

COMPETITIVE INTELLIGENCE

Competitive intelligence (CI) helps firms define and understand their industry and identify rivals' strengths and weaknesses. This includes the intelligence gathering associated with the collection of data on competitors and interpretation of such data for managerial decision making. Done properly, competitive intelligence helps a company avoid surprises by anticipating competitors' moves and decreasing response time.

Examples of competitive analysis are evident in daily newspapers and periodicals such as *The Wall Street Journal*, *Business Week*, and *Fortune*. For example, banks continually track home loan, auto loan, and certificate of deposit (CD) interest rates charged by peers in a given geographic region. Major airlines change hundreds of fares daily in response to competitors' tactics. Car manufacturers are keenly aware of announced cuts or increases in rivals' production volume, sales, and sales incentives (e.g., rebates and low interest rates on financing). They use this information to plan their own marketing, pricing, and production strategies.

The internet had dramatically accelerated the speed at which firms can find competitive intelligence. Leonard Fuld, founder of the Cambridge, Massachusetts, training and consulting firm Fuld & Co., specializes in competitive intelligence. His firm often profiles top company and business group managers and considers these issues: What is their background? Style? Are they marketers? Are they cost cutters? Fuld has found that the more articles he collects and the more biographies he downloads, the better he can develop profiles.

One of Fuld & Co.'s clients needed to know if a rival was going to start competing more aggressively on costs. Fuld's analysts tracked down articles from the internet and a local newspaper profile of the rival firm's CEO. The profile said the CEO had taken a bus to a nearby town to visit one of the firm's plants. Fuld claimed, "Those few words were a small but important sign to me that this company was going to be incredibly cost conscious." Another client retained Fuld to determine the size, strength, and technical capabilities of a privately held company. Initially, it was difficult to get detailed information. Then one analyst used Deja News (www.Dejanews.com), now acquired by Google, to tap into some online discussion groups. The analyst's research determined that the company had posted 14 job openings on one Usenet group. That posting was a road map to the competitor's development strategy.

At times, a firm's aggressive efforts to gather competitive intelligence may lead to unethical or illegal behaviors. Strategy Spotlight 2.1 provides an example of a company, United Technologies, that has set clear guidelines to help prevent unethical behavior.

A word of caution: Executives must be careful to avoid spending so much time and effort tracking the competitive actions of traditional competitors that they ignore new competitors. Further, broad changes and events in the larger environment may have a dramatic impact on a firm's viability. Peter Drucker, whom many consider the father of modern management, wrote:

Increasingly, a winning strategy will require information about events and conditions outside the institution: noncustomers, technologies other than those currently used by the company and its present competitors, markets not currently served, and so on.

Consider the fall of the once-mighty Encyclopaedia Britannica. Its demise was not caused by a traditional competitor in the encyclopedia industry. It was caused by new technology. CD-ROMs came out of now here and devastated the printed encyclopedia industry. Why? A full set of the *Encyclopaedia Britannica* sells for about \$2,000, but an encyclopedia on CD-ROM, such as Microsoft Encarta, sells for about \$50. To make matters worse, many people receive Encarta free with their personal computers.

Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor. Strategic Management. 2 ed. New York: McGraw-Hill Irwin, 2005.