

Effective Competitive Intelligence Units

Characteristics of an Effective CI Operation

January, 2014

Contents

- **Executive Summary**
- **Survey Design and Scope**
- **Conducting CI**
- **Communicating Findings**
- **Integrating CI within the Organization**
- **Influencing Strategy with CI**
- **How to Be an Effective CI Unit**



Executive Summary



Executive Summary

- There is no single design or function set that makes a CI unit effective. Each company has its own culture, information needs, and decision-making process, and those factors impact the structure and function of the CI unit. However, there are some functions that seem to be common across CI units that consider themselves to be effective
- Effective CI units are able to engage their user groups earlier in the decision-making process, often at the stage in which the criteria of a decision are being defined
- While many sources of CI are useful, the one source most often linked to a self-declaration as an effective CI unit was primary interviews with competitors
- War Games and Scenario Planning are very common, but about 50% of respondents indicated they do not engage in either
- A budget of \$200,000 per staffer seems about average for the CI units covered
 - Not enough to engage in extensive outside support
 - The more effective units have larger budgets
- Most CI units do not engage in a formal feedback measurement process to determine how effective they are, or even how the CI is used
 - The lack of formal feedback puts the units at a disadvantage when asked to prove value
 - Also makes it hard to evaluate how the unit is performing and identify areas it can improve in



Survey Design and Scope



Survey Design and Scope

- Fletcher/CSI surveyed 287 CI professionals in all major industry groups to assess what an effective CI unit looks like and how it delivers actionable CI
 - The distribution of respondents is representative of the CI universe
 - Respondents from the USA represented 68% of all responses
 - Respondents from Europe represented 16% of all responses
 - The remaining respondents were from Australia, Canada, South America, Asia, and Africa
- The survey examined four main areas of CI effectiveness:
 - Data sources and applications
 - Engagement with other parts of the enterprise
 - Funding and spending
 - Feedback and responsiveness
- The survey identified the actions CI units can take to be effective and the impact successful CI programs have on company strategy and tactics
- Some characteristics seem to carry across organizations



Conducting CI



Quality CI comes from many different sources. Please rank which sources you use most.



- The most commonly used CI source is targeted secondary searches, closely followed by repeatable secondary data collection. This response is similar to the response in the 2012 survey
- As in the 2012 survey, primary research is the least-frequently used source of CI
- Effective CI units ranked primary CI as more important compared to the less effective CI units
 - In effective CI units, Primary CI was ranked with a weighted average of 2.64
 - In less effective CI units, Primary CI's weighted average ranking was only 1.28

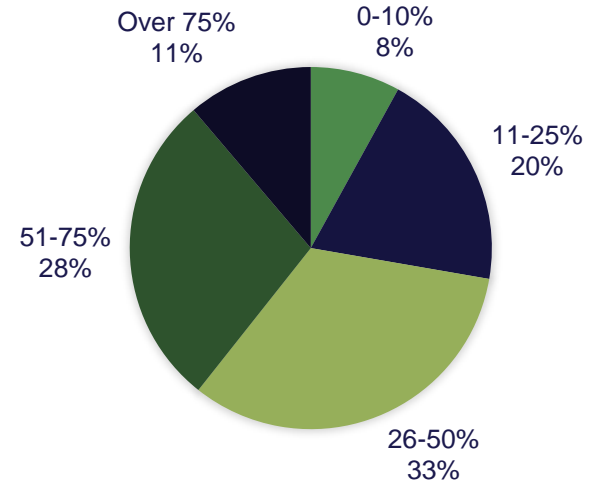
Key takeaway: The most effective CI units use primary interviews along with a variety of data sources and do not rely on any single source



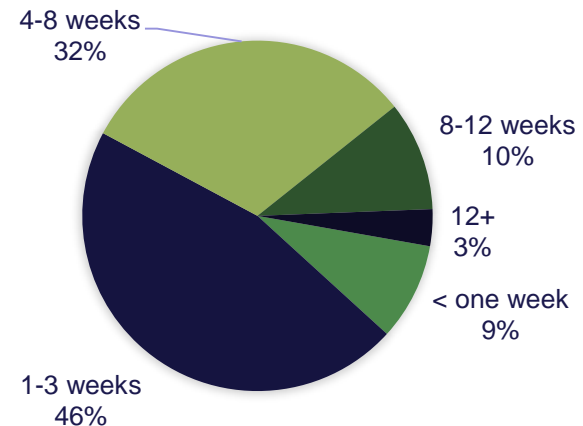
Most CI Units Spend Less Than 40% of Their Time on Project Work

