SME Direct

Competitive Intelligence

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Industry Canada

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Competitive Intelligence

Executive Summary

As the Internet continues to break down barriers among business enterprises, competition escalates compressing product development cycles. You find yourself scrambling to keep up while having to respond more and more quickly to the increasing expectations of customers. Ultimately, your business profits suffer.

Find out how Competitive Intelligence can help you compete in the e-business environment where everything — except customer demands — is shrinking! This module provides you with an "action plan" to help you become a stronger competitor in your chosen industry or market, using the power of technology.

The following sections are organized in a logical sequence of activities that comprise a Competitive Intelligence approach:

The Basics

Competitive intelligence can help your company become a stronger competitor in your chosen industry or market, using the power of technology. Using competitive intelligence is not difficult, but it's important that you understand all parts of the concept before applying it. Here are the 10 most important things to know about competitive intelligence.

1) Understand What Competitive Intelligence Is

Competitive intelligence is about analyzing information in a continuous process. It is not simply a method for finding out things about your competitors. The focus of competitive intelligence is on generating insights to help you make decisions regarding future events. Yes, you need information about your competitors, but you also need to know many things about your industry's environment that affect the way that your competitors — and you — do business.

All of this information will not be helpful to you unless it is stored, retrieved and analysed in a systematic and efficient way. (See *Starting Point*, pg. 5). Too many efforts engage merely in the acquisition, not the interpretation, of information. That just adds to your information overload.

2) Know Your Purpose

To make competitive intelligence work for you, begin with a clear purpose. That purpose is defined by answering the following question: What is the most important information that I need to carry out my competitive strategy (see *Identifying Strategies*, pg. 16), and understand my competitors' strategies, and what is the most effective way to obtain that information (see *Competitors*, pg. 6) and put it to use in making decisions?

Everyone involved in competitive intelligence in your company should know why they are doing it — to gain enough relevant information to make accurate forecasts and implement effective competitive strategies.

3) Build Internal Co-operation

One of the biggest challenges to using competitive intelligence successfully is that people tend to hoard what they know. Invariably someone (usually your top sales person) says, "Sure, it's great to have access to all this information but I'm not going to put MY information in here — that's what makes me invaluable to the company." Even if you have top-notch technology, you always have to remember that it's people who make it work. Incentives (see *Your People*, pg. 3) are important.

4) Start With a Plan

Competitive intelligence is not just an activity it's a series of activities undertaken according to a plan, which is continuously renewed. If you start with a plan, it will be worth your time. If you just gather information haphazardly, you'll simply waste time.

It's easy to get started (see *Starting Point*, pg. 5). Establish your priorities; assign responsibilities; set up your communication paths and use technology or outside resources to make the process as easy as possible within your means. Then follow the basic five steps that comprise a competitive intelligence program:

1. Define your requirements
2. Collect and organize
3. Analyse
4. Report and inform
5. Evaluate

5) Know What You Know

An extraordinary amount of information about your competitive environment already resides in your company. (See *What You Know*, pg. 4) Your employees' business interactions generate information constantly. But you need processes in place to put the information into categories, keep it updated, and make it easily retrievable and subject to analysis for various purposes. Do you have a systematic way to record information gained from your sources, and to retrieve it?

6) Protect Your Confidentiality

You are not the only one interested in competitive intelligence. What can your competitors find out about you?

Most companies give out too much information. You will want to protect and defend your trade secrets - anything that would enable another company to derive economic benefit from your hard work. There are steps (see *Security Issues*, pg. 31) you can take to analyse how vulnerable your company is to leaked information. Your confidentiality needs to be protected both from within and without.

7) Gather Information Systematically

Everyone in your company who gathers competitive intelligence needs to know what to do with it. Suppose a salesman hears at a conference that a competitor is bringing out a new product. How can you make sure that that information is transmitted to anyone in your company who needs it, and can act on it? You need a repository for information. (See *Organizing Your Data*, pg. 31) And you need a way to get the information

quickly and easily to everyone who may need it, and is authorized to use it. There are paper-based methods, but the most efficient way is by means of e-business technologies.

8) Analyse Information

To make competitive intelligence effective, you should establish a permanent method by which competitive-intelligence information can be analysed. Perhaps you will want to do this yourself, by constructing competitor profiles (see *Building Profiles*, pg. 15) and using business analysis tools. (See *Analysis Tools*, pg. 20) Perhaps you will want to purchase automated data management tools. (See *Data Management Tools*, pg. 19) These tools can help you assess your competitors' strengths and weaknesses, advantages, strategies, and reaction patterns — the information you will need to make effective decisions about your own competitive position. Whichever you choose, the important thing is to analyse the data.

9) Build a Competitive Strategy

Once you have a system in place to gather and analyse information, how will you formulate a strategy to address the competitive changes in your industry? There is a three-step process (see *Decision Making*, pg. 21) that you can follow. First, specify the payoff, in terms of profit and market share, that you can potentially obtain from a given course of action. Forecast how your competitors will respond to that action. Then select the action that is likely to result in the best outcome for you in the long term. All this can make you a stronger competitor, if you have the right information to begin with, available when you need it.

10) Understand the Costs and Benefits

The benefits of competitive intelligence are hard to identify in concrete terms. Even the costs are difficult to calculate, since the most significant cost to SMEs of using competitive intelligence is likely to be time, not money. Industry-sponsored research suggests that companies that use competitive intelligence see a payoff in increased revenue, costs avoided, and better decision-making. Competitive intelligence, however, has a more compelling value - its ability to protect the critical elements (see *The Value of Knowledge*, pg. 25) of your business. It has been said that competing in business without competitive intelligence is "like running a race without looking at the other runners."

Chapter 1

1.1 Overview

What C.I. Is, And What It Isn't

Competitive intelligence is the process of discovering, analyzing and using intelligence from publicly available, non-proprietary information sources for the purpose of becoming more competitive.

Competitive intelligence isn't simply about finding information. It's not about snooping on competitors. It's about analyzing information in a continuous process that is tightly linked to your strategic planning. It's your company's circulatory system for knowledge. That knowledge encompasses the following:

- Competitors
- Technology
- Legal and regulatory changes
- Suppliers
- Materials
- Industry and market trends
- Political and economic changes

Competitive intelligence makes you better informed about critical issues on a formal and systematic basis. Its focus is on generating insights to help you make decisions regarding future events.

This Web site will give you guidance ranging from simple advice on how to find information, to the availability of external resources and the complexities of competitive strategy.

If you would like to delve further into the concepts of competitive intelligence, please see *Overview Resources*, pg. 27.

Why Do You Need Competitive Intelligence?

Competitive intelligence can help you, the small to medium-sized enterprise (SME), make money — and avoid wasting and losing money — by knowing more about your company, competitors and industry.

Have you ever had the experience of developing a new product or service, only to see a competitor beat you to the market? It's that sort of thing that makes competitive intelligence a necessity.

Like the majority of SMEs, you probably have a growth strategy focused on developing new customers, gaining market share, offering new products/services, and upgrading your equipment. All of these activities can be undermined, with disastrous waste of resources, if you do not have enough information to make accurate forecasts and implement effective competitive strategies.

Getting Started

The links below lead you to pages that tell you what intelligence you may need to obtain about various organizations, including your own. They also tell you something about the ethics of competitive intelligence.

Other sections of this site tell you what information sources (see *Information Sources*, pg. 9) you can use, how to analyse (see *Analysis*, pg. 15) what you find, how to apply that analysis to your competitive strategy (see *Competitive Strategy*, pg. 21), and how to assess the value of competitive intelligence to your company. (See *Measurement*, pg. 24)

1.2 Your Company

Look inside your own company to begin using competitive intelligence effectively.

To use competitive intelligence effectively, you should begin within your own organization. You'll need to organize your people (see *Your People*, pg. 3), understand their capabilities and give them guidance and encouragement. You want to capture and capitalize on the information that your company already knows. (See *What You Know*, pg. 4) You also need to protect your company's information by managing confidentiality (see *Confidentiality*, pg. 4), and, of course, you need a strategic starting point. (See *Starting Point*, pg. 5)

These are not onerous tasks. By applying e-business tools, you can efficiently find information sources (see *Information Sources*, pg. 9) and analyse them. (See *Analysis*, pg. 15) But no matter how good your tools are, you won't get far unless you begin with a clear purpose. That purpose is defined by answering the following question: What is the most important information that I need to carry out my competitive strategy, and what is the most effective way to obtain that information and put it to use in making decisions? (See *Competitive Strategy*, pg. 21)

A word of caution: Too many efforts engage in the acquisition, not the interpretation, of information. There's a difference between what's nice to know and what you need to know. Concentrate on the latter; otherwise you'll waste a great deal of time and effort.

1.3 Your People

Support From The Top

Competitive intelligence is a long-term, continuous process that requires consistent support from the owner of the company. This means fostering an environment where people are encouraged to keep their eyes and ears open and to share the information they learn in some systematic way.

Employees need to know how to use the information to their advantage and be given an easy way to contribute the information they learn. Recognition in some form for such contributions is a good idea.

Who Should be Responsible?

One person, or a small group of people, should be responsible for managing your competitive-information process or system. Continual maintenance of the information is required, otherwise it goes stale and people soon stop using the system. In choosing leaders or co-ordinators of your competitive intelligence activities, you should look to those who have a good feel for the competitive situation of the firm, and have an interest in improving competitiveness.

Building Internal Co-operation

One of the biggest challenges to making competitive intelligence work involves the "politics of data." Invariably someone (usually your top sales person) says, "Sure, it's great to have access to all this information but I'm not going to put MY information in here — that's what makes me invaluable to the company." Getting people to accept that co-operation will bring everyone more benefits is not always easy. Even with top-notch technology, you always have to remember that people are the ones who make it work. Again, incentives are important. They can be as simple as a word of acknowledgement, or letters of praise in employee files. You'll know what's effective for your people.

Key Planning Questions

How do you want information presented to you? You may prefer simple e-mails, formal research reports, brief outlines of essential facts, or presentations at meetings. You may prefer to have all information presented within a secure Web site. As the senior-level sponsor, you need to be satisfied that competitive intelligence is provided in a way most appropriate to your schedule and working style.

Skills, Resources and Training

What are the capabilities of your people? You need strengths in the following areas:
- Search and collection
- Reporting and communication
- Analysis and strategy

Initially, you will probably want to do most of the work internally with the resources you have. As your business grows, you may need to enhance the function to address more sophisticated information and technology needs. Consider the following:

- Do you want to train one or more staff members to be expert in competitive intelligence? That could include information-gathering and analysis techniques, or the operation and maintenance of software. If so, academic and commercial courses are available. (See *Types of Services*, pg. 10)
- Do you have the resources to carry out competitive intelligence using only the people in your company? If not, you may decide to rely on the services of an intelligence consultant (see *Types of Services*, pg. 10) or to automate your data collection (see *Software*, pg. 9) or management. (See *Data Management Tools*, pg. 19)

1.4 What You Know

Who Knows What's In Your Company?

It may surprise you to discover that you already possess in the many forms of information scattered about most of the information you need to know about your competition and industry.

An extraordinary amount of information about your competitive environment resides in:
- Paper-based publications, reports, files, tips, clippings and messages;
- Online documents that various people within your company receive, or have found;
- Unstructured, text-based software such as e-mail, groupware, and collaboration, as well as workgroup, document management, and discussion databases.

Many routine functions automatically generate competitive information. For example, when purchases are made, information enters with them. A buyer has to understand your market's:
- Available products (the products that are used and also eventual substitution products);
- Various quality and security standards;
- Main suppliers;
- Main competitors (potential source of competition with suppliers, and perhaps with you).

Buyers have a permanent need for information and therefore often practise competitive intelligence without knowing it. But they must be able to efficiently process the information collected in order to reconstitute it under a format useful to people who are making decisions for the entire company.

Managing Your Internal Information Sources

The trick is to make all of your information sources useful throughout the organization. To accomplish this, you must have processes in place to put the information into categories, keep it updated, and make it easily retrievable and subject to analysis for various purposes. Naturally, as the body of information grows and more people use it, your information management systems will need to keep up. Software products are available to regularly scan your internal text resources for competitive information. (See *Software*, pg. 9) Relevant information may be identified and left in the original files or extracted and placed into a common text database. Intelligence information can be kept within an intelligence intranet site. The person who maintains the site can also be responsible for creating reports, regularly or by alerts as needed. Staff can be alerted by e-mail to read the reports in the secure intranet site.

Key Planning Questions

- What people and organizations are your most productive and valuable sources of competitive information?
- Can you quickly contact those organizations and people when you need to?
- Do you have a systematic way to record information gained from those sources, and to retrieve it?

1.5 Confidentiality

Competitive intelligence works both ways. Protect your knowledge assets. You can find out many things about competitors. But can they find out the same kinds of things about you? Most companies give out too much information. Your business privacy is more vulnerable than ever before. You have to be prepared to protect and defend your knowledge assets. You must integrate offence and defence into a comprehensive competitive-intelligence strategy.

What You Need To Know

Your trade secrets are anything that would enable another company to derive economic benefit from your hard work.

- What knowledge assets do you need to protect? The long list includes designs and formulas, customer lists, marketing strategies, price structures, new product information, manufacturing processes and factory locations. An executive's travels might indicate a potential new factory or new customer; job postings might reveal labour conflicts or imminent expansion; and any draft documents in your trash may be fair game.
- Do your own employees know what is proprietary and would they know not to give it to a competitor?
- Who has access to what information in your company? Is your information network — including your competitive information repository — protected by a security system, including employee identifiers and passwords?

Confidentiality Tactics

A company can protect its privacy by implementing counter-measures to "cloak" itself against the prying eyes of competitors.

Following are three keys to becoming an effective cloaked competitor:[1]

1. determine the activities of greatest interest to your competitors and focus on protecting them,
2. understand the channels through which your competitors collect raw data on your firm and control what goes into them,
3. discern what techniques your competitors use to analyse the data and then deprive it of a few key pieces of data that are necessary to complete the analysis.

There are a number of other tactics you can implement. Try these:

- Talk to everyone at your firm. Explain to all your employees that your competitors are, or will soon be, trying to collect competitive intelligence against you. Tell them how that can happen. Let them know what needs to be protected — and why!
- Don't give away sensitive competitive information to everyone. For example, you can mention that a new product is launching in the summer, but don't reveal the exact launch date or where it will be sold.
- Know to whom you're speaking. Who are the people at the other end of the telephone call, exactly what are they doing, and why are they asking questions about your company?
- Examine your own Web site. Are you revealing too much? For example, do all distributors' addresses need to be listed? Also, just because a page is not indexed doesn't mean others won't find it.
- Find out who's talking about you. Do an Internet search under your company's name, and see what comes up. Do a back-links search. (See *Search Tips*, pg. 11) What sites did you find back-linked to your site?
- Use common sense. Don't talk about business on your cell phone in the middle of a crowd. And don't work on sensitive documents on your laptop while flying - you never know where your seatmate might be employed.

1.6 Starting Point

First of all, everyone involved in competitive intelligence in your company should know why they are doing it. What kind of information is the company looking for? Why are you and your employees devoting time to learn about the competitive environment?

Consider what is at risk: do you know enough about relationships with your key customers, competitors who might be taking business away, new competitors that might appear, best practices in your industry related to the different functions of your company?

Take Action

Once you know what information you need to minimize your competitive risks, take steps to deal with the following issues:

- **Priorities:** Establish priorities and options for action by identifying gaps between your competitive-intelligence needs and your current capability.
- **Responsibilities:** If you're not doing it yourself, assign specific accountability for competitive intelligence to a senior person in the company. Identify the smaller group of people who are responsible for collecting, organizing, analyzing and disseminating competitive environment information. If necessary, provide training to ensure that they capture the most important data and weed out all that is trivial, irrelevant or not useful to end-users.
- **Communication:** Establish easy ways for people throughout the company to contribute information about any aspect of the competitive environment that they come across.
- **Resources:** Consider the use of technology or outsourced services to ensure that information collection, organization and reporting is as easy as technically possible.

Looking Ahead

When undertaking a competitive intelligence program, you should plan to cover the following five steps:

1. Define your requirements. What information is needed? Why is it needed? When is it due?
2. Collect and organize. Gather the right data and put it in an ordered form.
3. Analyse. This is a crucial step. Study the data, look at the big picture and identify trends. This is the "Aha!" moment. It should result in a recommendation for a specific action.
4. Report and inform. Get the meaning of your efforts to the people in your company who need to use it, from the front-line sales people to the owner or CEO — anyone who's making strategic business decisions.
5. Evaluate. Measure the impact of the intelligence you provided. Was it used? How — or why not? Did it

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[1] John McGonagle, managing partner of the Helicon Group, a competitive intelligence consultancy in Blandon, PA.

result in making a deal? In saving money? In boosting the company's reputation? How can the process be fine-tuned?

1.7 Competitors

What information can you gain about competitors? Where can you find it?

