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# BOOK REVIEW: THE USE OF MARKET INTELLIGENCE IN COMPETITIVE ANALYSIS

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## ABSTRACT

Most of managers are concerning on the practical work of making a good strategic planning for their company, but they pay a little attention in theories where it is helpful for them to build the insights of competitive analysis. This paper aims to provide managers with understanding the insight of market intelligence and how market intelligence will be used in building the competitive analysis through industry analysis, company analysis, competitor analysis, business intelligence, and marketing intelligence. This study will be useful, practical and able to provide guidance for the practical application of ideal concepts in real situation. This paper is not only applicable for managers but also it is useful for business school faculty and students since they could find this book to be a supplement to the more academic articles available.

## BIBLIOGRAPHICAL INFORMATION

Jenster, P. V. & Solberg Sjøilen, K. (2009). Market Intelligence: Building Strategic Insight. 1<sup>st</sup> edition Copenhagen Business School Press, Denmark.

## INTRODUCTION

Focusing on the products and internal processes alone does not make a company obtain any long-term competitive advantage. The company must try to study and understand the broader environment in which it is operating its business. All intelligence activities play crucial roles in the development, maintenance, and execution of a robust organizational strategy; the ultimate purpose being to ensure superior performance through sustainable competitive advantage (Nilsson and Rapp, 2005). Every business consists of two elements; the physical and the virtual. The revolution of information gives firms with an unparalleled chance to move elements of their business from the physical domain to the virtual (Czerniawska and Potter, 1998).

In the privilege competitive strategy, the company must focus on two groups which are customers and competitors. The main objective of the competitive strategy is not to kill the competition, but to build a position of sustainable competitive advantage. Indeed it is possible to

argue that competitors are not always bad for every organization, as without them there is less incentive for creative thinking and a tendency for the organization to become complacent and less effective.

The task of competitive analysis has been impacted by three major trends which are (1) the fusion of industries, (2) the globalization of trade and (3) the improvements in information and communication technologies. These major trends have dramatically changed how practicing managers are addressing the topic. Needless to say, other trends influence the field of competitive analysis, but we feel that these three have had the greatest impact.

Firstly, the introduction of new configurations of business models seems to influence the way in which firms pursue competitive analysis. Nowadays, the presence of e-commerce sites become more popular and so different from the traditional purchasing channels that one must decide if it is relevant to assess competitive players in the traditional sectors without including online alternatives.

Secondly, the disappearance of trade and regulatory barriers and geographical distances as constraining factors for commerce, caused by globalization, has formed competitive challenges in many markets. The opening of borders has accelerated the flow of goods and funds. Similarly, globalization has made it more difficult to keep price differentiation in different countries; for example, a buyer from a large retailer recently told us that as soon as his department observed price differences in Europe of more than 3-4% on fast-moving consumer goods, he would look into so-called "grey market transfers" of products. By this activity, some buyers could buy original products in one country and transfer them to another country to take advantage of differences in the manufacturer's list prices.

A final development is to change the perspective on how we view competitive behavior and conduct analyses. The rapid growth of information and communication technologies, through speed and volume, can provide buyers, sellers, and competitor to access to information which was previously unthinkable. The last decade's proliferation of Internet usage has radically altered our view of competition. This development is likely to continue, and our ability to use this technology will be a deciding factor in the survival of any business in the future.

Of course, there are several reasons why the many academic researchers have started from different viewpoints, related to their underlying paradigmatic advantage points and the different purposes of discourses. Most students of classical and neo-classical economic theory have often found themselves with few normative tools and little guidance when faced with these problems.

Nonetheless, the strategic management and marketing literature has been more apprehensive with frameworks that are not only descriptive but which also explore normative and decision-making heuristics. The underlying thrust of this illustrative map of the literature on intelligence analysis is to point out varying perspectives and thus potentially differing outcomes in analysis and description of competitive situations, and the potential normative implications of such analysis.

The competitive analysis uses a broad set of analytical tools which are used to describe market phenomena and produce decision-relevant information for managers at different levels in organizations. This requires managers and other leaders to think about competitive analysis from a context-specific viewpoint and not as a generally applicable methodology. It is important to remember that the area of competitor analysis is evolving as a result of developments in

globalization of trade and commerce, restructuring of industries, and the evolution of information and communication technologies. In this paper, we mainly discuss on how market intelligence has been used to assist in developing the competitive analysis for the organization. These developments are forcing managers to go beyond the traditional definition of their businesses in terms of what they produce and market, to look at new and different configurations of how products and services are transformed into the long journey to reach the end customer.