- CI units in general spend most of their time on non-project work
 - However, effective CI units spent more time on project work. Fully 54% of the effective CI units report spending more than 50% of their time on projects
 - Only 21% of the ineffective CI units spent more than 50% of their time on project work. For the non-effective CI units, 51% reported that they spent less than 25% of their time on projects
- Regardless of how effective a CI unit is, most projects are less than four weeks in length

What percent of your CI unit time is spent on project work?



How long is your typical research project?



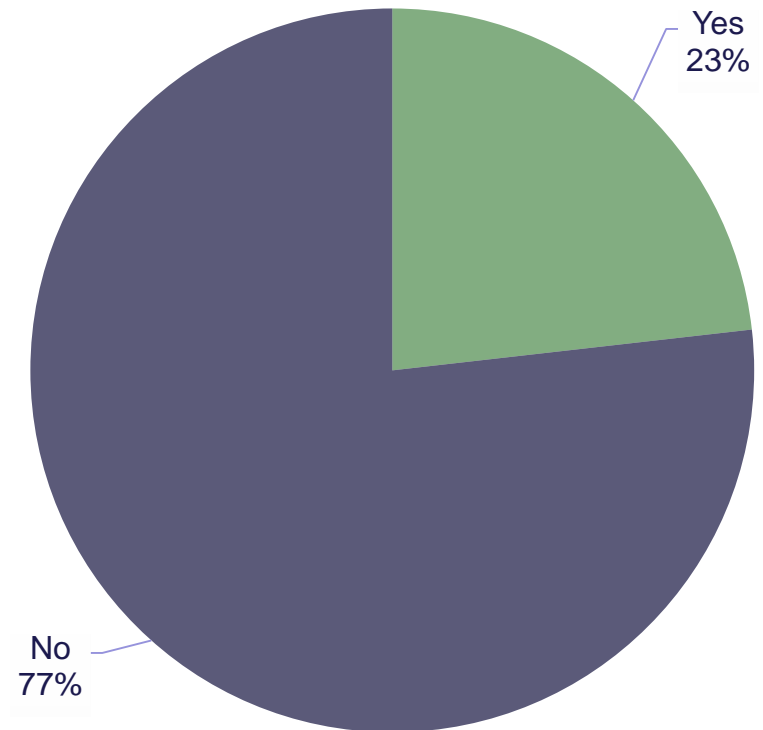
Key takeaway: Effective CI units spend most of their time on project work



Most CI Units Do Not Use War Games or Scenario Planning

- Fewer than 23% of respondents indicated that they engage in War Games or Scenario Planning
 - Those that do mostly hold only one session per year
- The effective CI units were three times more likely to engage in War Games and Scenario Planning than the less effective units

Does your CI unit engage in war game/scenario planning sessions?