How much do you need to know about your competitors? The answer depends on the extent they are blocking, or could block, the way to your company's future. First understand how urgent your need is for information about your competitors, and then decide what resources are necessary to dig to the depth you need.

Learning About Your Competitors

In just minutes, you can get basic information on a company from its Web site, including:
  • Where the company is located;
  • How it is structured;
  • Who leads its various divisions;
  • Who its strategic partners are;
  • What it has bought or sold recently;
  • What its core competencies are;
  • What its financial profile or position is;
  • How to contact various people throughout the company.

Digging deeper, you can find:
  • Who the competitor's key customers are;
  • What the competitor's market share is, by segment;
  • What new products/services it is developing;
  • What its marketing strategies and activities are;
  • Who its suppliers are.

If the competitor is a serious threat, you may need to know in which areas the competitor's competencies lie:
  • Quickly bringing a new product/service to market?
  • Generating capital for new ventures?
  • Exploitation of research and development?
  • Expertise in a particular process or technology?
  • Efficient order processing?
  • Sophisticated inventory management?
  • Mobilizing and training a remote sales force?
  • Motivating and training low-level hourly workers?
  • Flexible manufacturing?
  • Strong supplier management?
  • Logistics?

Sources of Information

Throughout this Web site you will find a variety of sources where such information can be found. You should note, however:
  • Competitor information is inert until you tie it together with business knowledge in general and an unbiased assessment of your own business strengths and weaknesses. When you integrate competitor information with those additional insights it transforms into competitive intelligence.
  • Not every piece of competitor information is accurate,

relevant or useful. It is very easy to bog down, thinking "more is better," and forget what you set out to accomplish.

As a first step, you have to know who your competitors really are.

1.8 Defining Competitors

What companies have the capabilities to be in your market, today or tomorrow?

In order to plan effectively for the future, you need to analyse the likely future competitive landscape in your industry. This means examining existing competitors, and analyzing your competitive environment to anticipate the emergence of competitors in future.

Key Questions to Ask
  • What products or services compete with yours and how are they distinctly different?
  • What target markets are you pursuing? How do the companies in those markets view the future of their industries? What new kinds of offerings might serve those needs? Who provides those?
  • Similarly, what markets are your existing competitors pursuing for specific products or services?
  • What products or services are being developed by your competitors or potential entrants to your market? Are they threats to your ability to get the financial and competitive advantages from being first to market with your own newly developed products or services?
  • What are the most important organizational capabilities critical to the success of your company? What are your company's strengths and weaknesses in each, compared with your main competitors' strengths and weaknesses in each? Do other companies, not now in the market, have the necessary kinds of capabilities?

Gauging a Competitor's Strategy

One way to gauge the strength of a given competitor in your market is to measure its online presence. How often does the competitor's brand appear in all forms on the Internet? In particular, how often does it appear in reference to your market, relative to yours and other companies?

Keep in mind that the communities of interest in which your competitor's brand appears indicate who its target customers are, and may point to the future. You can examine the specific instances where the branding appears to determine the tactics that the competitor is using to penetrate the market.

1.9 Your Customers Know

Who knows who your real competitors are? Your customers do. Ask your customers whom else they considered before they chose you. Ask who has been sending them information, and invitations, and free samples. And ask them if they've heard from your suppliers lately.

There are other, almost limitless, ways to learn about com-

petitors. Competitive intelligence involves legal methods of data collection and analysis, from scouring securities filings and news reports to database research to schmoozing with representatives of rival companies at trade shows. For a guide on locating competitive information visit the sections on *Online Sources* (below) and *Offline Resources* (below).

1.10 Online Sources

There are so many online sources that you run the risk of using them inefficiently, particularly if you're researching a large, public company. Here are the questions you need to ask to undertake an effective online search for information about a competitor:

- Is the competitor a member of any industry associations? Their Web sites will often carry product descriptions and their publications will mention who is doing what.
- Where are the competitors' premises? Local media, chambers of commerce and economic development Web sites will be aware of what's happening with the company.

If you are competing directly or indirectly with a large company, or are looking for larger buyers and suppliers, the following sources may provide valuable information:

- Does the competitor have publicly traded securities? If so, stock exchanges, regulatory bodies and stock analysts will be rich information sources for you.
- Does the competitor issue news releases, or speeches by its senior management? Newswire sites will have archives of these.

The "Strategis Guide to Suppliers, Partners and Customers" is a primary source of information about many thousands of Canadian companies, with lists of directories for further effective searching.

Within this Web site, you can refer to further details about online sources of information.

Offline sources (below) are often the most useful for the smallest of companies and budgets.

1.11 Offline Sources

Paper Sources

Competitive intelligence for SMEs still depends on paper-based information as much as on the Web. There are many sources of information on paper that are well worth chasing down.

- Some publications are not typically available online, such as weekly newspapers. Subscribe to the local community paper where your competitor is located. Subscribe to specialist magazines about your industry. Take a look at the advertising sections to see how your competitors represent themselves and their goods or services. Make regular visits to bookstores that carry special-industry magazines, and browse through their business-book sections.
- The library contains a surprising number of sources to help you identify competitors and potential competitors, and analyse your business environment — including annual reports, industry directories and surveys, and government analyses of many kinds. Make friends with your

local librarians in the business section.

Person-to-Person

There are many face-to-face opportunities to gather information. Consider:

- What are your competitor's distribution channels? Does it have stores you can visit? Does it sell to organizations that also are customers of yours, and where you know people?
- Does the company exhibit at trade shows, or participate in conferences? Striking up a conversation in such environments can be fruitful.
- Do you or any of your employees maintain contacts with former colleagues, now working for competitors? Do any former employees of competitors now work at your company?
- Are you familiar with people who have connections with your industry — association executives, journalists, analysts, suppliers, officials of government agencies and awards associations? They all hear things. Take notes after you chat with them, and pass them to your competitive-intelligence administrator.

The *Offline Sources* section (above) of this site provides detailed suggestions on how to make use of intelligence-gathering avenues other than the Web.

1.12 Industry

Where is your industry going? What will be your place within it?

You need to understand how your industry functions before you can understand how your company and your competitors fit into it. What is your market and what are the existing and potential sources of profit within it? This knowledge is necessary to understand the reasons behind your competitors' actions, and to predict their future moves.

Start by building an understanding of the competitive dynamics of your industry. There are many sources of information for this: two key ones are *Government* (pg. 7) and industry *Organizations* (pg. 8).

Key Questions

- What are the growth predictions for your industry? In what geographic and product areas is the most growth expected? That's where to look for competitors.
- What are the perceived barriers to that growth? Who among your competitors are most affected by those barriers?
- What areas of research and product or service development are your competitors or potential market entrants involved in?

Please see *Resources* (pg. 27) for guidance in finding information about specific industry sectors.

1.13 Government

A great deal of knowledge about your competitive environment resides with federal, provincial, territorial and municipal

governments.

Government is part of your industry. Government bodies at the federal, provincial and municipal levels may interact with you and your competitors by being clients, sources of funds and other assistance. They are also organizers of economic development activities such as conferences, industry tours and promotional Web sites.

Government information is also invaluable for competitive intelligence. Your competitors interact with them. Government documents reveal patent and trademark filings, tax liabilities, labour contract provisions, property holdings and financial transactions.

Federal Government

Industry Canada's *Strategis* site *(http://strategis.ic.gc.ca/sc_x/engdoc/using_ecom.html)* gives you information and guidance on how federal government activities influence your industry and provide competitive intelligence on topics such as:

- bankruptcy search,
- copyrights,
- exporting and importing,
- federal incorporation,
- industrial designs,
- lobbyist registration,
- Measurement Canada,
- mergers and competitions,
- patents,
- spectrum licences, and
- trade-marks.

If your industry falls within the jurisdiction of a federal government department, you are certain to find a very large source of competitive information on its Web site. For example, Agriculture Canada *(http://atn-riae.agr.ca/supply/ associations-e.htm)* maintains a comprehensive site about the food industry, including a directory of industry associations and guides to trade.

Provincial and Territorial Governments

The second tier of government has jurisdiction over, and therefore information about, topics such as:

- business registration,
- education,
- environmental regulations,
- parks and recreation,
- land planning and property assessments,
- natural resources, and
- workplace safety.

To discover the information available on the Web sites of all provinces and territories, visit the Government of Canada Provincial Information Web site *(http://cgii.gc.ca/index-e.html)*.

Municipal Governments

Municipal governments are treasure troves for any information related to properties and industrials development. Furthermore, municipal sites are increasingly serving as community portals, or are linked to community-sponsored sites, for purposes of advertising, promoting and attracting local businesses.

The Federation of Canadian Municipalities *(http://www.fcm.ca/)* has a Municipal Buyers' Guide, in which you can search for suppliers of goods and services to municipalities, by category.

For a complete listing of Canadian municipal Web site addresses, visit the Government of Canada Municipal Information Web site *(http://cgii.gc.ca/muni-e.html)*.

1.14 Organizations

Many kinds of associations and groups should be on your priority list as information sources.

People love to talk. They gather in groups and associations to share information. They have meetings and conferences, newsletters and Web sites. You can use these sources to soak up competitor information.

Find out what kinds of organizations are influential in your industry. They may include business and professional associations, publications, and regulatory and standards bodies. Your competitive-intelligence system should be set up to regularly participate in, or monitor, such organizations and keep in contact with their people.

For tips on how to find the organizations affecting your industry, please see *Resources* (pg. 27).

1.15 Monitoring Trends

Competitive intelligence looks to the future. Its objective is to help you make the best decisions possible and take actions to succeed in your competitive environment. The more you know about what is likely to happen in future, the better your decisions are likely to be.

Many kinds of organizations follow trends and forecast future developments. Forecasts ranging from international to local can influence you and your competitors. Are office rents rising in your city? That may affect decisions made by a company in one location, but not another.

Here are some forecasts that you can track online:

- The Economy
- Consumer And Retail Trends
- Industry Forecasts
- Labour Markets
- The Automotive Industry
- Resource, Commodity And Energy Prices
- Real Estate Markets

See *Web Sites* (pg.12) for links to Web sites that track these trends and forecasts.

1.16 Ethics

Competitive intelligence only works for you within the law and professional boundaries.

What is unethical or illegal? Having an employee call a competitor and misrepresent herself to get data. Stealing sections of code. Decompiling software. Violating copyrights. Removing things from private property without permission. For guidelines, check the Society of Competitive Intelligence Professionals (SCIP) for Ethics issues *(http://www.scip.org/ci/ethics.asp)* and Legal Issues in C.I. *(http://www.scip.org/ci/legal_issues.asp)*.

Any person acting on your behalf to conduct competitive-intelligence activities should:

- collect and disseminate data in full compliance with applicable local and national laws;
- accurately disclose all relevant information, including the caller's identity and organization, before all data collection interviews;
- respect all requests for the confidential handling of information;
- povide professional, honest and realistic analyses, clearly differentiating between fact and opinion, and between what can be confirmed and what cannot be confirmed.
- never employ questionable data collection activities.

The legal boundaries of competitive intelligence generally follow the example set by the United States. On October 11, 1996, President Clinton signed the *Economic Espionage Act* of 1996 (the EEA) into law, creating a new U.S. federal crime — the theft of trade secrets.

Two major restrictions apply to the definition of trade secret under the EEA: first the owner must have taken "reasonable measures" to keep the information secret; secondly the information's value must be derived from "not being readily ascertainable through proper means," which means is being kept secret. This covers any conceivable act of misappropriation without authorization, including theft, deception, copying, duplication, sketches, drawings, photographs and downloads.

Although Canada has not yet voted a similar law, professionals in Canada adhere to an equivalent code of ethics, as defined by SCIP. This code can be useful if management is active in promoting them and sets the example by acting ethically in its own dealings.

Chapter 2

2.1 Information Sources

Multinational companies can, and do, assign teams of researchers in competitive intelligence departments, but you may not even have one person available full-time for the job. Don't be discouraged. There are so many information sources, available so easily, that you can mount a part-time research effort that's effective and efficient.

Finding information need not be difficult or time-consuming. The key, once again, is to know what you are looking for, and why. With a clear purpose, you can decide among the variety of information sources which ones are most appropriate to your needs and capabilities. As opportunities arise, your assigned person or persons can make the phone calls, arrange the subscriptions, make the visits and, perhaps, purchase the competitive-intelligence products or services that will in time constitute a competitive-information system that essentially runs by itself.

2.2 Software

A variety of products are available to automatically search online sources — including those within your own company.

Specialized competitive-intelligence software has the poten-

tial to find information rapidly and easily for you. It also has the potential to overwhelm you with information that you can't use. Approach the subject of software only after you have determined what you are trying to accomplish.

Products have widely divergent capabilities and levels of customization. Some represent significant investment, and some are free for the asking. See *Subscription Services* (pg. 13) and *Free Services* (pg. 13).

Intelligence Agents

A class of software products, generally known as intelligence agents, is used to automate information capture. These products are customizable online search, retrieval and notification agents. They are sometimes referred to as push technology. Some monitor competitors' Web sites; some monitor the entire Internet for specified information.

Some products provide short, up-to-date reports that compare products or services, or profile companies and key people. Authorized people in your company can easily get the reports via a browser, without having to learn how to use a new piece of software.

If compiling information about people, products, and companies is most important to you — and you don't need to regularly generate reports or share any of this information with others — then Microsoft Excel might be all you need.

Costs of intelligence agents vary widely, according to functions, options and number of seats purchased in the licence. Software packages generally start at about $300 but can run up to several thousand dollars for a single seat.

If you would like to see briefs descriptions of prominent suppliers of intelligence agents and links to their Web sites, as well as an industry report on intelligence software, please see the *Resources* section (pg. 27).

Sources of Software

An excellent source of information about competitive intelligence software is the Society of Competitive Intelligence Professionals (SCIP). If you are looking for vendors of CI services and products (consultants, database companies, news services, training firms), visit the CI Showcase *(http://www.scip.org/marketplace/showcase.asp)*.

2.3 Commercial Services

Here are some consulting, research and information-finding services to augment your resources.

Most SMEs do not have competitive-intelligence expertise among their employees. If the time comes for you to gather critical information and you need outside help, you can find it on the Web.

If you are looking for vendors of CI services and products (consultants, database companies, news services, training firms), visit the CI Showcase *(http://www.scip.org/ marketplace/ showcase.asp)* of the Society of Competitive Intelligence Professionals.

Competia.com also has a "yellow pages" of commercial competitive-intelligent services.

2.4 Types of Services

Specialized competitive-intelligence services are available from both Canadian and U.S. companies.

Some consulting companies offer advice on competi-tive-intelligence strategies and methods. Others offer to carry out searches and analyses that you can't do in-house. Some companies combine these services, and in some cases offer proprietary software.

For a simpler and less expensive way to find information, there are still many media-monitoring services available. Specialized information professionals carry out research and compile reports to meet your needs as they arise.

If you require training in the use of competitive-intelligence techniques and technologies, courses are offered by both Canadian and American consulting firms, as well as by educa-tional institutions.

Consulting and Research Services

For SMEs willing and able to hire outside help, expert competitive-intelligence services are available to either con-duct searches for you, show you how to do it — or both.

Please see the *Resources* section (pg. 27) for descriptions of representative consulting and research firms.

Information Professionals

Independent information professionals provide information services to organizations of all sizes and types, either in con-junction with existing staff, on an ad hoc basis, or by contract. Although document retrieval and delivery, literature surveys and data-gathering are the mainstay of some information bro-kerages' work, other companies gather data, Analyse it, and provide substantive reports that play a key role in their clients' decision-making process.

If you engage an information professional, it is advisable that the person be a member of the Association of Independent Information Professionals (AIIP), which maintains a Code of Ethical Business Practice. (See *http://www.aiip.org/*)

For a partial list of Canadian members of AIIP, please see the *Resources* section (pg. 27).

Media Monitoring

Media monitoring services are probably the oldest method for automating competitive intelligence. Services are available to track print, broadcast and/or online media, by defined geo-graphic area, for keywords or other identifiers specified by the client. Any instances where the keywords appear are recorded and delivered to the client, on paper or via the Internet.

Media monitoring is a relatively inexpensive and timesaving form of gathering information, though not as fast or compre-hensive as some other methods.

For a sampling of media monitoring services and links to media monitoring directories, please see the *Resources* section (pg. 27).

Training

Competitive-intelligence consultants can offer onsite or Web-based training specifically designed for your company. They take into account what you do, who you compete with, and what competitive threats you face. What kinds of training might you need? How to manage technology products, or how to manage the process, including any or all of:

Protecting your company against your competitors' competi-tive intelligence efforts;
- Selecting and using the most effective analysis techniques;
- Benchmarking against best practices;
- Communicating your findings effectively;
- Developing and exploiting effective internal and external networks;
- Determining management's real intelligence needs;
- Establishing a new intelligence unit;
- Legal and ethical compliance;
- Selecting and training your staff;
- Linking intelligence with strategy.

The *Resources section* (pg. 27) has links to organizations offering competitive-intelligence training.