## **BOOK REVIEWS**

Many researchers pay much interest in doing research on Knowledge Management and Intelligence. We would say that while the Competitive intelligence is highly related to operational session, Knowledge Management is strategic. Knowledge Management practices are about capturing the intellectual capital of the firm, and the goal of Knowledge Management can be expressed as collecting knowledge that is tacit and making it explicit. At the same time, many companies are now seeking to gain a competitive advantage through their investment in information technology (Kalling, 2000).

In the perspective of competitive analysis, managers have to seek for some factors which are involving on how to gain the competitive advantage for the organization. In the paper, we are going to illustrate how market intelligence uses in developing the competitive strategy. Based on what we have been reviewing, we found out that in order to make competitive analysis, analyst should pay more attention to some factors such as industry analysis, company analysis, competitor analysis, business intelligence, and marketing intelligence, to have clear picture on both external and internal environment in which the business is operating.

### **1. Industry Analysis**

A fundamental understanding of the industry in which a firm is operating is one of the crucial frameworks for performing the competitive analysis. In order to comprehend the prospective behavior of a competitor, we first need to be aware of the context in which firms operate. One factor of this is the external business environment in a given country in which the industry operates. Industry analysis is an important first stage in competitive analysis and one which, if done well, helps us to ask the right questions and to make better use of the information we collect on individual competitors. It helps to bring a measure of order to the data we have about the industry, and about the individual competitors within it.

The structure of industries has changed time to time, so it is essential not to rely on fixed analysis. A dynamic view is imperative. Failure to understand or not following the changes that are taking place can give rise to serious strategic errors, as, for example, when Xerox failed to comprehend the threat caused by the entry of its rivalry, Canon, to the market, and when IBM underestimated the changes that the personal computer would bring. Or when the convergence of technologies suddenly creates new competitors, as is happening when Apple is bringing the iPod, the PC, and the Phone together in one unit. At the announcement of the iPhone in January 2007, Motorola, Nokia, and Sony-Ericsson stock fell immediately. The future value of their stocks depends on their ongoing reactions to this new technology. When looking at the factors which should be considered when analyzing an industry, it is important to take a balanced view. A negative impact of one factor may be canceled out by a positive impact elsewhere. But to understand the factors, we do need to look at them separately.

This is always a difference between understanding the concept and applying it in a real situation,

and before beginning the analysis, the analyst should answer to at least three questions:

- What information do we need to undertake industry analysis?
- What do we have at present?
- How should we use that information?

In considering the last point, it is important to think about how the information will be communicated to others once it has been analyzed. Lack of information at the beginning of the analysis does not mean that we fail to obtain the result, but it does make it harder to get started.

The analyst's first step is to assemble the hard data that is available and to tap into managers to attain the "soft" data that they all possess. In every firm, one of the things will become obvious the report anyone takes the first serious step to achieve the industry analysis is that the heading in the Porter Five Forces model, and even in the expanded version we have used, are often too broad. There is often a need to categorize buyers, and also to think of whether they sit at the end of the chain or are part of the channel which enables the products to reach the final consumer.

## **2. Company Analysis**

The company analysis would help us understand the specific constellation of products market efforts which has yielded the results of the firm. Moreover, we would also expect the company analysis to provide us with a picture of the competencies which provides the firm with a competitive advantage and the sustainability of the advantage.

The company should invest in its intelligence capability, its information gathering and analytical processes instead of purchasing expensive one-time plans. Only such a system will guarantee the company's long-term competitive advantage.

All of these internal plans may convey essential information to the company analysis. Efficiencies are not only to be discovered by studying financial figures and the making of better marketing and production plans. In fact, many companies are spending too much on housing or are not using their office space efficiently. If they own the offices themselves, maybe some can be rented out. If they rent facilities, maybe they can renegotiate a better contract after the lease runs out. For example, the Swedish telecommunications company, Ericsson, had to cut staff due to dropping sales. From the beginning of 2001 to 2005 worldwide staff was practically cut in half, from 107,000 to about 50,000. The good financial result in 2006 was much due to this staff efficiency, not to better sales. In some cases, it is only cutting "dead weight", in which case it will not lead to long-term improvements of the company's competitive advantage.

