

FEATURE ARTICLE

Understanding Business Intelligence, Market Research and Competitive Intelligence

Intelligence, the outgrowth of processing vital information, is critical to the success of every business in every industry. Sometimes, companies may not understand the breadth and meaning of information that eventually becomes intelligence. One notable example of this tendency is focusing on just one component of information — the competition. This limited informational perspective is inadequate for competing in today's economy. What is needed is a thorough understanding of three common forms of information: business intelligence, market research and competitive intelligence. When gathered and interpreted correctly, they offer a sustainable competitive advantage.

Business Intelligence

Business intelligence (BI) is not as broad as the term implies. Rather, it represents an aggregate of various pieces of information including diverse items such as customer preferences, buying habits and order sizes. It has much more to do with data mining, data analytics and data management than creative thinking or developing a visionary perspective that can be used to predict the future. Yet, relying on data from the past or even the present to develop tomorrow's model may not be applicable to a future competitive environment. While BI may even include information about competitors, no one should conclude that this data is the most important weapon in a company's arsenal. Actually, it falls far short of what is required to compete globally.

Market Research

Market research statistically tells us where we've been or where we are. In addition to data mining and data management, primary market research employs a variety of tools to help a company fully understand its market and customers. Primary research is capable of producing a highly critical assessment and evaluation of past and current information. Neil Goldman, president of Member Research, a California based firm that provides qualitative and quantitative research to credit unions nationwide, offers this perspective: "In business, we have evolved from thinking of quality and service as being unique selling propositions to recognizing the importance of our customers' experience. How can we know this without market research?"

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BUSINESS RESOURCES:

Many companies offer expertise in business intelligence, market research and/or competitive intelligence. Here are a few.

1. **Member Research**
www.memberresearch.com
2. **Cipher**
www.cipher-sys.com
3. **Sharp Market Intelligence**
www.sharpmarket.com

Unfortunately, undertaking primary research can be quite expensive, most likely out of the range of many start-ups or small companies with limited budgets. The alternative is secondary market research, which comes from information that has already been published or data that exists in other public sources. Market research is statistically valid, but its focus is limited to only the past and the present.

Competitive Intelligence

Competitive intelligence (CI) is more than its name implies and goes beyond business intelligence and market research. Cipher Systems, a consulting firm, defines CI on its website as “an ethical gathering and analysis of competitor and market information from open sources.” Market information, as used here, is not an afterthought. Rather, it is the forefront of information necessary for compilation of a clearer picture of the future marketplace.

“It’s looking at the entire competitive business environment that impacts your business. Competitors are just a small piece,” says the president of Sharp Market Intelligence, Seena Sharp, a practitioner of intelligence, research and analysis for 30 years. She recites a litany of factors she believes are often overlooked. “It’s what’s going on with customers, marketplace, suppliers, distributors, regulations and demographics,” Sharp says, “and don’t forget industries that are indirectly related to yours.”

Instead of limiting its conclusions to previously acquired data, CI asks questions about the marketplace, products and services being developed or offered, potential users and future trends. Inherent in CI is a recognition that past practices and assumptions do not always make for effective competitive intelligence.

Assumptions and Pitfalls

If CI were to have a mantra, it might be “the past is not a predictor of the future.” This credo may be outside the realm of thinking for those who rely on business assumptions in drafting what they believe to be CI. This information has to be external; that is, going beyond the industry into a seemingly unrelated environment that may impact it in the long run.

Such thinking overlooks gaps in the marketplace that can be exploited especially when assumptions are challenged. General Motors may be the classic example of what happens when companies ignore competitors who take advantage of those gaps that meet customer needs. Even though foreign competitors were developing more fuel-efficient vehicles including hybrids, GM ignored the warning signs and focused on sport utility vehicles (SUVs) with their poor gas mileage. The shock of \$4 per gallon along with environmental issues crashed GM’s SUV market, which could not recover when gas prices fell to \$2 per gallon. “We made mistakes,” GM executives admitted to Con-

gress when the company asked for billions in federal bailouts.

Information Is Just Part of the Story

As GM and too many other corporations have learned, CI is about more than the competition. CI, compiled correctly, is a thorough analysis of the global economy and its impact on domestic and foreign sales. Above all, CI is proactive and sensitive to trends and their potential role in shaping a winning strategy. Its practitioners are open to challenging commonly held assumptions. Sometimes, those first questions are the first indicators of change.

The focus on competitive intelligence should not be interpreted as ignoring the importance of primary and/or secondary market research. Many have read the philosopher Santayana’s admonition that those who ignore the mistakes of the past are condemned to repeat them. Although past practices and research merit consideration in drafting CI, they cannot, in and of themselves, be the foundation for future decision making. CI in the global economy requires a macro view that takes into account not only your industry, but those indirectly related along with an awareness of business trends elsewhere and their potential impact on your business. It requires a flexible and futuristic outlook toward customers, marketplace, opportunities, and, of course, change.



TPS MARKETING TIPS:

Incorporate these tips into the organization's CI plan to assist in making viable strategic decisions.

- Use CI resources wisely by acquiring only needed data for strategic decision-making.
- Include all employees in the CI data gathering and analyzing.
- Never assume what competitors are doing or planning to do in the future. Find out exactly what they are doing now. Research them thoroughly both online (press releases, websites, articles, etc.) and if applicable, by visiting their store(s).
- Ask customers what other firms they considered before choosing your firm. These are your true competitors. Additionally, recognize that one day business partners, contractors, suppliers and key customers may become competitors.

RECOMMENDED READING:

1. *Successful Business Intelligence: Secrets to Making BI a Killer App*, Cindi Howson
2. *The Profit Impact of Business Intelligence*, Steve Williams and Nancy Williams
3. *Strategic Market Research: A Guide to Conducting Research that Drives Businesses*, Anne Beall
4. *Consumer Insight: How to Use Data and Market Research to Get Closer to Your Customer (Market Research in Practice Series)*, Merlin Stone, Alison Bond, and Bryan Foss
5. *Competitive Intelligence: How to Gather, Analyze, and Use Information to Move Your Business to the Top*, Larry Kahaner
6. *Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition*, Craig S. Fleisher and Babette Bensoussan

QUARTERLY QUOTE:

I Wish I Had Said That

“Any fool can make things bigger, more complex, and more violent. It takes a touch of genius — and a lot of courage — to move in the opposite direction.”

—Albert Einstein

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