2.5 Finding Information

Some kinds of searching require actions at a particular time and some can be done automatically or routinely.

There are three ways to find information:
1. Take direct, personal action to find it yourself;
2. Have it delivered to you by people or organizations;
3. Have it delivered to you by automated technologies.

1. Find Information Yourself

To find information from your competitors:
- Call your competitors and ask for product brochures and other marketing materials.
- Buy your competitors' products/services and analyse them.
- Visit their stores. Talk to their employees.
- Attend their seminars and any other events open to the public.
- Download information from their Web sites.
- If your competitor is a public company, buy some shares so you will receive annual reports and other corporate notices.

Your customers are important sources:
- Ask them how your products and services compare with others they have heard about;
- Ask what information they have received from any of your competitors who have approached them;
- When customers call your company, make sure the em-ployee answering the phone takes notes if customers complain, compliment or make any comment about the competition.

To find information from your suppliers:
- Ask them to pass along information they receive from any of their other customers in your industry.
- Check their Web sites and other corporate information for lists of customers.

- Attend their corporate events and subscribe to their publications.

To find information about your industry:

- Attend conferences. Attend presentations and visit booths of your competitors and other organizations that affect the direction of your industry. Collect brochures.
- Join industry associations.

Finding information on the Web: Learn about searching and using keywords to find information on the Web in *Choosing Keywords* (at right).

2. Have Information Delivered

To have information delivered to you:

- Get on the mailing/e-mailing lists for newsletters and other notices from your competitors, customers and suppliers.
- Subscribe to local newspapers and publications of business associations where your competitors, customers and suppliers are located.
- Subscribe to publications of government departments, regulatory bodies and standards-setting organizations involved with your industry.
- Investigate use of *Media Monitoring* services (pg. 10).
- Investigate use of outsourced *Consulting and Research Services* (pg. 10).

3. Use Automated Technologies

Investigate use of *Software* (pg. 9) to gather information automatically from the Web.

Whatever methods you use to gather information, they should not stand alone. You need to incorporate them within an enterprise-wide competitive-intelligence function, which includes *Analysis* (pg. 15) and is designed to help you make better decisions within your *Competitive Strategy* (pg. 21).

Unless you have thought through all of these things, you could very well flood yourself and your company with information that you can't use and is a hindrance rather than a competitive advantage.

2.6 How to Find Information

If you are looking on your browser for a company's Web site and don't know the exact name of the site, chances are you will find it by typing "www" followed by the commonly used name of the company, followed by ".com" or ".ca."

If that doesn't work, don't waste time guessing. Let a search engine do the work for you. Every browser has a "search" button, where you can type in the company name as best you know it. The search engine will almost certainly find the site for you.

If not, you can do a quick search — for corporate names as well as any kind of business or industry topic. If you wish to use a more powerful search tool than the button on your browser, go to the site of a *Search Engine* (pg. 12).

To enter a search-engine query, just type in a few descriptive words and press the "enter" key (or click on the "search" button) for a list of relevant Web pages. The search engine returns Web pages that contain all the words in your query, so

refining or narrowing your search is as simple as adding more words to the search terms you have already entered.

Choosing Keywords

For best results, it's important to choose your keywords wisely. Keep these tips in mind:

- Try the obvious first. If you're looking for information on Ford of Canada, enter "Ford of Canada" rather than "car companies."
- Use words likely to appear on a site with the information you want. "Luxury hotel Edmonton" gets better results than "really nice places to spend the night in Edmonton."
- Make keywords as specific as possible. "Antique lead soldiers" gets more relevant results than "old metal toys."

For detailed instructions on how to search for information on the Web, see Industry Canada's *SME Direct* Web site. (See Internet Searching: *http://strategis.ic.gc.ca/epic/internet/_indirect.nsf/en/h_uw00335e.html*).

2.7 Search Tips

Once you have carried out a few Web searches using simple keywords, you may be ready to follow somewhat more complex steps.

Automatic "and" Queries

If you are searching for a complex topic or one with multiple defining words, there is no need to include "and" between terms. The order in which the terms are typed, however, will affect the search results. To restrict a search further, just include more terms. For example, to plan a vacation to Nova Scotia, simply type: "Vacation Nova Scotia."

Addition of Common Words

Search engines typically ignore common words and characters such as "where" and "how", as well as certain single digits and single letters, because they tend to slow down your search without improving the results. If a common word is essential to getting the results you want, you can include it by putting a "+" sign in front of it. (Be sure to include a space before the "+" sign.)

Another method for doing this is conducting a phrase search, which simply means putting quotation marks around two or more words. Common words in a phrase search (e.g., "where are you") are included in the search.

Digging Deeper (links and back links)

You can sometimes find more information on Web sites than first meets the eye. For example, you might find clues as to what products a competitor is developing by seeing what organizations are linking to its site. Sometimes, those links lead back to suppliers or advisors. To find out what organizations have established links to your competitor's Web site, go to a search engine and type in link: "*www.CompanyX.com*".

You can also visit the Web sites of your suppliers and contractors and see if competitors are linking to them. You should do this periodically with your own Web site as a defensive tactic, too.

Another technique that can produce interesting results is to type additional words on to the end of the corporate name. Try *www.CompanyX.com/projects* or *www.CompanyX.com/convention* or *www.CompanyX.com/forecast*.

Job boards can yield much competitive intelligence. Is a competitor planning to expand? How many new stores will it open, and how many people will be hired?

Search on job boards like Hotjobs.com and Monster.com, or their Canadian versions, Hotjobs.ca and Monster.ca. The advertisements often give away considerable information — locations to where a company is expanding, supply chain and management methodologies, growth targets.

2.8 Online Sources

There are many sources of information online.

There are *Web Sites* (pg. 12), which you can search directly or by using *Search Engines* (at right).

Then there are *News Groups* (at right), which can be commercial news organizations, or informal news and discussion groups.

You can purchase specialized content from *subscription services* (pg. 13), including news-filtering services and online databases.

Some *Free Services* (pg. 13) are available to help speed the process of gathering online information.

2.9 Web Sites

Web sites can give competitive-intelligence researchers immediate access to information about your corporate environment. They are useful in two different ways.

First, corporate Web sites are sources of a vast amount of information. Find out how to search for basic information (*How to Find Information* pg. 11) and how to use technologies that will search Web sites (*Use Automated Technologies* pg. 11) automatically for you.

Web sites can obtain more information than might appear at first glance. Find out how to find what you need by using advanced *Search Tips* (pg. 11).

Secondly, sites mounted by governments, trade associations and other groups can lead you to competitive information about your *Industry* (pg. 7) that can help you anticipate events and trends.

If you are interested to find Web sites to monitor industry trends and forecast future developments, please see the *Resources* section (pg. 27).

Portals

Many sites are designed as portals, or gateways to information about particular subjects or groups of subjects. Many portals are multi-functional, offering viewers a chance to shop, participate in discussion groups or play games.

For descriptions of widely used portals, please see the *Resources* section (pg. 27).

2.10 Search Engines

A search engine sifts through millions of Web pages recorded in the index to find matches to a search and rank them in order of what it believes is most relevant. It is worth noting, though, that search engines are built by computer robot programs, not by humans. So the search engine's ranking of what is important may not be yours. You must evaluate everything you find for relevance and for accuracy.

Despite their limitations, search engines are invaluable for competitive intelligence because they retrieve information from vast sources. Their results contain full-text (every word) of the Web pages they link to.

Industry Canada's *SME Direct* (*http://strategis.ic.gc.ca/epic/internet/indir-ect.nsf/en/h_uw00731e.html*) site contains a guide to search engines and how to use them.

Evaluating Search Engines

Each search engine is built with individual characteristics, so the same search using different search engines often produces different results. For researchers, well-known commercially backed search engines generally yield more dependable results, as they are more likely to be well maintained.

For links to commonly used search engines and evaluation sites, please see the *Resources* section (pg. 27).

2.11 News Groups

Online news is everywhere. Daily newspapers, radio and TV stations, and magazines all have Web sites. So do specialist online news sources such as iSource Magazine (*http://www.isourceonline.com/magazine*) or CNET.com. Portals and search engines include news sites in their offerings.

Your competitors' news releases are distributed and archived by Canada's two national newswire services, Canada Newswire (*http://www.newswire.ca/*) and Canadian Corporate News (*http://www.cdn-news.com/scripts/headlines1.pl*). Both offer an alert service that will send you e-mails whenever a certain name appears in a release.

The Canadian Newspaper Association (*http://www.cna-acj.ca/client/cna/ult.nsf/CnaSearch*) carries an online guide to Canadian newspapers. CCN Matthews (*http://www.ccnmatthews.com/scripts/media_mediaLinks.asp*) carries a listing of media associations on its Web site.

Informal News

Not everything that makes news is published by the media. People sometimes make news themselves, and spread it on the Web. You can use online content, including commentary, to gain tactical insights into competitor activities, especially sales and marketing strategies.

News groups such as Usenet, message boards and discussion and consumer-review sites are rife with consumer opinion. In some cases they can give you as much information as focus groups. You can find:

- Customer comments, both positive and negative, related to quality, service, features, promotions and price of competitor offerings;
- Feedback an descriptions of customer experiences;

- Detailed comparisons of competitor offerings, sometimes including your own.

Usenet news groups are the ultimate bulletin board system. There are more than 15 000 topical sections to choose from.

For information on how to subscribe to a news group, please see the *Resources* (pg. 27).

Listservs

Listservs are online discussion groups for members of an organization. They are typically contained on a Web site with access restricted by an identifier and password.

Members can electronically work on common issues, share opinions, and inform and influence the group's policy and programs. If your company is a member of an association that includes your competitors, suppliers and/or customers, someone from your company should be monitoring the association's listserv.

2.12 Subscription Services

You can subscribe to services that gather texts from multiple online sources, including newswires, information providers, corporate Internets, intranets and internal databases. The subscription service will ask you to complete a profile, or a detailed description of information you want, and the service will search the Net constantly for that information.

Text records that match profiles can be sent as e-mails, word processing documents, screen savers or pager messages, or sent as html files directly to your computer or to custom Internet sites or Web pages.

You will have to pay for these services, so you will want to ensure that you take full advantage of the information you buy. You should probably consider the use of subscription services when you have gained some experience with competitive intelligence.

Two common types of subscription services are news-filtering services and online databases.

News-filtering services:
- AirMedia (*http://www.airmedia.com/*)
- NewsEdge (*http://www.newsedge.com/*)
- Pointcast (*http://www.pointcast.com/*)
- Reuters News (*http://www.reuters.com/*)
- SwetScan - CISTI's electronic table of contents service (*http://www.cisti.com/*)

Commercial databases

Commercial database services are still indispensable for many intelligence-gathering tasks. The cost of a database search is often considerably less than the expense of the staff time devoted to searching the Internet. Online database services include:
- Dialog (*http://www.dialog.com/*)
- Factiva - A Reuters and Dow Jones Company (*http://www.factiva.com/*)
- Financial Post Data Group (*http://financialpost.infomart.ca/fp/fp_landing.php*)
- Infomart Online (*http://financialpost.infomart.ca/*)
- Lexis-Nexis (*http://www.lexis-nexis.com/*)

- Newscan (*http://www.newscan.com/NewsCan/NonMembers/frame_intro.asp*)
- Profound (*http://www.profound.com/*)

2.13 Free Services

Search Services

Copernic Agent Basic: make every Web search a super-search with this intelligent tool. Copernic Agent Basic queries leading search engines to bring you back relevant and high quality results. Other tools offered by this Canadian manufacturer can also perform specialized searches. (See *http://www.copernic.com/en/index.html*).

Online Databases

Innovation Network: The Smart Practices Innovation Network at the University of Laval can be used in French. Its database gathers smart practices, initiatives, public policies, programs, and research papers on innovation and local development. You can subscribe to the weekly newsletter for free. (See *http://www.rqsi.ulaval.ca/ang/index.php*).

Northern Lights: A search tool that performs analysis and categorizes your hits into folders by subject theme. You can then view the information directly or purchase specific articles online. (See *http://www.nlsearch.com/*).

2.14 Offline Sources

Your public library and your network of personal contacts are major resources.

Prior to the advent of electronic media, most competitive intelligence was conducted "offline" through traditional means of research. These means are still useful today, and in most cases, very economical.

The major source of secondary research is publications, such as newspapers, journals, industry reports, and government reports, which are available through the public library. The major source of primary research is your network of colleagues, customers, suppliers and other contacts.

This section provides guidance and information on using these two major resources to conduct or supplement your online research efforts.

2.15 Publications

Learn about your competitors through publications, most of which are available from your public library.

Publications contain most of the secondary research available to the competitive intelligence researcher. Although many of these publication resources are now available online (*Online Sources*, pg. 7), in most cases, the cost of the subscription is prohibitive.

The public library continues to be your most economical choice for access to commercial and government publications. These include print media such as newspapers, trade journals, industry reports, and company information. The library also provides access to other media sources of competitive intelligence such as government information and commercial sub-

scription databases via CD-ROM or online. In some cases, you may access these resources remotely from your PC using a valid library card identification number.

If you have access privileges to a university business library, either as a student or alumni, you will likely find a broader collection of competitive intelligence resources at your disposal.

If you are interested to see listings of publications and resources available in public libraries, please see the *Resources* section (pg. 27).

2.16 Networking

Use your network of professional and personal contacts to conduct competitive intelligence.

Primary research has always involved direct communication with a target audience, usually through interviews, focus groups, or surveys. The Internet provides access to some of this type of research through *News Groups* (pg. 12), chat lines, and other online forums. The bulk of this type of research, however, is still through direct, personal contact.

Your personal network of colleagues, customers, suppliers and other contacts is a valuable source of competitor information for building your profiles (see *Building Profiles*, pg. 15). By staying in touch with contacts on a regular basis, you can keep tabs on what's happening in your industry. And you needn't misrepresent yourself to get information (see *Ethics*, pg. 8). Consider the following networking possibilities:

Business and Personal Colleagues

Your network of colleagues includes the people with whom you work, or have worked in the past, the people with whom you went to school, and the people with whom you interact in business, community or social situations.

People like to talk about themselves and the things they do. You can learn a lot by listening to friends and colleagues who may be employed in the same industry. They can provide insight into new trends, products, technology, compensation, and competencies in your industry. They are also consumers of many products and services, and can tell you how they evaluate such goods. Similarly, they can provide valuable feedback on your own products and services.

Members of your staff may be former employees of competitors, because people tend to move within a particular industry. They often bring with them competitive information to help you build your competency in a weak area. They, too, have friends and colleagues within the industry, and access to competitive data.

Business and Media Contacts

Associations: Business and industry associations provide much of the data available on industry trends, key business players, competitive forces (see *Competitive Forces Analysis*, pg. 20) and *Critical Success Factors* (pg. 20) within an industry or market sector. If you aren't already involved in an industry or business association, you might consider joining one, or at least attending their meetings or conferences, if possible. You will have access not only to industry-related information,

but also to competitors, industry experts and people with various levels of experience in related areas.

Trade Shows and Conferences: Trade shows are another source of competitor information. Trade shows and conferences attract members of the industry, the media and industry analysts. Walk around and see who's there. The types of businesses represented at the booths are an indication of who's trying to sell to your target market. This will help you redefine your competitors as the industry evolves over time. (See *Defining Competitors*, pg. 6)

Talk to the people at your competitors' booths. Find out what's new, and what they have to say about their products and services, and marketing strategy. Compare information from various vendors. Also, compare their offerings with your own. Collect the literature and business cards. Make notes so that you can recall your conversations when you get back to your office and start to organize the information for your files. (See *Building Profiles*, pg. 15)

Media Contacts: Talk to industry analysts and press reporters. Usually journalists specialize in a particular industry or business area, and write newspaper columns or articles for journals and trade publications. Their sources are industry analysts and experts and as a result of their work, they become quite knowledgeable themselves about the industry and its players.

By attending conference speeches delivered by your competitors, you can learn about their perceived strengths and weaknesses, future plans, managerial capabilities, and marketing approach. You may also want to attend your competitors' press conferences or announcements to track their competitive moves.

Customers: Your customers and clients are a great source of competitive information. They not only know about competitive products and services (they usually do their homework, even if you don't!), but they also know how the various competitors compare with one another.

If you have a good relationship with your customers, you may simply ask them directly how you compare with other vendors, or how they see the industry taking shape. Alternatively, you can be more formal in your approach and get feedback as part of a customer satisfaction survey.

If you are interested to know more about how to conduct a customer satisfaction survey, please see the *Resources* section (pg. 27).

Suppliers: Your suppliers and dealers know as much about your competitors as they know about you. You may be able to get competitive information from them, and also ask them to rate your attributes vis-à-vis your competitors.

Suppliers are also a source of industry information. They are a link in the "vertical" business system. Changes that affect their industry will also have an impact on yours. Conversely, as a buyer, changes in your industry will affect them (see *Competitive Forces Analysis*, pg. 20 for discussion of industry forces regarding buyer/supplier relationships). Your suppliers are likely to have information you need, and they will be just as interested in what you can tell them, as a customer, about your needs and competitive challenges.