Many books and consultants will try to present both the company and the industry analysis in one and the same document. The result is often that we take lightly on one or the other part, e.g. we do a very good company analysis, but when it comes to the outside world we fail to give it our full attention.

## **3. Competitor Analysis Intelligence Analysis**

One of the difficulties of competitor analysis is to reach a situation where there is a great deal of data but very little need-to-know information. This happens more frequently than might be expected, and the end product of the competitive analysis effort is a cabinet of files of press clippings, often obtained more or less at random, which may or may not have seen circulated to managers in periodic bundles of cuttings or as e-files and internet links.

The competitor analysis is the most crucial part of a competitive analysis. Competitor analysis

should bring some specific advantages to the way strategic issues which are considered, with possible side benefits for shorter-term operational activity, such as being able to brief the sales force on the benefits of the company's product offerings compared to those of our competitors.

- On-going knowledge of competitors
- Special studies
- Performance comparison: The aim is to be better than competitors in areas of performance which are critical.

### ***3.1 Developing Competitor Profiles***

One method to show essential information about the potential competitor, we recommend writing that key information on one A3 paper or any other software. We could write and keep all information of competitor, we have to make it in the shorthand version which manager can easily consult regularly and be updated on the continuous basis. The information is including as following:

- Financial results
- Marketing and sales activities
- Sources of competitive advantage
- Product analysis
- Apparent strategy
- Importance of the activity to the whole group
- Scope of international operations
- Organization philosophy
- Key factors
- Strengths and weaknesses
- Personnel policies
- Critical success factor rating

### ***3.2 Marketing Diagrams***

It is even easier for managers to have information displayed on the profile of potential competitors as substitute graphs, table or diagrams because they can give a visual indication of the differences between competitors which can save lengthy narrative explanations. Market positioning diagrams have a much older pedigree than most of the techniques discussed so far, and offer another way of comparing competitors in a diagrammatic way.

### ***3.3 Portfolio Analysis***

Another diagrammatic technique which has value in the examination of competitors is portfolio analysis. Like the market positioning diagrams, portfolio analysis was designed for a different purpose. In this portfolio analysis, we will restrict to the bare bones of the technique, and draw attention to the two ways (market prospects and market position) in which it might be useful in competitor analysis.

### ***3.4 Competitor Newsletters***

Although it moves us a bit away from methods of analysis, the disseminating information about competitors could be useful to and used more widely for competitor analysis. This is a development from the common practice of sending out files of press articles, which has value but tends to be repetitive. Besides that, what is passed out is often not validated. Instead, it is worth

considering the production of a periodic competitor newsletter, which can be produced in a confidential and non-confidential version. In this way a summary can be provided of the facts gleaned from the various sources, so that there is an awareness of what the competitors are doing.

### ***3.5 Using Critical Success Factors in Planning***

The critical success factors have been using to introduce a strategy planning and strategic control process which is established to assist directors and senior managers in executing and monitoring their strategies. In order to make an effective strategic management decision support, we should follow a detailed description of the designing method for developing, monitoring and integrating critical information with incorporating nine steps as following:

1. Provide structure for design process
2. Determine general forces influencing strategy
3. Develop a strategic plan or review/modify the current plan
4. Identify a selected number of critical success factors (CSFs)
5. Determine who is responsible for which critical areas
6. Select the strategic performance indicators (SPIs)
7. Develop and integrate appropriate reporting procedures
8. Implement and initiate system use by the senior personnel
9. 9 Establish evaluating process and procedures.

Through proper overview, this approach can be used to establish an integrated strategic in which key personnel and top management can execute the strategy and maintain a competitive advantage for their firm. Successful strategy development and implementation rely on the quality of the available information. Furthermore, the information is an essential resource which can make a firm to get a chance to succeed. However, the information that is available for senior managers is usually not the issue.

Thus, in this increasingly complex and information era, the critical challenge faced by managers is the identification, selection, and monitoring of information which is relevant to the strategic performance of the organization. Moreover, the right information, which is requested and communicated by the managers, will help figure out the way in which other members of the organization define their tasks, interpret the firms' strategy, and determine what is important and what is not.

