and R & D expenditures needed to compete successfully. The specific competitive information needed would be:

- Debt - Equity history of key competitors
- Market and Book Values of key competitors
- Sales history
- Market Shares
- Number of different corporate business groups selling product into the specific market
- Importance of corporation to competitors

Business Level Company Analysis

This type of competitor intelligence provides information about competitors' sources of advantage and how they compete in the markets they serve. The information normally collected in this analysis would be:

- Organization structure
- Number of employees - total and by function
- Major customers within segments
- Major material suppliers
- Market Share/Sales by product line
- Plant capacities and production levels
- Type of scheduling systems
- Major company programs - TQM, Re-engineering, ISO-9000, Product Introductions
- Sales Channels
- Market focus

Benchmarking

Benchmarking is a technique and a process for rigorously measuring your performance against either a direct competitor or "best-in-class" companies. The purpose is to learn how much improvement is needed in key business functions to obtain competitive advantage.

The information normally obtained for benchmarking is similar to business level company analyses, but in greater detail. As an example using the Sales Function, the following information might be needed:

- Resource allocation - number of employees by location, function by office
- Cost per sales employee
- Incentive programs for sales
- Sales productivity levels
- Customer penetration levels by territory
- Profile of sales reps - age, education, training
- Sales support - cost per sales rep

III. Collection of Competitor Information

There are numerous sources available to enterprising companies. These sources could include:

Interviews with:	Customers Suppliers Distributors Competitors Industry Associations	Published articles such as:	Newspapers Past research studies Trade Association letters Government findings Stock market reports Company reports
Meetings such as:	Technical conferences Industry committees Internal sales meetings Customer sales calls		

The most common problem found in the collection of competitor information is sorting the wheat from the chaff. Normally volumes of "nice-to-know" and "already-know" information is collected. Knowing what you are looking for before the collection process starts saves 70% of the data collection process time.

IV. Allegheny Marketing Group Experiences

The Allegheny Marketing Group has completed over 40 competitor studies during the past four years. These studies have ranged from complete company profiles to simple analyses of production to capacity ratios. Based on some of our experiences, we will share some of our observations regarding what makes a competitor analysis project successful. After four years of work, we now have made our observations into our rules.

- Rule #1 “Never take a piece of information as gospel unless you have three different sources confirm the same information.”
- Rule #2 “Always ask yourself - ‘Why would this person want to provide me with this information’ - before you conduct an interview.”
- Rule #3 “There is always another question after the question after the question.”
- Rule #4 “Everyone likes to be acknowledged as an expert or leading authority - even when they are not.”
- Rule #5 “Experts love to talk - we listen!”
- Rule #6 “Everyone has a unique perspective - you need to know the perspective.”
- Rule #7 “Different companies have different languages - test the language.”
- Rule #8 “If you are not doing it, someone else is. Never think you are alone.”
- Rule #9 “Never believe everything you read. Remember, the people who write the articles are only telling you what they want you to know.”
- Rule #10 “What you learn today may be outdated tomorrow.”

Many of our clients have ongoing activities for the collection of competitor information. While these are internal company activities, they still call on the Allegheny Marketing Group to fill in the holes and collect the “hard-to-obtain” information. There is some information that is next to impossible to collect from internal sources.

Please send any comments or suggestions to:

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