Competitors: It never hurts to get information directly from the horse's mouth! You've already met your competitors at trade shows and conferences. If possible, you should visit their premises and take a look at how they're set up. Needless to say, you should buy their products and try their services. There's nothing like first-hand experience; you want to know what your customers or potential customers are seeing for themselves. You should phone competitors to see how they handle customers and queries. Complain to their customer service department or call their support lines to evaluate their customer service and responsiveness. If you're shy, or the situation is potentially sensitive, ask a friend to check them out for you.

For more information on analysis of competitor information, see *Analysis*, pg. 15.

Chapter 3

3.1 Analysis

Make sense of all that data. Learn how to organize, interpret, and report your information.

Once you have become accustomed to gathering information systematically, you will want to capitalize on that information by analyzing it.

Refer to this section when you are ready for this step, and it will guide you through the competitive analysis process.

You will be using data you collected on your own company (*Your Company*, pg. 3), your *Competitors* (pg. 6), and your *Industry* (pg. 7) to conduct your analysis. As with any type of data, it will become "information" only after it's been organized and interpreted in a manner that helps you make decisions about your competitive position.

More information on *Competitive Strategy*, pg. 21.

3.2 Building Profiles

Build information profiles that help you identify your competitors' strengths, weaknesses, strategies, objectives, market positioning and likely reaction patterns.

Once you've identified your *Competitors* (pg. 6) and collected the data (*How to Find Information*, pg. 11) you need, you'll want to organize and manage that information. Information "profiles" will help you decide what information is useful, while providing a common format for comparison among various competitors.

In gathering and analyzing information about your competitors, you will have two goals in mind. First, you want to identify any competitive advantages they may have. Second, you want to predict their likely response to changes in the market.

As you probably know, it is much easier to find information on publicly traded companies than it is for private corporations. Where competitor information is difficult to find, you may want to look at industry averages, which provide a point of reference against which you can assess your own relative strengths and weaknesses.

Elements of a Profile

What types of data should you collect and how should you compare it?

A competitor profile will include data needed to effectively identify, classify and track competitors and their behaviour. You will be looking for points of comparison regarding your strengths and weaknesses versus theirs.

Following is a comprehensive list of suggested data to consider. You may use this as a guideline, or checklist, selecting only those elements that make sense for your particular business, industry, or competitive situation.

Tip: Your choice of *Analysis Tools* (pg. 20) may help you decide on the data you will want to collect. Conversely, the availability or ease of collection of particular types of data may decide your choice of analysis tools.

Company Identification:
- Name - full legal name, informal or abbreviated versions, acronyms, logo. Identify any parent company or subsidiaries, both within the home country and globally.
- Access Information - address, office locations, Web sites, e-mail, phone, fax, etc.
- Company Structure - organizational structure and legal structure (proprietorship, partnership, corporation)
- Ownership - owners, percentage of ownership and control, form of ownership (common stock, etc.), extent of involvement in company
- History - background and track record
- Corporate Culture - business philosophy, guiding beliefs

Is this a direct or indirect competitor? See *Defining Competitors*, pg. 6 (This may vary for each of your product or service lines.)

Stature and Credibility of the Company:
- Size - breadth and depth of resources of organization
- Stability - length of time in business, or successful market presence
- Reputation - ethical conduct (business practices, employee relations, customer relations), government or industry certification, community sponsorship
- Credibility - market or industry recognition (honours, awards, references), record of effectiveness or success

Proprietary Assets:
- Patents - any registered or pending copyrights, patents or trade secrets
- Proprietary attributes - trademarks, processes
- Branding - recognized brand names or brand loyalty

Product Design/Services and Innovation:
- Offering - product or service lines, features and mix; customer support
- Quality - perceived quality of products or services, and support (from customer perspective)
- Research and Development (R&D) Activities - anticipated new products/services (consider also new generations of existing products/services, complementary products and services and replacement products/services). The R&D activities of suppliers and customers may also provide a glimpse of future prospects.

If you are introducing a new product, look out for potential competitors from other product or industry groups who may be planning to get into the same business.

Operations (Production/Service Capability):

- Internal Resources and Capacity - staff, skills, equipment, facilities, communication technology. Consider status of staff (union vs. non-, contract, shift, etc.), qualifications, experience; condition of equipment and facilities (obsolete vs. leading-edge); staff communication and flexibility (telecommuting, remote access, etc.).
- External Resources - subcontractors, strategic alliances, etc.

Look out for competitive operating advantages such as economies of scale (volume efficiencies), experience curve (learning curve advantages), low direct costs, or effective techniques (*Data Management Tools*, pg. 19).

Marketing and Sales Approach:

- Sales - may be expressed as unit sales (number of product units sold) or dollar sales (sales revenue from units sold or services provided).
- Market Share - a company's sales expressed as a percentage of total sales in the market. Although several definitions of market share are possible, the most readily available measure is of "overall market share." This is based on total industry sales, which are available from government or industry trade association sources.
- Sales Force - internal vs. external representation, size, recruitment and training, compensation
- Sales Activities - process of identifying and qualifying sales prospects, number of sales calls per period, productivity of sales staff, average size of sale

Marketing Strategy and Pricing:

- Target Markets - primary, secondary, market segments
- Expansion Plans - growth objectives (market penetration) and strategy
- Communication - promotion, advertising, public relations, internet, publications, trade shows
- Pricing - price levels, gross margins, discount structure (volume, prompt payment, etc.)

How does your product or service compare with others (from the perspective of the customer) on performance, price, and convenience?

Distribution:

- Geographic Coverage - domestic, foreign, global
- Distribution Channels - direct, agents, retail
- Customer Support - product support, field service

Management Resources:

- Key Decision Makers and Operating Staff - name, position, primary responsibilities, unique skills and experience, compensation
- Board of Directors - name, position on board, background, extent of involvement with company
- Planned Additions to Management Team - positions, primary responsibilities and authority, requisite skills and experience, recruitment process and timing of opportunities, compensation, etc. (available from recruitment ads and activities)

Finance:

- Financial Resources - assets, liabilities, inventory, revenue, cost of goods sold, expenses, income, cash flow, profit margins, return on investment, new investment
- Financial data is available from financial statements (included in annual reports or financial analyses). Financial statements comprise: balance sheet, earnings statement (or income statement), retained earnings statement, and changes in financial position statement.
- It may be difficult to find financial data on private companies. In this case, it may be useful to gather data on industry averages, which is often available from government sources.
- For detailed information about understanding financial statements and analyzing competitors' profiles, please see the *Resources* section (pg. 27).

3.3 Identifying Strategies

Identify your competitors' advantages and strategies for success.

Using the data and information compiled in the competitor profiles (*Building Profiles*, pg. 15) you can attempt to identify each competitor's strategy. Following are three generic[2] strategies, which are most commonly pursued:

Differentiation Strategy

A company creates a distinct product or service that is clearly differentiated in some way from other offerings.

When you are analyzing a competitor, look for its differentiation strategy. A differentiation strategy helps a firm to compete by successfully developing and maintaining a unique perception of its product or service that is valued by the customer. This "uniqueness" may be physical or psychological. Here are four ways that a firm may differentiate its offerings from those of competitors:

Product Design/Quality Differentiation:

- features
- performance
- conformance
- durability
- reliability
- ease of repair
- style

Services/Support Differentiation:

- delivery
- installation
- customer training
- consulting service
- repair
- miscellaneous services

Personnel Differentiation:

- competence
- courtesy

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[2]Porter, M.E., Competitive Advantage: Creating and Sustaining Superior Performance. New York: Free Press. 1985.

- credibility
- reliability
- responsiveness
- communication

Image Differentiation:
- symbols
- written and audiovisual media
- atmosphere
- events

More information on *Identifying Strategies*, pg. 16.

Overall Cost Leadership Strategy

Among your competitors, there is probably at least one that has a cost-leadership strategy. Overall cost leadership is achieved by the firm that is able to maintain the lowest costs of production and distribution within an industry. Firms pursuing this strategy must be effective in engineering, purchasing, manufacturing, and physical distribution. Marketing is less important.

Low costs enable the leader to price its products lower than its competitors in order to win a large market share. Firms with a large share of the market are usually able to achieve lower costs through economies of scale, and the experience effect.

Scale Effect:
Economies of scale are achieved primarily through the size of operations. Large businesses have the potential to operate at lower unit costs. Large-scale plants, for example, are cheaper to build, and they yield lower operating costs per unit of output. Although the most substantial gains are usually seen in manufacturing, benefits of scale can be achieved in marketing, sales, distribution, administration, R&D, and service. The cost of raw materials and shipping can also be reduced through economies of scale.

Experience Effect: The experience effect, or "experience curve", refers to the cumulative number of units produced by a company to date. The cost of production declines 10-30 percent each time the firm doubles its experience at producing the units. Businesses with large market shares typically have more experience, and consequently, lower costs.

The benefits of the experience effect arise primarily from human ingenuity, dexterity and skill. A variety of sources, such as the following, contribute to the experience effect:
- labour efficiency
- work specialization
- new production processes
- enhanced performance
- changes in resource mix
- product standardization
- product redesign

More information on *Identifying Strategies*, pg. 16.

Focus or Niche Strategy

A company carves out a specific or narrow segment of a market. This strategy is particularly popular among smaller businesses.

More information on *Reaction Profiles*, at right.

A firm is pursuing a focus strategy if it targets one or more narrow market segments, or "niches," which are segments within segments. By concentrating on specific segments, rather than the entire market, the company is able to become a specialist in its chosen areas. A niche player will often also pursue either cost leadership or some form of differentiation within its target segment.

Smaller firms, because of their limited resources, often pursue niche strategies. Business units of larger firms have also been successful in adopting this competitive approach, which can be highly profitable. Some specialist roles open to niche competitors include the following:
- End-user specialist - serves one type of "end-use" customer (consumer)
- Vertical-level specialist - limits itself to one level of the production-distribution chain (i.e., produces raw material, but not components)
- Customer-size specialist - concentrates on either small, medium, or large-size customers
- Specific-customer specialist - sells only to a few major customers
- Geographic specialist - sells only in a particular area or region
- Product or product-line specialist - produces a single product or line of products
- Product-feature specialist - produces only a certain type of product or product feature
- Custom specialist - creates custom products to order
- Quality/price specialist - concentrates on the low or high end of the market
- Service specialist - offers one or more services not available from other firms
- Channel specialist - serves only one channel of distribution (i.e., airline food)

More information on *Identifying Strategies*, pg. 16.

3.4 Reaction Profiles

Predict your competitors' reactions to competitive threats in the industry.

More information on *Data Management*, pg. 18.

More information on *Analysis Tools*, pg. 20

In addition to understanding competitors' strengths and weaknesses, you will also want to predict their likely responses to competitor moves.

Following are some common competitor reaction profiles. You will want to determine the reasons for a competitor's reaction or behaviour to learn more about its competitive advantages and vulnerabilities.

Passive

Passive competitors do not react quickly or strongly to a competitor move. There may be various reasons for their passive response:
- They may believe their customers to be loyal; therefore, they do not perceive the move to be a threat to their competitive position.
- They may not have the financial resources to react, so they choose to "watch and see what happens."
- They may not have noticed the competitor action.

- They may be "milking" the business or product, which is more often seen in the declining stages of a product's life cycle.

Selective

Selective competitors respond only to certain types of attacks and not to others. For example:

- They may react to a price cut, but not to increased expenditures in advertising. This might indicate a greater reliance on price competitiveness rather than brand image.
- They may react to a new product introduction, but not to a price cut. This might indicate new investment or R&D activity to extend or rejuvenate a product line.

Competitors' reactions signal what they consider to be a threat to their competitive position. Their responses provide clues to others as to the most feasible lines of attack.

Aggressive

Aggressive competitors react quickly and strongly to any threat to their territory. Aggressive competitors are likely to hold significant market share and have the resources to defend it. For example:

- They may match or undercut price reductions, starting price wars or other destructive competitive behaviour.
- They may cut prices to push out a new entrant that may not have the "deep pockets" required to gain an early foothold when gross margins are reduced.

Unpredictable

Unpredictable competitors do not display any consistent reaction pattern. They may or may not retaliate to any particular attack and provide no reliable clues as to their intentions.

What kind of response can you predict for each of your competitors, if you bring out a new product or enter a new market?

- More information on analyzing competitive forces within an industry (*Analysis Tools*, pg. 20).
- More information on *Critical Success Factors* (pg. 20)
- More information on *Competitive Strategy* (pg. 21)
- More information on *Data Management,* below.

3.5 Data Management

Store, organize and manage your data in a secure environment.

If your company is like many small- to medium-sized businesses, you probably have competitive information scattered in files, spreadsheets, reports, news-feeds, e-mails and even people's heads. You need to use such assets more effectively.

But it takes time to manage and analyse the data that you gather. Use of e-business tools reduces that time. You gain greater efficiency, effectiveness and creative ideas.

Selecting the best mix of technologies for your business enables you to spend less time finding intelligence and more time using that intelligence to make a difference in your results — creating your competitive success.

Data Management Tools (pg. 19) have been created specifically for competitive intelligence. For a directory of data-ma-

nagement and mining technologies, refer to Industry Canada's *Strategis* site. (See *http://strategis.ic.gc.ca/cgi-bin/sc_coinf/ccc/ index_gen/company.pl?lang=e&profileId=82&tagid=025031002001*)

To make competitive intelligence effective, you need a central place where information is stored (*Storing Your Data*, pg. 19), organized (*Organizing Your Data*, below) and can be found (*Finding Your Data*, pg. 19) by, or distributed to, the people who need it.

All of this information needs to be made secure (*Security Issues*, pg. 20) against unauthorized access by prying eyes.

3.6 Organizing Your Data

Everyone in your company who gathers competitive intelligence needs to know what to do with it. Your first steps are:

- Establish an enterprise-wide repository for competitive information. It may be a filing cabinet. It may be a database. Decide, within the context of your resources, and what competitive information you need to reduce your risks and build your profits, how you want your competitive information organized.
- Assign one or more people to receive competitive information from everyone who gathers it. The person must be responsible to store the information and see that it can be retrieved when needed. Establish a procedure to be followed when someone finds information that should be made known instantly to a decision-maker.
- Establish a permanent method by which competitive-intelligence information can be analysed. Perhaps you will want to do this yourself, by constructing competitor profiles (*Building Profiles*, pg. 15) and using business *Analysis Tools* (pg. 20). Perhaps you will want to purchase automated *Data Management Tools* (pg. 19). Whichever you choose, the important thing is to analyse the data. Otherwise you are simply adding to your information overload.
- Tell everyone in the company what you have done. Consider the use of incentives to encourage your people to gather, report and share competitive information — privately.

Enterprise-Wide Repository

An enterprise-wide repository stores competitive-intelligence data and makes it available to everyone who may need it, and is authorized to use it.

Why do you need this? Well, picture yourself preparing for an important client meeting. You have to explain to the client how your product stacks up against your fiercest competitors. The client wants details — feature by feature. You have a competitive advantage if you can refer to a custom-designed report that has the best information from both inside and outside your company regarding your competitors. Your competitive-intelligence function should be able to provide you with such a report. If you decide to use automated tools, they should be able to produce it with a few keystrokes.

To compile any such competitive-intelligence information, your data must be centrally organized. There are three basic ways you can do this:

1. The cheapest and least efficient way to do this is by using paper files. A filing cabinet full of files on each of your competitors is not easily analysed, and the clippings within it get out of date quickly. But at least you know where the information is.

2. For greater efficiency, establish a computer file to which people can gain access. Organize that file so that information can be found when people ask questions. Who makes products that compete with this one of ours? What speech did the president of Competitor A make recently that gained a lot of attention? Such information should be stored using programs such as Word, Excel or Access so that pieces of information can be cross-referenced, combined and summarized.

3. The most efficient, but expensive, way to use competitive intelligence is by means of e-business technologies. When your resources permit, you can purchase *Intelligence Agents* (pg. 9) or use *Subscription Services* (pg. 13) to gather information according to your defined needs. These products and services automatically organize the information for you so that it becomes an information archive, combined with information supplied personally by your people. You can gain access (*Storing Your Data*, below) to this archive on an intranet or portal.

For more information about what an intelligence archive does, and links to sites about content-management technologies, please see the *Resources* section (pg. 27).

3.7 Storing Your Data

More and more SMEs are using Internet technologies to give their employees access to electronic information. These technologies can be applied to make competitive intelligence work better for you. An intranet or employee portal will bring together these resources into a format that's simple enough for everyone to use, anywhere.

Intranets

An internal Web site, or intranet, is an internal information system. It makes Web sites and e-mail accessible universally to employees within a company, regardless of their location. No one else has access.

Once an intranet is set up, a competitive-intelligence database can be linked to it, permitting users to gain access to data and information when required. Contents of the database can also be distributed automatically, usually by e-mail, to people designated to receive it.