The design procedures for a strategic process and information system for integrating planning and control are following:

1. Provide structure for the design process
2. Determine general elements which will influence success
3. Develop a strategic plan or review/modify the current plan
4. Identify a selected number of CSFs
5. Determine who is going to be responsible for what
6. Select the strategic performance indicators (SPIs)
7. Develop and enact appropriate reporting procedures
8. Initiate use of procedures by managerial personnel
9. Establish evaluation procedure

Intelligence analysis plays an important role for any competitive organization. There are a lot of

methods to perform an analysis of internal and external factors which bear an influence on the strategy of a company. Strategies are formulated based on a number of assumptions. During strategy execution, however, these premises and other factors are likely to change as time passes. Therefore, getting the right information on developments in critical issues and the firm's strategic progress is essential to the directors and managers of any business.

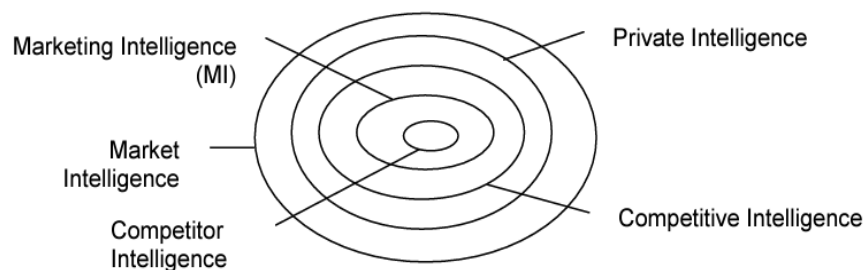
#### **4. Business Intelligence**

With the continuous growth of efficient technology in computer and software, more managers are implementing Marketing Decision Support System (MDSS). MDSS are formally structured computerized information systems that help managers make routine decisions. With current information systems technology this is possible. MDSS is usually best applied to repetitive and routine decision-making activities: for example, decisions related to order scheduling, field service, or order quantity discounts. MDSS is also used in sales reporting, customer service and variance analysis related to product shipment. In general, the major portion of strategic marketing intelligence tends to be manual. It may be difficult to get good returns on very sophisticated MDSS in business marketing.

Business Intelligence has now become ordinary in many organizations. A decade ago, when we started our research in this field, business intelligence and competitive intelligence did not only have the same meaning, but attracted little interest among top management. Today it has been accepted that just to stay in touch with the market it is necessary to have timely information about financial operations, customers; in short, everything that influences your operations, and that these services are best kept and organized in electronic systems.

#### **5. Marketing Intelligence**

We have described Market Intelligence as a broader area than Marketing Intelligence (MI), as there are many actors, especially public ones, who are active in different markets without engaging in any form of organization marketing activity. MI includes the gathering and understanding of market trends, customer needs, perceptions, attitudes, beliefs, and behavior, competitor's thinking, strengths and weaknesses, and all factors that influence business-to-business relationship.



*Figure: Types of Intelligences in a Company (Jenster and Solberg Sjøilen, 2009:160)*

*“No organization will become effective in competitive analysis just because top management says it is a good thing to do. Something more than an initiating memo is needed, and this chapter has dealt with some of the things that will help create the right climate for competitive analysis within an organization (Hussey, 1998).” (Jenster and Solberg Søilen, 2009:206)*

There are three important management activities in the MI process:

- Gathering internal and external data which is a comprehensive task that includes activities ranging from collecting objective empirical market research data to recording subjective statements from salespersons.
- Coding and interpreting the data collected which is very difficult to code and to provide valid and reliable interpretation of the broader dimensions of MI. Due to the variety of data usually collected through MI activities, the lack of proper technology required to handle the complexity, or a lack of commitment by top management in the organization, most of these efforts have failed.
- Application of knowledge to generate useful information from data to be used in a developing marketing strategy. An essential ingredient of MI is the application of management knowledge and experience to marketing data. Only managers with the adequate industry experience can assess the validity of MI, interpret it into a right strategic context, and transform the knowledge into proper operating activities.

Some organizations with significantly potential market and competitive opportunities have been provided by Marketing Intelligence; however, information is useless and the cost of collecting data is wasted if firms are not able to take advantage of intelligence.

In almost every organization there will be some people who access to information about one or more aspects of the activities of the main competitors. To move from a disconnected approach to more systematic, thorough, and continuous requires a dedication of corporate effort. Therefore, it should start with a top-level decision that this is the way the organization wants to do, and the recognition that such an effort will require some substantial cost and time spending. Without high-level commitment, a competitive analysis will yield little more than snippets of raw information which are called for only on occasions when something requires urgent analysis. We can possibly distinguish among a number of tasks which need to be carried out to ensure that the competitor analysis is effective.