An intranet is also a collaborative tool. It gives people the ability to work together on a problem, regardless of location, with the same information before them.

Employee Portals

An employee portal is a single point of entry online — accessible by one click of a mouse — to an array of programs and information. A portal makes all of the competitive intelligence that resides in your intranet available in the same window or browser.

Portal technologies tie competitive-intelligence profiles and data sources to a directory. Each user can securely view information in a way that he or she understands from anywhere, on any Web-enabled device.

Industry Canada's *SME Direct* (*http://strategis.gc.ca/epic/internet/indir-ect.nsf/en/h_uw00206e.html*) site offers comprehensive information on how to integrate Web-based technologies into your business.

More information about intranets and employee portals is available from the *Resources* section (pg. 27).

3.8 Finding Your Data

The quickest and easiest way to obtain competitive intelligence online from within your company is to use e-mail.

If you have a competitive-intelligence administrator, that person should be prepared to respond to e-mailed requests for information within a short time. If that person is unavailable, a back-up resource should be in place.

A more advanced application of e-mail is through what is called groupware. Groupware programs deposit and retrieve information from a common database and create an enterprise-wide information flow, usually based on e-mail.

Newer versions of programs provide text-searching capabilities and can form the backbone for an intranet. Major vendors include Netscape, Microsoft and IBM/Lotus Notes.

The most sophisticated *Data Management Tools* (pg. 19) are able not only to find data but analyse it, and automatically distribute it to the corporate intranet or portal.

3.9 Data Management Tools

Internet data-management tools can pull together disparate information from your database and compile it into concise reports — about competitors, other products and services (how they compare with yours), key people, strategies, target markets, major customers, suppliers, regulators and more.

A sampling of such products includes:

• SharePoint: SharePoint from Microsoft indexes also finds and mines all the Internet and internal storage areas for your CI efforts. Alerting and routing on an individual basis rounds out this tool. It is incorporated within the Knowledge. Works product of Cipher Systems (see *http://www.cipher-sys.com/*)

• Cyveillance: Cyveillance Inc. of Arlington VA configures its technology with client-specific parameters to locate and categorize unstructured content for analysis. Cyveillance's hosted solutions are available in multiple languages. (See *http://www.cyveillance.com/.*)

• TextAnalyst: This text-analyzing tool does not collect or disseminate information, but simplifies both processes by capturing the key points of an article or report. It can generate summaries of a Web page's text while the page is loading. It is available in several languages from Megaputer Intelligence Inc. of Bloomington, IN (see *http://www.megaputer.com/*).

Details of other leading text-retrieval and analysis products can be found in the 2002 Fuld & Company Intelligence Software Report. (See *http://www.fuld.com/Products/ISR2003/*)

3.10 Security Issues

Any competitive intelligence that resides on your computer network must be protected — from within and without.

Ensure that only the right people have access to your system. Give them electronic identifiers and passwords, and enforce rules against revealing those. If you need assistance in understanding how to do this, consult the Society of Competitive Intelligence Professionals – SCIP (see *http://www.scip.org/*) or consultants in the field (*Consulting and Research Services*, pg. 10)

On a broader scale, your entire company needs to consider the security of its information. Few companies, for example, examine their Web sites to ensure that they do not reveal potentially compromising information.

For recommended steps to analyse the security of your company's information, and links to more information on security issues, please see the *Resources* section (pg. 27).

3.11 Analysis Tools

Use standard business analysis tools to help you identify patterns and draw insights from your data.

Business analysis tools sort out data and make sense of it. Following are the most commonly used tools for analysis of competitor data (*Analysis*, pg. 15). These tools can help you assess your competitors' strengths and weaknesses, advantages, strategies, and reaction patterns-the information you will need to make effective decisions about your own competitive position.

Competitive Forces Analysis

See how the forces within your industry shape competitive strategy.

How intense is competition in your industry, or the industry you want to enter? You should know the answer before you make your marketing plans.

Professor Michael Porter of Harvard University has identified five competitive forces that determine the long-term attractiveness of an industry from a profitability perspective. This analysis provides a framework for understanding the *Opportunities and Threats* (pg. 21) faced by competitors within the industry. The five forces are as follows:

1. Industry Competitors - Intensity of Rivalry:

Rivalry within an industry will be intense if it already contains numerous, strong, or aggressive competitors. This rivalry will be further exacerbated if any of the following conditions exist:

- the industry is in decline,
- fixed costs are high,
- exit barriers are high, and
- competitors have high stakes in staying in the industry.

These conditions lead to frequent price wars, advertising battles, and new product introductions, making it expensive for the companies to compete.

2. Potential Entrants - Threat of Mobility:

An industry will be unprofitable if it is likely to attract new competitors who will bring in new capacity, substantial re-sources, and a desire to win market share. The threat of new entrants is diminished by the following conditions:

- sharp retaliation from incumbents
- high barriers to entry, such as the need for:
  - economies of scale
  - experience curve
  - significant capital investments
  - brand identity
  - access to distribution channels
  - government licensing

Low exit barriers, which allow poorly performing firms to exit the industry without suffering harsh losses, increase its attractiveness. When exit barriers are high, such firms are apt to stay in and battle it out, creating intense rivalry and economic losses for all.

3. Substitutes - Threat of Substitute Products:

An industry is unattractive if there are substitutes or potential substitutes for the product or service. Substitutes limit the profit potential of an industry by placing a ceiling on the prices it can charge for the products.

4. Buyers - Bargaining Power:

An industry is unattractive if its buyers have strong bargaining power. Price-sensitive buyers can lower profits by forcing down prices, or demanding higher quality or more services. Buyers are powerful under the following conditions:

- they are organized, or concentrated (a few companies control a large market share)
- they purchase in large volumes
- the product they buy represents a significant portion of their costs
- the industry product is standard or "undifferentiated"
- buyers' cost of switching suppliers is low
- buyers' profits are low, making them price-sensitive
- buyers are able to integrate backward (supply the materials or make the components themselves)

5. Suppliers - Bargaining Power:

An industry is unattractive if its suppliers have strong bargaining power. Strong suppliers can squeeze profits out of an industry by raising prices, or reducing the quality or quantity of ordered goods and services. Suppliers are powerful under the following conditions:

- They are organized and fewer in number than the industry buyers to whom they sell.
- There are few substitutes for their product.
- The product supplied is an important input to the industry.
- The cost to the industry buyer of switching suppliers is high.
- Suppliers are able to integrate forward (make the component or finished product themselves).

For more information on addressing competitive forces, see *Critical Success Factors* (below).

For more information on competitive strengths, weaknesses, opportunities and threats, see *SWOT Analysis* (pg. 21).

3.12 Critical Success Factors

Critical success factors are those activities that a company must do well in order to cope with the competitive forces within its industry. Once you've identified the competitive

forces (*Competitive Forces Analysis*, pg. 20) at work within your industry, you will want to identify the factors that are critical to your business success.

For example, in a commodity industry where products are not differentiated and, therefore, customers are price-sensitive, competitor rivalry is intense (*Competitive Forces Analysis*, pg. 20) and price competition high (competitive forces). In order to make a profit when margins are low, a company must be able to sell in large quantities. The critical success factor in such an industry would be economies of scale (*Scale Effect*, pg. 17). A strong competitor would have large plant capacity to produce large volumes of goods at the lowest production cost so that it could sell at the lowest market price to win maximum market share. (This competitor is pursuing an *Overall Cost Leadership Strategy* - see pg. 17)

Each industry will have a limited number of critical success factors. Sometimes only one factor is critical, particularly in highly competitive cost situations. In general, three or four factors are of critical importance, and several others are relatively important. Identify the critical success factors in your industry, and then also list the other factors that you believe to be important to business success. Try to rank the relative importance of each success factor, or simply rate them as High, Medium or Low in importance. This will be helpful when you assess your competencies relative to those of your competitors in the *SWOT Analysis* (below).

For a sample list of success factors, please see the *Resources* section (pg. 27).

3.13 SWOT Analysis

SWOT stands for "Strengths, Weaknesses, Opportunities and Threats." Strengths and weaknesses are "internal" evaluations of your company's competencies. Opportunities and threats are "external" evaluations about the industry or market within which your company does business.

Strengths and Weaknesses

The starting point in your SWOT analysis must be the identification of the *Critical Success Factors* (pg. 20) for your industry or market segment. The next step is to assess your competitors' competencies with respect to these factors, and compare them to your own strengths and weaknesses to determine where you may have a competitive advantage.

You can compare your competitor's competencies with yours using an analysis matrix, which is described in the *Resources* section (pg. 27).

Opportunities and Threats

Opportunities and threats pertain to the attractiveness of a particular industry or market segment. Opportunities refer to potential opportunities in the market to achieve increased profitability; for example, expansion in consumer demand, or access to new markets. Threats refer to potential reductions in profitability, such as product obsolescence or market shrinkage. You will want to assess the magnitude of threats to success in your business, as well as the potential opportunities. Refer to your *Industry* information (pg. 7) and *Competitive*

Forces Analysis (pg. 20) to help you identify potential opportunities in, and threats to, your industry.

In contrast to the strengths/weaknesses analysis, opportunities and threats are not assessed vis-à-vis competitors. They represent opportunities and threats within an industry or market segment, and affect all competitors within that sector. Some competitors, however, may be more aware of, or better prepared to address these challenges, which would be their "strength," giving them a competitive advantage.

In the *Resources* (pg. 27) section, you will find an analysis matrix that may help you to assess threats and opportunities.

For more information on assessing competitors' financial capabilities and stability, see *Financial Ratios* (below).

3.14 Financial Ratios

Determine the financial stability of competitors.
More information on *Competitive Strategy* (pg. 21)

You can reveal the financial strengths and weaknesses of competitors by calculating financial ratios. The data required to calculate the ratios is available from financial statements (included in annual reports (see *Publications*, pg. 30) or financial analyses).

A single ratio has limited value. Ratios become meaningful when they are compared with similar ratios. For example, you will likely want to compare the ratios of competitors in the same industry to determine relative strengths and weaknesses. You may also compare ratios for the same company over an extended period of time to determine financial trends. Alternatively, you may compare a ratio to an industry average. This may be particularly useful if you can't find financial information on competitors. For example, you may want to compare your own ratios with industry averages to get an idea of your own relative strengths and weaknesses.

There are five types of commonly used financial ratios. They are described in the Resources section (see *Financial Ratios*, pg. 35).

Find more information in the Resources section (*Competitive Strategy Resources* (pg. 35).

Chapter 4

4.1 Competitive Strategy

It's your move! Find out how to use your insights to make decisions about your competitive strategy, or to get help when you need it. Look at case studies on how other companies used Competitive Intelligence to move ahead of the pack.

Having gathered your *Competitor* data (pg. 6) and completed your *Analyses* (pg. 15), you are now faced with the task of putting that information to use.

This section will guide you through the process of using your competitive intelligence to make decisions about your competitive strategy.

4.2 Decision Making

How will you formulate a strategy to address the competitive changes that are occurring in your industry?

How will you formulate a strategy to address the competitive changes that are occurring in your industry?

First, as we have seen, you will need to gather competitive information, and to analyse your company's position in its industry.

Then you will need to determine the following factors:

- Are there significant changes in your environment, industry, competitive landscape, or business results that warrant a response on your part?
- Do you have a strategic business plan that is guiding your business activities, and if so, are you on track? Are you able to identify which, if any, of your original assumptions are no longer valid?
- Are you able to measure the various changes you perceive, both in terms of quality and quantity?

Once you have determined the competitive issues that you wish to address, you will need to formulate a strategy. Following is a three-step process that is useful in a wide range of competitive situations:

Step 1: Specify the Payoff

Let's say that you have found a new supplier of higher quality components that will allow you to increase your capacity at no added cost. Your fixed costs cannot be reduced, so the only way to increase profits is to find buyers for the additional output. The market is saturated; therefore, you are thinking about lowering your price to stimulate demand.

For various combinations of competitive variables, ask what the payoff would be for you and your competitor. For example, what is the payoff, in terms of profit and market share, for each of you at various price points for a particular period?

You can set up a grid or matrix to show how the variables interrelate for two competitors. For example, in the matrix below, say both you and your competitor are charging a price of $110 and splitting market share (50 percent each). Your profits of $1 500 are also equivalent. If you reduce your price to $100, you can increase your market share to 56 percent and increase profits to $1 545, provided that your competitor does not retaliate by also lowering its price. If your competitor matches the price reduction, then its market share remains the same, as does yours, resulting in a lower profit of $1 000 for you both. You would need to estimate market response with respect to sales (market share), as well as profit levels.

Example: Payoff Matrix for Price Cut by Your Company			
Your Price	**Their Price**	**Market Share**	**Profit**
$100	$100	50%	$1 000
$100	$110	56%	$1 545
$100	$120	61%	$2 095
$110	$100	45%	$961
$110	$110	50%	$1 500
$110	$120	55%	$2 045
$120	$100	41%	$925
$120	$110	45%	$1 460
$120	$120	50%	$2 000

Although it seems difficult to estimate these variables, in reality, you should have a good idea of the price-sensitivity of your customers, and your profit margins at various levels of production. Even if your assumptions are inaccurate, the exercise is valuable in helping you evaluate the consequences of marketing strategies and actions, and in examining alternative decisions.

Step 2: Forecast Competitive Responses

Based on the *Reaction Profiles* (pg. 17) and strategies you identified for your competitors (see *Identifying Strategies*, pg. 16), try to predict how each competitor will respond under various conditions. Consider the following questions:

- Are they vulnerable to competitive action?
- Do they have room to manoeuvre?
- What are their assumptions about your company?
- Are they passive or aggressive?
- Are they capable of reacting to competitor moves?

Perhaps most important is their track record. How have they reacted to competitor moves in the past? Past behaviour is usually the most reliable indicator of what to expect. Be wary, however, of new management that may be inclined to take the company in a different direction.

Step 3: Evaluate Alternatives

Identify probable competitive responses, link them to your payoff matrix, and simulate "what if" scenarios for each alternative strategy that you wish to consider. Select the strategy that is likely to result in the best outcome for you in the long term.

In the example noted above, for instance, your best strategy would be to lower prices if you did not expect retaliation, and ultimately a price war, from your competitors. Competitors' willingness to retreat, of course, will depend upon their stakes in the business and the "exit barriers" within the industry (see *Competitive Forces Analysis*, pg. 20). If they have too much invested in the business-both in terms of economic investment or personal commitment-they are not likely to be passive. For example, if they have large production facilities that can't be sold or used for any other purpose, they will probably try to hold on as long as possible, despite shrinking returns. In some cases, it may be feasible and worthwhile to lower their exit barriers by offering to buy the facility.

If your analysis indicates the likelihood of destructive competition, the best long-term strategy is to avoid aggressive competitive action. Ultimately, the "very best" strategy is to achieve a unique competitive advantage, which will insulate you from competitors and enable you to earn premium profits without needing large shares of the market.

If you're still uncertain how to proceed, see *Getting Help* (pg. 23).

4.3 Getting Help

You've done your homework. You've gathered all the competitor information you need and done your analyses. You've identified some issues and a few trends. But are your conclusions correct? Should you rely on the information you're using? What is the cost of making a mistake? You're simply not sure what it all means and what, if anything, you should do about it.

Alternatively, you know what you want to do and you've formulated a clear strategy for taking action. Implementing your plan, however, seems to present some challenges, and may be more costly than you thought. What can you do?

There is help! Generally business assistance, particularly for small to medium size businesses, is available from two main sources: government and private industry.

This section provides information on these two sources of business assistance and funding for entrepreneurs:

Government

See what the Government of Canada offers in terms of online and offline resources, programs, advisory services, financial support, and reference material.

The easiest way to access government information and assistance for small to medium business entrepreneurs is online through the Internet. The sources listed in this section include links to federal and provincial government Web sites. These sites provide relevant industry and business information, interactive diagnostic tools and guidance. Also provided is access to additional resources, programs, advisory services, financial support, and reference material.

Government Sites (see *http://strategis.ic.gc.ca/epic/ internet/indir-ect.nsf/en/h_uw00928e.html*) One of the most popular federal government Web sites for SMEs is the *SME Direct* site (See *http://strategis.gc.ca/smedirect*). It offers comprehensive information on how to integrate Web-based technologies into your business strategies.

For other federal government sites offering assistance to Canadian industries and business enterprises please see the *Resources* section (pg.27).

Government Programs (see *http://strategis.ic.gc.ca/epic/ internet/indir-ect.nsf/en/h_uw00929e.html*) The government of Canada provides many assistance programs, either independently or in collaboration with other levels of government or public sector partners, for small-to-medium-sized businesses in all types of industry.

For other sites offering information on government assistance programs, please see the *Resources* section (pg. 27).

Sources of Advice (see *http://strategis.ic.gc.ca/epic/ internet/indir-ect.nsf/en/h_uw00930e.html*) Business advice and support from government agencies or government-sponsored sources are available online or "live" from local contact centres across the country.

For other sites offering information on government assistance programs, please see the *Resources* section (pg. 27).

Financial Support (see *http://strategis.gc.ca/epic/ internet/indir-ect.nsf/en/h_uw00931e.html*) The federal and provincial governments also provide various types of financial aid and support to encourage and nurture the development of small- to me-

dium-sized businesses in Canada. Again, you will find government collaborating with private-sector partners, such as major banks, to deliver and monitor its services.

The section called Sources of Assistance (see *http://strategis.gc.ca/epic/internet/indir-ect.nsf/en/h_uw00205e.html*) provides links to financial guidance and support programs.

For additional sites, please see the *Resources* section (pg. 27).

Private Sector

The private sector provides consulting services and various types of fee-for-service assistance in all areas of business management. Industry information and some expert guidance may also be available free of charge or at nominal cost from associations. Check with your professional, industry or business association for available resources.

Listings of private sector consultants and services are provided in the *Commercial Services* section (pg. 9).

For guidance on pursuing a new strategic direction, see *Changing Direction* (below).

4.4 Changing Direction

What should you do if your information suggests that you no longer may be competitive in your chosen business?

Your competitive intelligence appears to be telling you that some radical action is needed. Maybe a competitor has launched a new technology that far surpasses anything you can offer. Or a substitute product is wiping out your sales. Alternatively, you see an opportunity to position your product within a completely different, emerging market.

Any of these changes would require a radical shift in your strategic direction. Implementing such a change is certain to be costly and risky. But the cost of not responding could be disastrous. What should you do — aside from worry about it?

Here's an approach you may want to follow:

Verify Your Information and Conclusions

Before taking any radical measures, you need to verify your information and sources:

- Where did the data come from? Is it reliable?
- Who did the analyses? What assumptions did they use?
- How rigorous was the process that was used to collect, validate and analyse the data?
- How many independent sources agree with your interpretations or conclusions?

You will also need reliable data about your own company's performance and resources. Are there changes in any of the following areas:

- Your sales pattern?
- Your competencies?
- Your customer needs?
- Your cash flow?
- Your financial resources?

Do you have the knowledge and capability to make a significant move?

Gather Your Team

Assuming that the information you've gathered is complete and reliable, and it points toward the need to make a change in strategic direction, you will need everyone on your team to be pulling in the same direction.

Gather together the key decision makers within the firm, present them with your information and conclusions, and discuss the implications to your business. Should you decide to take a new course of direction, your team will be involved in implementing the new plan (assuming, of course, that your new direction does not require an entirely new team! In this case, you will need to be prudent and seek external advice and assistance. *Getting Help*, pg. 23). You will need the commitment and participation of your team up front to ensure that they take ownership of the results.

Ask your team to do more research to validate the conclusions and implications, and to validate the data on your own company's performance. Ask them to check their own sources and contacts to make sure they understand the issues, the implications, and their own roles in changing direction.

Revisit Your Business Plan

Before you start to make changes, go back to your original business plan. This will provide a rigorous framework for analysis and decision-making, so that you don't overlook anything of substance.

Look at the original assumptions you made about your industry, market, competitors, company, and capabilities. Are they still valid in light of your new information? Likely not. Where specifically have changes occurred? What other assumptions did you make, which are now questionable? Has your unique competitive advantage been eroded by new competitors? Does your strategy still make sense? Are you still able to compete successfully in your new competitive environment?

If you do not have a business plan or need help in re-assessing it, you can find Web sites in the *Resources* (pg. 27) section that provide in-depth guidance on competitive strategy and business planning.

Evaluate Your Options

Based on your research and analysis — using the rigour of the business planning models suggested above — evaluate the strategic options available to you. Consider various "what if" scenarios with your team and do some market testing to validate your assumptions. Select the course of action that is likely to result in a sustainable competitive advantage.

Formulate New Strategy and Revise Plan

Document your strategy, either revising your original business plan as appropriate, or creating a new one. If done properly, your implementation or action plan will fall out of the detailed business planning process. Take a look at the *Financial Support* (pg. 36) section if you need help with financing decisions.

See examples of *Case Studies* (below) to learn how other organizations have used competitive intelligence to successfully renew their strategic decisions.

4.5 Case Studies

Find out how other companies have used competitive intelligence to help them sustain a competitive advantage in their own industries.

For more information on measuring the value of competitive intelligence, see *Measurement* (pg. 24)

Case studies are real-life accounts drawn from business scenarios for the purpose of illustrating the application of specific concepts and examples "in the field." By looking at case studies, you can get a better idea of how business models and concepts translate into competitive strategies in the real world.

Chapter 5

5.1 Measurement

Is it worthwhile? Assess the cost of Competitive Intelligence vs. the risk of not knowing.

Competitive-intelligence professionals and academics have tried for years to measure the impact of competitive intelligence on businesses, with little success. It is not like calculating the profit on a product that is manufactured from parts costing \$X, and then sold for \$X + \$Y. There are too many things that affect the success of a company in a competitive environment. Measurable results from competitive intelligence are elusive.

So how do you know whether you should invest in it?

Costs versus Benefits

First of all, assess the costs of acquiring and implementing competitive-intelligence methods and technologies (*Assessing Costs*, pg. 25).

Next, compare the value of knowledge with the cost of not knowing something important about your competition (*The Value of Knowledge*, pg. 25).

Finally, determine what return on investment you might expect from competitive intelligence (*The Cost of Knowing*, pg. 25)

For referenced reports of companies that have quantified their success with competitive intelligence, please see the *Resources* section (pg. 27).

5.2 Assessing Costs

Dollar Costs

You will almost certainly not want to invest in competitive-intelligent systems on their own, without incorporating them in a larger e-business strategy. This way infrastructure and Web site development costs will be applied to your basic operating, communications and customer-service needs, rather than to competitive intelligence.

That leaves competitive-intelligent software. What does it cost? To major U.S. companies, the costs run to $25 000 US) to purchase annual licences, with maintenance and support on top of that.

On the other hand, some products reviewed in the 2002 Fuld & Company Intelligence Software Report cost as little as $300. (See *http://www.fuld.com/Products/ISR2003/*) There are other competitive-intelligent products and services available free (*Free Services*, pg. 13).

Similarly, the cost of hiring professional help will vary (but is not likely to be free). As a benchmark, Competia.com charges $500 (again, U.S.) plus $150 an hour for Facts-On-Tap, its 24-hour response service. For another service, Competitive Landscape Profile, which includes the profiling of five key competitors, the price is $18 000.

A U.S. article published in 2000 by *The Industry Standard*, entitled "Getting the Dirt: Find out what rival companies are up to"[3], quoted a principal of a public-relations firm in New York as saying he used Lexis-Nexis to get three reports each day on his clients' competitors. The cost was a total of $107 a month. Meanwhile, a Chicago firm offering recruiting, public relations, online advertising and other services to small businesses said it spent tens of thousands of dollars each year on 20 to 30 competitive-intelligence tools.

Your best guide to expenditure will be to gauge what technology or services will provide the greatest improvement in your ability to compete, within the practical limits of your resources.

People Costs

The most significant cost to SMEs of using competitive intelligence is likely to be time, not money. What does it cost in your time and that of your employees?

Start by calculating the number of hours likely needed to gather, store, analyse and distribute competitive intelligence to meet your most important needs. Divide that by one person, or several people depending on the skills you have available, and multiply by their compensation.

Remember, that amount of time and money will be required consistently. Competitive intelligence will not help you unless it is a continuous effort. Information and analysis must be available when you need it. If you suddenly need information today, you might regret not having spent the time to prepare it last week.

5.3 The Value of Knowledge

Competitive-intelligence methods and technologies can't predict the future, but they can help you understand what competitors have up their sleeves. That information can be used to better deploy scarce resources, assign prices to products and services, modify strategies, and avoid costly mistakes.

Industry-sponsored research, while far from conclusive, suggests that companies that engage in corporate "spying" see a payoff in increased revenue, costs avoided, and better decision-making.

What is the value of that to you?

Mission-Critical Information

The best way to approach a decision about competitive intelligence is to ask:
- What elements of my business are critical to its successful continuation?
- To what extent do those mission-critical elements depend on our ability to make timely competitive decisions?
- Do we have adequate knowledge at any given time to make those decisions?

The value of competitive intelligence, then, is its ability to protect the critical elements of your business. Compare it to the cost of insuring your most important assets.

5.4 The Cost of Knowing

Can you calculate how much you may be losing for lack of sufficient knowledge about competitors?

One way to do this is to analyse the reasons why a potential sale fell through.[4] If you can determine whether any lost sales by your company were the result of insufficient knowledge of competitors, take the value of those sales, extrapolate the figures to a year, and you can calculate at least part of the cost of not knowing.

Unseen Opponents

Entrepreneur magazine published an article in March 2000 called "What You Don't Know Can Hurt You." The article quoted Jay Bloom, founder of Pet Assure Inc., a provider of prepaid pet health plans in Dover, New Jersey, as saying that competitive intelligence was valuable in anticipating the entry of competitors to his market, and in evaluating potential acquisition candidates without making his interest known.

The article concluded by saying that competitive intelligence can mean the difference between teaming up with the right partner and getting trampled by an unseen opponent. It quoted Bloom as saying: "You're not in a position to compete without competitive intelligence. It's like running a race without looking at the other runners."

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[3]To find the article, click on "Competitive Affairs Coverage in the Media", then on "Finding Out What Rival Companies Are Up To".

[4]"Marketing and sales managers agree that it's conservative to say that at least one in 10 lost sales could have been won if only the sales rep had timely and accurate competitive intelligence," George Durtler, president of Strategy Software, declared in an article published in 2000 in Marketing Magazine (see *http://www.strategy-software.com/indexnews.html*).

5.5 Calculating ROI

There is no definitive, objective way to calculate return on investment from competitive intelligence. Some have tried to correlate competitive-intelligence activities with improved corporate results. One such study can be found in the Resources section (see *Case Studies*, pg. 24).

It may be, however, that SMEs will determine the potential return on investment from competitive intelligence by asking whether, without it, they can have confidence in their ability to make knowledgeable decisions, take profitable actions and guide the future of their companies.

Chapter 6

6.1 FAQs

Find the answers to Frequently Asked Questions about Competitive Intelligence. Includes publications and resources.

Following are some frequently asked questions (FAQs) about competitive intelligence:

Q. What is CI?

A. Competitive intelligence is the process of discovering, analyzing and using intelligence from publicly available, non-proprietary information sources for the purpose of becoming more competitive.

Q. How is CI different from spying?

A. Competitive intelligence is not about snooping on competitors. It's about analyzing information in a continuous process that is tightly linked to your strategic planning. It is your company's circulatory system for knowledge. That knowledge encompasses not only competitors but technology, legal and regulatory changes, suppliers, materials, industry and market trends, and political and economic changes.

Q. Why do I need CI?

A. Competitive intelligence helps businesses make money — and avoid wasting and losing money — by knowing more about their company, competitors and industry.

Q. Who will do the work?

A. One person, or a small group of people, must be responsible for managing your competitive-information process or system. Continuous maintenance of the information is required, or it goes stale and people soon stop using the system.

Q. What can my competitors find out about me?

A. Probably as much as you can find out about them! Unless, of course, you use your knowledge of CI to protect yourself. Most companies give out too much information. Your business privacy is vulnerable. You have to be prepared to protect and defend your knowledge assets. You must integrate both offence and defence into a comprehensive competitive-intelligence strategy.

Q. What will I need to do?

A. Plan to cover five steps when undertaking a competitive intelligence program:

1. *Define the information you need, including when and why you need it.*
2. *Collect and organize the right data.*
3. *Study the data to find trends that will result in recommendations for specific action.*
4. *Report the information to people in your company who need it to make strategic business decisions.*
5. *Measure the impact of the intelligence you provided and continue to refine the process.*

Q. How can I find the information I need?

A. There are three ways to find information:

1. *Gather it directly from your competitors, customers, suppliers and colleagues.*
2. *Have it delivered to you by other people or organizations via mailing lists or subscriptions.*
3. *Have it delivered to you by automated CI technologies.*

Q. What is unethical or illegal?

A. The following behaviour, as a minimum, is unacceptable:

*   *Having an employee call a competitor and misrepresent herself to get data.*
*   *Stealing sections of code.*
*   *Decompiling software.*
*   *Violating copyrights.*
*   *Removing things from private property without permission.*

6.2 Articles and Reports

These documents can help you further investigate competitive-intelligence concepts and technologies.

*   The Path to Prosperity: Canada's Small- and Medium-Sized Enterprises, October 2002, (available in PDF format) sponsored by the Canadian Federation of Independent Business (see *http://www.cfib.ca/*), Canadian Manufacturers & Exporters (see *http://www.cme-mec.ca/ index_flash.html*) and RBC Financial Group (see *http:// www.rbc.com/newsroom*).
*   2002 Fuld & Company Intelligence Software Report (see *http://www.fuld.com/Products/ISR2003/*)
*   Jerry Miller, Millennium Intelligence: Understanding and Conducting Competitive Intelligence in the Digital World, published by Information Today Inc. (see *http:// www.infotoday.com/it/apr00/news6.htm*).
*   "The Case of the Corporate Spy: In a recession, competitive intelligence can pay off big." BusinessWeek.com (see *http://www.businessweek.com:/ print/premium/content/01_48/b3759083.htm?mainwindo*)
*   "Getting the Dirt: Find out what rival companies are up to." The Industry Standard. June 26, 2000. (See *http://www.strategy-software.com/indexnews.html*)

Chapter 7

7.1 Resources

This section points to sources of information and expertise that will help you to investigate competitive-intelligence concepts at a detailed level. Resources are listed by section, page number and subject matter.

7.2 Overview Resources

What Competitive Intelligence Is, and What It Isn't

The Society of Professional Intelligence Professionals (SCIP) conducts conferences and seminars on competitive intelligence as a professional discipline. SCIP defines the ethics of the profession and is developing educational standards. The association also has lists of professional practitioners and specialist suppliers of products and services. (See *http://www.scip.org/*).

Universities in North America teach principles and methods of competitive intelligence, within programs leading to business and professional librarian degrees (*http://www.scip.org/education/degrees.asp*).

Industry

You can create your own market research report, by industry and by country, using Industry Canada's *Strategis* Web site (*http://strategis.ic.gc.ca/epic/internet/inibi-iai.nsf/en/Home*). First select one or several countries and one or several topics. After you click "Assemble Report," a document will be created to meet your specifications.

The *Strategis* Web site has numerous resources available to you for gathering information about your competitors (see *http://strategis.ic.gc.ca/epic/internet/instco-levc.nsf/en/Home*). It also has several ways to find information on particular industry sectors (*http://strategis.ic.gc.ca/sc_indps/engdoc/homepage.html*).

The Canada Business Service Centres (CBSC) provides an exhaustive list of Web sites for information about specific industries (*http://www.cbsc.org/manitoba/index.cfm?name=linksbycat&m=Industrie*). The CBSC initiative is a co-operative arrangement among 37 federal business departments, provincial, territorial governments and, in some cases, the private sector, associations, academic and research communities.

Chambers of commerce are important sources of industry information. The Canadian Chamber of Commerce Web site provides links to all local chambers across the country, as well as resources and agencies that offer the majority of their services free of charge. (*http://www.chamber.ca*)

An Ottawa-based company called Ibis Research offers a service it calls technology road mapping. This is a commercial service to forecast the directions, intersections, obstacles and new solutions (required and emerging) on the evolutionary path of a technology sector (e.g., photonics, biotechnology, aerospace, etc). A technology road map produces a snapshot of the industry, and a multi-year projection of the industry's direction. Ibis Research also offers a "dynamic TRM" — a Web-enabled industry knowledge base, continuously updated with new intelligence (*http://www.ibisresearch.com/technology.php*).

Organizations

Visit the *Strategis* Web site for a listing of Canadian Business and Professional Associations. (See *http://strategis.ic.gc.ca/scdt/businessmap/engdoc/2.2.html*)

Publications of all kinds should be high on your list of orga-

nizations to investigate. The National Library of Canada carries a comprehensive listing of Web sites of publishers' associations. (See *http://www.nlc-bnc.ca/window/s24-1005-e.html*)

Industry standards affect your competitive environment. If a competitor's product does not meet standards, you have an opportunity — if you know about it. The Standards Council of Canada (*http://www.scc.ca/*) is a federal Crown corporation with the mandate to promote efficient and effective voluntary standardization in Canada.