- Collection, assessment, and storage of regular external sources of information: databases, press clippings, abstract services, company annual reports, directories, competitor's literature and the like
- Marketing research, covering primary sources, and numerous secondary sources in addition to those mentioned above
- Collation and coordination of internal sources of information, which will vary from information from formal company records, such as sales analyses, to the harnessing of informal sources which may be tapped by many levels in the organization.
- The task of regular analysis of the information
- Decisions and strategies which arise from the analysis
- Overall coordination of the competitor analysis activity of sources that should be tapped, and the organization of special external studies, such as additional marketing research.

Most of this activity is generally typical of competitive analysis. There are three activities which yielded useful information:



- Continued direct contact with competitors, including the exchange of the sort of information which would be in the annual report had we all be private limited companies. The competitor analysis system we have built up means that there is somewhere to put the results of all these formal and informal comments, as well as information that comes to us from a competitor from elsewhere in the industry.
- Obtaining feedback from clients when there is a pre-qualifying exercise or a competitive bid (whether we win or lose). This has been an invaluable source of information. On occasion, buyers have prepared an analysis of all the bidders which they have been willing to share.
- Helping journalists to write about the industry, and suggesting who to approach for the collection of data for league tables. In this way, we filled in a number of gaps in our own information, especially as a few firms who had refused to exchange information with us on grounds of confidentiality did not feel the same inhibitions when it was a question of gaining publicity.

## DISCUSSION

In this book, we find that the definition of market intelligence is not well described. Most of the chapters refer only to competitive intelligence and market intelligence for application to competitive analysis. However, in chapter 7, it just gives us a picture of the coverage of market intelligence on private intelligence, competitor intelligence, competitive intelligence, and marketing intelligence.

To form the competitive analysis, we first need to comprehend the industry analysis. Then, in industry analysis, market intelligence is playing a crucial role for analyst of the firms to gather the right information (i.e. the development of technology, the change of industrial environment) process the information and make a decision to respond to competitors in the industry in which the firm operates. In the book, it gives us a clear whole picture of industry analysis as well as the importance of market intelligence in the analysis process. In overall, market intelligence is inevitably needed for industry analysis, especially to understand where the firm stands in the industry, how the firm responds to competitors, and what strategy should be implemented; and all of these imply to competitive analysis.

Company analysis is one of the most essential processes for competitive analysis. The book explains us profoundly how company analysis could provide the firm with competitive advantage and the sustainable competitive advantage, and how market intelligence could be used to make an effective company analysis. According to Jenster and Solberg Søilen, K. (2009), the firm should invest in intelligence system to convey internal information to generate the economies of scope and scale, not just spend too much budget on one-time planning.

In intelligence analysis session, it mentions about how competitor analysis plays essential role in the competitor analysis. External information, especially the competitor's information is enviably needed to comprehend the strategy that the competitor is using and what to improve internally to respond to that strategy. Market Intelligence takes a huge part in building up a strong competitor analysis. In the book, it clearly states about the step of competitor analysis by the use of market intelligence.

As mentioned in the previous session, marketing intelligence is small part of market intelligence. Marketing intelligence has been well described in the book about its application and benefits of its system. Marketing intelligence gives the manager to understand the market trends, customer perception, customer needs, attitudes, beliefs and behavior, and strengths and weakness. The book also describes how to gather the information regarding marketing intelligence, and process the information to make an effective decision for the company.

## **CONCLUSION**

After reading the book, I found that market intelligence plays important role in building competitive analysis for the company. Each element of competitive analysis (industry analysis, company analysis, competitor analysis, business intelligence system, and marketing analysis) is well described with practical examples from well-known companies. As competitor analysis takes part in building competitive advantage and sustainable competitive advantage for the company, the theoretical and practical background should be jointly used to seize the opportunities for company's growth. Furthermore, rapid growth of technology creates more risk and challenges for company, so that managers must get updated of the essential information in order to adjust their company to the right competitive environment. For this book, I would recommend to top management, senior manager and business students to read because understanding insight of market intelligence both theoretical and practical experience will give them a big picture and the importance of market intelligence to sustain their business.

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