For information about intellectual property, standards and regulations, and access to other resources relevant to patents and trademarks visit the *Strategis* Web site. (See *http://strategis.ic.gc.ca/sc_innov/engdoc/homepage.html*)

7.3 Information Sources Resources

Software: Intelligence Agents

QL2 Software, Inc. of Seattle - WebQL is a software solution capable of mining message boards, government databases, corporate Web sites and other sources to spot product descriptions, prices and market trends and find potential customers. Once extracted, the information can be put into a variety of formats - Excel spreadsheet, database or information portal. (*http://www.ql2.com/*)

Cipher Systems - Its flagship product is called Knowledge.Works. It works with Microsoft Exchange/Outlook or Lotus Notes. It is a file cabinet to store all sorts of information about competitors. Inside the file cabinet are automation features to categorize, index, search, alert, monitor, and subscribe to information for delivery in your e-mail, as a portal, or a private intranet site. Cipher, based in Glastonbury, CT, also offers Extended Search, a tool that permits you to use a single interface to search all available information both inside and outside your company. Results are compiled from the Internet and your internal storage areas, duplicates are removed and a rank-order list is presented. (*http://www.cipher-sys.com/*)

DtSearch - The text retrieval package from dtSearch Corp. of Methesda, MD, works with Access files. The dtSearch product line can search gigabytes of text across a desktop, network, Internet or intranet site. (*http://www.dtsearch.com/*)

Google Inc. - The search-engine company, based in Mountain View CA has a software product called Google Search Appliance for conducting corporate searches of up to three million documents. It handles dynamic repositories including Lotus Domino. (*http://www.google.com/services/*)

TrackEngine Hosting - This service from NexLabs Pte Ltd. of Singapore can be used to monitor competitors' Web sites for competitive intelligence. Whenever the monitored sites have new information such as press releases, facility openings and closings, key customers' and suppliers' product listings, an alert will be sent immediately. (*http://www.nexlabs.com/*)

Wincite - Products from Chicago-based Wincite Systems organize information that is stored in a relational database. Users can find, view and update these screens over a LAN network or Web portal using a corporate intranet. Users can also define customized profile reports, benchmark reports, and graphs that are dynamically linked to the contents of the data-

base. The embedded "screen painter" empowers business analysts, without programming skills, to create and modify screens to capture and display information. (*http://www.wincite.com/index.htm*)

Some intelligence agents provide data-management capabilities. Conversely, some *Data Management Tools* (pg 19) include intelligent agents as a component; for example, products from Cyveillance Inc. (see *http://www.cyveillance.com/*) and Strategy Software Inc. (see *http://www.strategy-software.com/*)

The **2002 Fuld & Company Intelligence Software Report** says competitive-intelligence software vendors have made major strides over the past year in their technology offerings. Some of the new features embedded in these upgraded products include:

- Ability to gain access to the "hidden or invisible" Web using advancements in search technology;
- Support for early warning systems through voice-to-text technology;
- Identification of strategic relationships through advanced extraction technology;
- Ability to search online message boards and Web communities using agent technology.

In its review of 13 packages in the 2002 report, measuring their performance and features against 120 benchmark criteria, Fuld witnessed greatest improvements in the technology's ability to help in workflow, collect both primary and secondary (published) information, and to a lesser extent in analysis. Analysis does remain the weak link for CI technology. (See *http://www.fuld.com/Products/ISR2003/*)

Types of Services

Consulting and Research Services: Below are some representative consulting and research firms. For more complete listings, visit the SCIP (*http://www.scip.org/marketplace/showcase.asp*) or Competia (*http://www.competia.com/home/*) Web sites.

The Virtual Trade Commissioner (The Canadian Trade Commissioner Service): Free access to market-specific business leads, trade events and market research reports, by industry and by country. (*http://www.infoexport.gc.ca/ie-en/login.jsp*)

Chipworks Inc. of Ottawa is an internationally recognized supplier of reverse engineering services, specializing in analyzing state-of-the-art technologies found in semiconductor devices. Services include competitive studies, patent licensing support and reliability assurance. (See *http://www.chipworks.com/*)

Competia Inc. of Montreal provides customized research and information brokerage services. One of its services, Facts-on-Tap, is a 24-hour response service to provide facts derived from information that has been published or which is publicly available). Those facts will typically be provided in their original raw, or summarized form. Synthesis on a per-hour basis can also be included. (*http://www.competia.com/home/*)

Fuld & Company is a pioneer in the field of competitive intelligence. Founded in 1979 by Leonard M. Fuld, the firm is based in Cambridge MA, and provides services such as analyzing markets and competitors, teaching intelligence-gathering

methods, and helping companies establish internal competitor monitoring capabilities. (See *http://www.fuld.com/*)

Helicon Group of Blandon PA is internationally known for its consulting and training. Over the past decade, Helicon's partners have taken on consulting assignments and conducted training sessions, public and private, in a dozen countries. (See *http://www.helicongroup.com/*)

Ibis Research Inc. of Ottawa specializes in project consulting, corporate capability development, and employee training. (See *http://www.ibisresearch.com/*)

Technalysis Inc. is a Toronto-based marketing and research consultancy specializing in the business-to-business, industrial and technological sectors. The firm's competitive performance audits produce hard data to help clients build on their strengths, fix weaknesses and exploit competitors' flaws. (See *http://www.technalysis.on.ca/*)

Information Professionals: A partial list of Canadian members of AIIP (Association of Independent Information Professionals) includes:

- TCE Research Solutions (*http://www.tce.on.ca/*)
- Knowledge Navigators (*http://www.navigating.info/*)
- Information Works Inc. (*http://www.informationworks.ca/*)
- Inquix Consulting (*http://www.inquix.com/*)
- CD Sharp Information (*http://www.cdsharp.com/*)
- In-The-Know (*http://www.in-the-know.com/*)
- Washington Researchers (*http://www.washingtonresearchers.com/*)

For more members visit the AIIP Web site directory (*http://www.aiip.org/AboutAIIP/directory_search.asp*) and search by country.

Media Monitoring: A sampling of media monitoring services includes:

- Bowdens Media Monitoring Ltd. (*http://www.bowdens.com/*)
- Eller Media Company Canada (*http://www.ellermedia.com/*)
- Infomart (*http://financialpost.infomart.ca/*)
- National Public Relations (*http://www.national.ca/*)
- Primedia Inc. (*http://www.primedia.com/*)

A large collection of Web sites of print and broadcast media directories in the U.S., including media monitoring directories, can be found at Burrelles (*http://www.burrelles.com/*). DMOZ compiles a listing of international media monitoring services (see *http://dmoz.org/News/Services/Media_Monitoring*).

Competitive-Intelligence Training: Canadian organizations offering competitive-intelligence training include:

- EBSI (in French only) L'École de bibliothéconomie et des sciences de l'information, at the University of Montreal offers courses in French. (See *http://www.ebsi.umontreal.ca/*)
- The Montreal-based Competia Academy offers training and coaching programs for both senior executives and professionals in competitive intelligence, in classrooms and online. The academy also offers seminars in several cites across Canada. Its courses are recognized by the International Association for Continuing Education and Training (IACET). (See *http://www.competia.com/academy/index.html*)
- Ibis Research Inc. of Ottawa and Vancouver offers employee training services in business intelligence. (See *http://www.ibisresearch.com/*)

A private-sector school in Cambridge MA specializes in competitive-intelligence education. The Fuld-Gilad-Herring Academy of Competitive Intelligence conducts public seminars and offers a nine-course distance education program leading to a CIP (Certified Intelligence Professional) certificate, also recognized by IACET. (See *http://www.academyci.com/About/certifications.html*)

For a list of corporate training services in competitive intelligence, visit the CI Showcase on the Web site of the Society of Competitive Intelligence Professionals (SCIP). (See *http://www.scip.org/marketplace/showcase.asp*)

SCIP also publishes a list of college and university programs (see *http://www.scip.org/education/degrees.asp*).

Web Sites

Monitor industry trends and consult forecasts at the following links.

The Economy
- Industry Canada (*http://strategis.ic.gc.ca/sc_ecnmy/engdoc/homepage.html*)
- Statistics Canada - The Daily (*http://www.statcan.ca/english/dai-quo/*)
- Canadian Federation of Independent Business (*http://www.cfib.org/*)
- Organisation of Economic Co-operation and Development (*http://www.oecd.org/*)

Consumer and Retail Trends
- Industry Canada Consumer Connection (*http://strategis.ic.gc.ca/sc_consu/consaffairs/engdoc/oca.html*)
- Consumers' Association of Canada (*http://www.consumer.ca/*)
- Retail Council of Canada (*http://www.retailcouncil.org/*)

Industry Forecasts
- Barometer surveys from PriceWaterhouseCoopers (*http://www.barometersurveys.com/*)
- Winspear Canadian Industry Database (*http://industry.library.ualberta.ca/showsubject.cfm?subjectid=45*)
- York University Library (*http://www.library.yorku.ca/BG/buslinks*)

Labour Markets
- Canada WorkinfoNet (*http://www.workinfonet.ca/cwn/english/main_e.cfm*)
- Statistics Canada (*http://www.statcan.ca/start.html*)

The Automotive Industry
- Automotive Parts Manufacturers' Association (*http://www.apma.ca/*)
- The Society of Automotive Analysts (*http://www.cybersaa.org/*)
- University of Michigan (*http://www.umtri.umich.edu/library/wip/osat.html*)

Resource, Commodity and Energy Prices
- Agriculture and Agri-Food Canada (*http://www.agr.gc.ca/*)
- RBC Financial Group (*http://www.rbc.com/economics/market*)
- Sproule Associates Ltd. (*http://www.sproule.com/prices/defaultprices.htm*)

Real Estate Markets
- Realty Times (*http://realtytimes.com/rtnews/rtcpages/20021008_caseminars.htm*)
- Canadian Real Estate Association (*http://crea.ca/*)
- Economy.com (*http://www.economy.com/research*)

Portals
Some of the most widely used portals are:
- AltaVista.com: This search engine offers a collection of phone book related search tools: Find a Person (White pages), Find a Business (Yellow pages) and Canada Toll Free.
- Canada.com: This portal links to 30 regional Canadian newspapers, free and updated daily. Some features include a story finder to search for recent news and links to financial news and information
- CANOE: A multilingual, international network of news and information sites that offers world, national and local coverage. (See *http://www.canoe.com/*)
- Listings Canada: A searchable directory of more than 85 000 Canadian sites, organized by category and location, with individual directories for each province, region, district/county and community. (See *http://listings.ca/*)
- Sympatico.ca: Operated by the major telephone companies in Canada, the search function on this site displays results from the FAST Search and Direct Hit databases, plus the Open Directory's Canada-related categories. This site is also available in French.
- Yahoo! Canada: A Canada-branded portal of the main Yahoo directory, which includes about 150 000 sites. This site is also available in French. (See *http://ca.yahoo.com/*)
- Websearch: This site features information and reviews about Canadian Web portals. (See *http://websearch.about.com/cs/canadiansearch*)

Search Engines

Search Engine Showdown - the users' guide to Web searching, compares and evaluates Internet search engines from the searcher's perspective. (See *http://www.searchengineshowdown.com/*)

Search Engine Watch - tracks changes in regulations and rankings of search engines. The site also offers tips for working with search engines. (See *http://www.searchenginewatch.com/*)

Commonly Used Search Engines
- *http://alltheweb.com/*
- *http://www.altavista.com/*
- *http://excite.com/*
- *http://gigablast.com/*
- *http://www.google.ca/*

News Groups

To subscribe to a newsgroup, call up a search engine and click on the box that points you to groups. On Google.ca for example, if you click on the Groups box, you can gain one-click access to Usenet discussion forums, and post and read comments. The subject matters include:
- any conceivable topic.
- business products, services, reviews...
- hardware, software, consumer info...
- fine art, literature, philosophy...

- employment, health, and much more...
- info about Usenet News...
- games, hobbies, sports...
- applied science, social science...
- social issues, culture...
- current issues and debates...

The Northernwebs site (*http://www.northernwebs.com/bc/bc100.html*) contains a listing of thousands of newsgroups available.

Publications

Following are listings of some of the publications and resources available through the public library system:

Canadian Industry Information: These sources of information on Canadian industries will help you find data on industry issues and trends (*Industry*, pg.7). They will help you identify your competitors (*Defining Competitors*, pg. 6), analyse competitive forces within your industry (see *Competitive Forces Analysis*, pg. 20) and provide some industry financial information (*Financial Ratios*, pg. 21) for comparison and analysis purposes.

- Financial Post; Industry Reports - one-page industry surveys, which include statistical information, on many Canadian industries.
- DBRS Bond, Long-Term Debt and Preferred Share Ratings; Dominion Bond Rating Service; Industry Studies - detailed coverage of selected Canadian industries.
- Articles and Press Releases (include Canadian Business and Current Affairs, CPI.Q, Canadian NewDisc & Virtual News Library) - electronic indexes to magazines, newspapers and journals with business content.
- Lists of key competitors by industry:
  - Canadian Business Performance 2000
  - Financial Post 500
  - Report on Business Magazine: the top 1000
- Associations Canada - directory of Canadian business associations
- Standard & Poor's Industry Surveys - U.S. source that may contain Canadian information.
- Market Share Reporter - U.S. source that may contain Canadian information.
- Handbook of North American Industry - U.S. source that may contain Canadian information.

Canadian Company Information:

These sources of information on Canadian companies will help you find data on your Canadian competitors (*Defining Competitors*, pg. 6) that you can use to create profiles (*Building Profiles*, pg. 15)

- Annual Reports - these are primarily companies that trade on the Stock Exchange
- Corporation Files - these contain articles from the Globe and Mail and other information from companies.
- Financial Post Investment Reports - published for the top 500 Canadian public companies, these provide historical and current data, investment recommendations, latest earnings and performance analyses.
- Canada's top 100 employers - profiles of Canada's largest companies.

- CanCorp Documents and Financials - financial statements and information on publicly traded Canadian companies.
- IntelliSearch - online database search (fee for service)
- Guide to Canadian Patent Searching - search for company patents

Canadian Business Directories:

These business directories contain organized listings of Canadian businesses. The directories are sorted by various criteria, usually by SIC (standard industry code), alphabetically, and by geographic region. Information provided includes basic profile data such as company names, addresses, head offices, number of employees, ranking by sales figures, etc.

- Blue Book of Canadian Business
- Scott's National Distributors Select on CD-ROM
- Scott's Industrial Series
- Scott's Directories (by geographic area)
- Canadian Key Business Directory
- Canadian Trade Index/CTI
- National Services Directory
- Regional Directory of Canadian Businesses
- Fraser's Canadian Trade Directory

U.S. Company Information:

These sources of information on U.S. companies will be helpful if your competitors are U.S.-based, large, public companies. You will find detailed information for *Building Profiles*, pg. 15)

- Moody's series of manuals: detailed information on company history, finances, operations and management.
  - Moody's Bank and Finance Manual
  - Moody's Industrial Manual
  - Moody's International Manual
  - Moody's OTC Industrial Manual
  - Moody's Public Utility Manual
  - Moody's Transportation Manual
- FIS Online - Financial Information Services
- Compact Disclosure SEC - database on CD ROM containing information on filings of over 12,000 American companies that file with the Securities and Exchange Commission (SEC) in the U.S.
- The Value Line Investment Survey - provides weekly ratings and reports on approximately 1 700 U.S. stocks classified into industry groups. Includes industry profiles followed by full-page reports on companies in that industry.
- Annual Reports and Financial Information - available online for U.S. companies.
- Gale Encyclopedia of Business Information Sources
- Newspaper and Magazine Articles - listings available in Business and Company files.
- See special editions of following magazines ranking top 500 companies:
  - Business Week
  - Forbes
  - Fortune
- IntelliSearch - online database search (fee for service)
- Guide to U.S. Patent Searching - search for company patents

U.S. Business Directories:

- Directory of Corporate Affiliations
- Million Dollar Directory: America's Leading Public & Private Companies
- Standard & Poor's Register of Corporations, Directors and Executives
- Thomas Register of American Manufacturers

Networking

Rather than simply asking your customers if they are satisfied with your product or service, ask them to rate it vis-à-vis other competitors' offerings. For example, you may ask your customers to rate you against your three main competitors. You will want to identify about five attributes for comparison purposes. Refer to your *Critical Success Factors* (pg. 20) for the most important ones. Create a matrix to track responses. You can rank competitors either amongst themselves, or using a rating system from 1 to 10. Here's an example:

Customers' Ratings of Competitors on Critical Success Factors					
Competitor Name	Product Quality	Product Availability	Technical Assistance	Sales Staff	Value for Price
You	1	5	3	7	5
Comp.A	2	3	8	4	8
Comp.B	3	4	7	2	9
Comp.C	1	7	5	2	2

You may also use focus groups or formal surveys to gather together customers or prospective customers for the purpose of getting feedback on your products and competitor offerings.

7.4 Analysis Resources

Elements of a Profile

For more information on finance, see Financial *Analysis Tools* (pg. 20).

For information on reading financial statements, see:
- Canadian Securities Institute How to read Financial Statements (see *http://www.investorlearning.ca/il/splash.html*)
- U.S. Small Business Administration Tutorial on Understanding Basic Financial Statements (see *http://www.sba.gov/test/wbc/docs/finance/fs_intro.html*)

For information on analyzing competitor profiles, see *Analysis Tools*, pg. 20.

Organizing Your Data

What should your intelligence archive do for you? A good archive software system:
- retrieves documents using full-text searching;
- is readily accessible by authorized staff from all locations;
- provides simple security controls;
- adheres to copyright laws;
- attaches the name of the software or person who gathered/stored a specific document and the date it was placed in the archive;
- has an automatic deletion date attached to each entry; and
- stores information in its original format.

Products exist that are designed to analyse data (*Data Management Tools*, pg. 19) from competitive-intelligence online archives. For a listing of companies involved in content management, please see Industry Canada's *Strategis* site (*http://strategis.gc.ca/engdoc/main.html*).

Storing Your Data Online

Information about intranets and employee portals is available from:
- Novell Canada: Novell's Active Portal solution is designed for smaller companies. Novell Canada: Novell's Active Portal solution is designed for smaller companies. (*http://www.novell.com/products/portal/*)
- Plumtree Software: This San Francisco-based company specializes in portal technologies. (*http://www.plumtree.com/default_flash.asp*)
- Oracle Corporation Canada: Oracle is a major supplier of portal and networking technologies. (*http://www.oracle.ca/online_services/smallbusiness*)
- Embanet Corporation: This Toronto-based company sells Internet-based e-learning solutions and technologies. (*http://www.embanet.com/*)
- Hewlett-Packard: HP Consulting offers a suite of technology-enabled business solutions, including portals. (*http://welcome.hp.com/country/us/eng/solutions/smb.html*)

Security Issues

Experts recommend a five-step approach to conducting a security analysis of your company:
1. Identify critical information - what information would be required by a competitor to gain an advantage over you?
2. Analyse threats - who are your potential adversaries, what are their goals, and how would you expect them to look for information about you?
3. Analyse vulnerabilities - put yourself in the position of a competitor and go step by step through your operations to determine where you are vulnerable to leaked information.
4. Risk assessment - in the areas where you are vulnerable, what are the most serious risks?
5. Take countermeasures - these include eliminating the publication of inappropriate information, and blocking or confusing competitors' attempts to find it.

More information can be found on the page on Security (*http://strategis.ic.gc.ca/epic/internet/indir-ect.nsf/en/h_uw00207e.html*)

in the *SME Direct* Web site; through the Society of Competitiveness Intelligence Professionals (*http://www.scip.org/*), and in books such as Jerry Miller's book Millennium Intelligence (*http://www.infotoday.com/it/apr00/news6.htm*).

Critical Success Factors

Following is a sample list of more common success factors.[5] This list should serve only as a guide to get you started. Some of these factors will be irrelevant in a particular industry or competitive situation; others may need to be added, as appropriate. The factors are grouped into three categories of organizational competency.

Examples of Success Factors:

Understanding the Market:
• Sensitivity to changing market needs
• Understanding of how and why customers buy
• Innovative response to customer needs
• Consumer loyalty
• Linkage of technology to market demand
• Link marketing to production
• Investment in growth markets
• Knowing when to shift resources from old to new products
• Long-term view of market-development and resources
• Ability to target and reach segments of market
• Identify and exploit global market•Product-line coverage
• Short time to market for new products
• Lack of product-line overlap
• Identification and positioning to fulfill customer needs
• Unique positioning advantage
• Strong brand image and awareness
• Understanding of competitors' capabilities and decision rules
• Sensitivity to cues for co-operation
• Prevention of price wars

• Aggressive commitment when required
• Willingness to form interfirm coalitions
• Maximizing payback from marketing response to resources

Marketing Variables:
• Distribution coverage, delivery speed, and prominence
• Co-operative trade relations
• Advertising budget and copy effectiveness
• Promotion magnitude and impact
• Sales force size and productivity
• Customer service and feedback
• High product quality
• Patent protection
• Low product cost
• Ability to deliver high value to user
• Large marketing resource budget

Decision Making:
• Marketing research quality
• Information system power
• Analytic support capability
• Develop human resources
• Attract the best personnel
• Managerial ability and experience
• Quick decision and action capability
• Organizational effectiveness
• Learning systematically from past strategies

SWOT Analysis Matrix

Following this paragraph is an analysis matrix[6] that may help you to assess your competitors' competencies against those of your company, with respect to critical success factors. The list of competencies provided is a general guide covering the main areas of an organization, and should serve as a checklist only. You may substitute the specific *Critical Success Factors* (pg. 20) and ranking from your previous analysis to provide a more accurate evaluation.

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[5]Urban, Glen L.; Steven H. Star. Advanced Marketing Strategy: Phenomena, Analysis, and Decisions. Englewood Cliffs, New Jersey: Prentice-Hall, 1991.

[6]Ibid

Analysis Matrix to assess your competitors' competencies against those of your company					
Competency/Success Factor (in order of importance)	**Performance Rating vs. Competition**				
	Much worse	**Worse**	**Equal**	**Better**	**Much Better**
Marketing					
Company reputation					
Market share					
Quality reputation					
Service reputation					
Manufacturing costs					
Distribution costs					
Promotion effectiveness					
Salesforce effectiveness					
R&D and innovation					
Geographical coverage					
Finance					
Cost/availability of capital					
Profitability					
Financial stability					
Manufacturing					
Facilities					
Economies of scale					
Capacity					
Able, dedicated workforce					
Ability to deliver on time					
Technical manufacturing skill					
Organization					
Visionary capable leadership					
Dedicated employees					
Entrepreneurial orientation					
Flexible/responsive					

For more information on assessing your own and your competitors' strengths and weaknesses as well as industry opportunities and threats, see *SWOT Analysis*, pg. 21.

Opportunities/Threats Analysis:

Following is an analysis matrix[7] that may be helpful in assessing threats and opportunities relevant to your business or market segment. The list of threats and opportunities provided is a general guide covering some common examples to consider, and should serve as a checklist only. You will want to substitute the specific threats you identified in your *Competitive Forces Analysis* (pg. 20) to provide a more accurate evaluation. Keep in mind that what may be perceived as a threat to one competitor may be an opportunity to another. For example, lowering of entry barriers would be a threat to established competitors but an opportunity for new entrants. Also remember that market opportunities often are available for only a limited time. Failure to pursue an opportunity quickly may result in a competitor gaining a strong foothold, which may be difficult to displace.

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[7]Ibid

Threats to Business or Market Segment Success:				
Threat	**Magnitude**			
	Very Small	Small	Large	Very Large
Reactions from existing competition				
New competitors likely to enter				
Competition by vertical integration				
Channel co-operators being competing				
Decreased entry costs				
Price/promotion war				
Change in consumer tastes and values				
Increasing power of buyers				
Increasing segmentation				
Technological change				
Material availability and supplier prices				
Economic stagnation				
Inflation				
Regulatory changes				
Foreign exchange fluctuation				
Political/social changes				
Environmental pollution				
Takeover/merger				

Business and Market Segment Opportunities:				
Threat	**Magnitude**			
	Very Small	Small	Large	Very Large
Merger				
Technological change				
Political, economic or social trends				
Size of market				
Growth of markets				
Unfulfilled customer needs				
Gaps in existing product positions				
Market not segmented				
High margins				
Few or weak competitors				
Stable price structure				
Vulnerability to entry				
Low entry cost				
Low exit barriers				
High response to sales, advertising, promotion				
Transfer cost experience				
Low investment				
Low risk				
Matches our strength				

Financial Ratios:

The following five categories of financial analysis ratios are the most commonly used:

1. Liquidity Ratios

   These indicate the ability of a company to meet its short-term financial obligations when they fall due. Two liquidity analysis ratios are used:
   - Current Ratio = Current Assets divided by Current Liabilities
   - Quick (or Acid Test) Ratio = (Current Assets minus Inventories) divided by Current Liabilities

2. Leverage-Capital-Structure Ratios

   These indicate the ability of a company to fulfill its long-term commitments to debt-holders. The Debt-to-Equity Analysis Ratio is most commonly used:
   - Debt-to-Equity Analysis Ratio = Total Liabilities divided by Total Shareholders' Equity

3. Profitability Ratios

   These indicate the level of profit generated by the company. Three profitability analysis ratios are useful:
   - Return on Assets (ROA) Ratio = Net Income divided by Total Assets
   - Return on Equity (ROE) Ratio = Net Income divided by Total Shareholders' Equity
   - Net Profit Margin = Net Income divided by Sales

4. Turnover Ratios

   These indicate the efficiency of the company in utilizing its assets. The Asset Turnover Analysis Ratio is most useful. (This ratio uses another ratio: Average Total Assets: Average Total Assets = (Beginning Total Assets plus Ending Total Assets) divided by 2.)
   - Asset Turnover Ratio = Sales divided by Average Total Assets

5. Capital-Market Ratios

   These indicate a company's ability to win the confidence of the stock market. The Price Earnings Analysis Ratio is the most common. (This ratio uses another ratio: Earnings per Share (ESP) = Net Income divided by Number of Common Shares Outstanding.)
   - Price Earnings (PE) Ratio = Market Price of Common Share divided by Earnings per Share

For more information on financial ratios and analyses, see Financial Ratios and Quality Indicators on the U.S. Small Business Administration Web site (*http://www.sba.gov/ test/wbc/docs/finance/fs_ratio1.html*).

For more information on industry financial ratios and industry averages, see the following sources:
- Small and Medium Firms, Principal Financial Ratios by Detailed Industries (4 digit SIC-E), 1997-1998-1999 reference years (To find this publication on the Government of Canada Publications Web site, go to the main page of the site (*http://publications.gc.ca/control/ language?language=English*) and type the code "107029" in the box called "Quick Search", then click on "Go".)
- BusinesScope from Dun & Bradstreet (comparison of financial performance of U.S. industries). (See *http:// www.dnb.com/US/dbproducts/ProdDesc.asp?id=158&ver=333*)

- Annual Statement Studies from the Risk Management Association (comparative study of sixteen financial statement ratios for more than 600 U.S. industries). (See *http://www.rmahq.com/Ann_Studies/asstudies.html*)

7.5 Competitive Strategy Resources

Government Sources of Help

Offline sources include the following:
- Federal and provincial government bookstores, telephone and mail order services for "self-help" publications and workbooks for small- to medium-sized businesses. See publication listing: Industry Canada, Program Publications, Small Business (*http://www.ic.gc.ca/cmb/welcomeic.nsf/11*)
- Federal and provincial government "in-person" service locations across the country offer personal advice and services on starting a business, obtaining financing, employing people, taxation issues, or how to export. See office listings: Federal government, BusinessGateway.ca (*http://businessgateway.ca/gol/bgateway/interface.nsf/vSSGBasic/ bg20025e.htm*)
- Public libraries, university libraries and government offices for federal and provincial reports and publications, many of which are included above.

Canadian Business Services Centres across the country (see *Sources of Advice*, pg. 36) offer assistance and seminars for small to medium business owners and walk-in help (see *http://bsa.cbsc.org/gol/bsa/interface.nsf/vSSGBasic/su01228e.htm*).

Many of these resources are provided free of charge. In some cases, services such as seminars and advisory assistance are subsidized, or publication materials distributed at a nominal fee.

Government Sites

The following federal government Web sites offer assistance to businesses:

Federal Government, Industry Canada, *Strategis*, Canada's Business and Consumer Site: (*http://strategis.ic.gc.ca/engdoc/ main.html*) makes use of new technologies to offer interactive applications such as:
- Cost calculators (*http://strategis.ic.gc.ca/epic/internet/ insof-sdf.nsf/en/h_so03331e.html*)
- Online business planning (*http://bsa.cbsc.org/gol/bsa/ interface.nsf/vSSGBasic/su01234e.htm?Open&SubLevel=5&Title=P reparing+a+Business+Plan*)

Many of Industry Canada's services (such as filing an application for patent) can now be completed online through *Strategis* (*http://strategis.ic.gc.ca/sc_x/engdoc/ starting_business.html?guides=e_sta*). The Customs and Revenue Agency (CRA) guide provides information on various business structures, taxation, and the importing and exporting of goods and services.
(*http://www.cra-arc.gc.ca/E/pub/tg/rc4070/rc4070eq-01.html*)

Government Programs

The following are some sources of information on federal-government programs for small-to medium-sized businesses.

- Federal Government, Industry Canada, *Strategis*, Guide to Starting a Business. All you need to know about starting and running a business in Canada. (*http://www.ic.gc.ca/cmb/welcomeic.nsf/icPages/Programs*)
- Federal Government, Industry Canada, Industry Portfolio Programs. Thirteen Industry Portfolio members bring together an array of complementary programs to help improve Canadian productivity and competitiveness by focusing on such strategic priorities as promoting innovation through science and technology, helping small-and medium-sized enterprises to grow, encouraging trade and investment, and promoting economic growth in Canadian communities. (*http://www.ic.gc.ca/cmb/welcomeic.nsf/icPages/IP*)

Sources of Advice

Following are links to government sources, and listings of personal service locations by geographic area.

- BusinessGateway.ca provides a single access point to all the government services and information needed to start, run and nurture a business. Includes links to provincial sources. Also includes listings of government contacts for personal assistance (see *http://businessgateway.ca/en/hi/contacts.cfm*), and links to local Canada Business Service Centres (*http://www.cbsc.org/english/contacts/all.cfm*). CBSCs provide a wide range of information on government services, programs and regulations and are available to answer your questions about starting a new business or improving an existing one.
- Services and support for Canadian small- to medium-sized businesses. Includes business diagnostic and benchmarking tools. (*http://strategis.ic.gc.ca/sc_mangb/engdoc/homepage.html*)

Financial Support

The following are links to financial guidance and support programs.

- Provides information on government services and programs related to business financing, and helps you explore a variety of potential sources. (*http://strategis.ic.gc.ca/sc_x/engdoc/financing.html*)
- An interactive module on financing designed to increase your competitiveness through an improved knowledge of the sources and methods of funding available to small and medium-sized (SME) service firms (*http://strategis.ic.gc.ca/epic/internet/instco-levc.nsf/en/h_qw00004e.html*).

Changing Direction

If you do not have a business plan or need help in re-assessing it, take a look at the following resources, which provide in-depth guidance on competitive strategy and business planning.

- Industry Canada, Service Industries Branch, *Strategis*, Steps to Competitiveness provides information on competitiveness issues and gaps facing small- to medium-sized service firms. Contains interactive management and diagnostic tools, as well as a reference section and links for further research (*http://strategis.ic.gc.ca/sc_indps/service/engdoc/steps.html*).
- Canada Business Services Centres, Business Start-up Assistant provides guidance and assistance with start-up businesses for entrepreneurs. Contains information on business planning, market research, financing, taxation, human resources and e-business. Organized by topic and province. (*http://bsa.cbsc.org/gol/bsa/interface.nsf/engdoc/0.html*)
- Canada Business Service Centres' Interactive Business Planner (*http://www.cbsc.org/ibp/*)

Case Studies

Not many case studies on competitive intelligence are available from public sources for study purposes. In an effort to address this need, Professor Jerry Miller has included a chapter on competitive intelligence case studies in his book, Competitive Intelligence. (See *http://www.amazon.com/exec/obidos/tg/detail/-/0910965285/qid=1043857530/sr=1-3/ref=sr_1_3/002-0055256-5515232?v=glance&s=books*)

7.6 Measurement Resources

Measurement

Some companies, mostly U.S. multinationals, credit competitive intelligence for major successes. In a case reported by BusinessWeek.com, executives at Texas Instruments Inc. said their competitive intelligence persuaded senior management that it needed to acquire a supplier of essential software, and safeguard what is now a $10 million telephony hardware business with enormous growth potential.

"If you snooze, you lose," the magazine quotes Jeffrey McCreary, senior vice-president for Texas Instruments' worldwide sales and marketing, as saying. "Competitive intelligence is your best alarm clock." (See *http://www.businessweek.com:/print/premium/content/01_48/b3759083.htm?mainwindow*)

Another case, often cited by the Society of Competitive Intelligence Professionals (SCIP), is that of pharmaceutical giant Merck & Co. Inc. A Merck's executive says its competitive-intelligence group was responsible for developing a counterstrategy to a competitor's forthcoming product rollout that, over 30 months, enabled Merck to "anticipate and outmanoeuvre the competition," and resulted in "saving approximately $200 million to the bottom line — so far." (See *http://www.scip.org/ci/article2.asp*)

Is competitive intelligence right for you? To answer this question, you will have to examine your own company's circumstances.

Calculating ROI

The Society of Competitive Intelligence Professionals SCIP carries on its Web site research that was published in 1995 by two academics at the University of North Texas. They compared companies that placed a relatively high emphasis on competitive intelligence against similarly situated companies in the same industry groups that did not use it.

Their finding: "This study suggests that there is a positive

relationship between emphasis on competitive intelligence and successful financial performance."

In conclusion: "This study found empirical evidence to show that companies that emphasize competitive intelligence on average outperformed other companies in three important financial measures: sales, market share, and earnings per share.

Moreover, this pattern of results held up across industries — in more than three-fourths of the industries considered on all three performance measures."(See *http://www.scip.org/*).