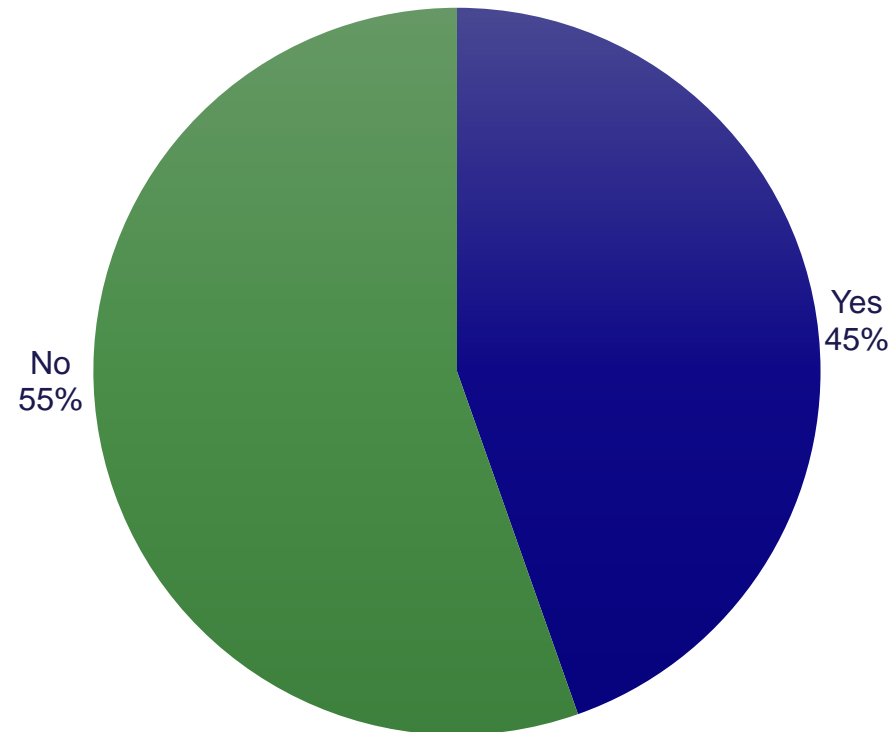
Key takeaway: The majority of groups that engaged in war games and scenario planning considered their operations to be “very effective,” and more strategic



Win/Loss Is a Significant Component of an Effective CI Program

- The majority of CI units do not engage in programmatic Win/Loss efforts
 - Conducting Win/Loss is linked to effective CI overall
 - A majority (55%) of the effective CI units engage in Win/Loss
 - Less than 15% of the ineffective CI units use Win/Loss
- Of the units that do use Win/Loss, the most common application is value proposition alignment, followed by competitor insights and sales force enablement

Does your CI unit engage in Win/Loss analysis?



Key takeaway: An effective Win/Loss program is as important to CI unit effectiveness as conducting war games and scenario planning

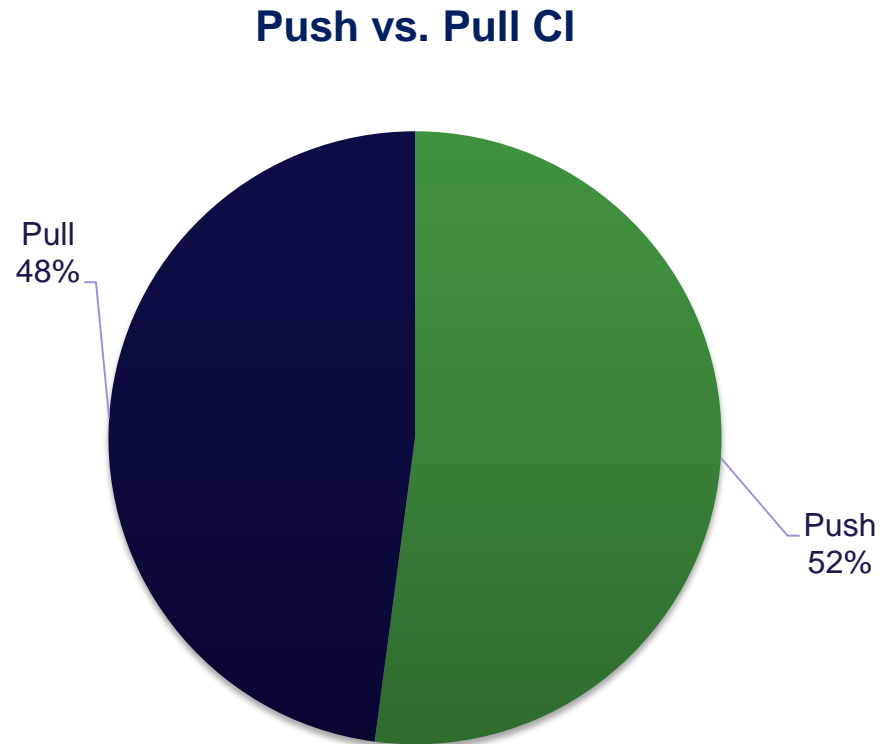


Communicating Findings



“Push” Is a More Common Method of CI Output Than “Pull”

- Among the overall respondent group, usage of “push” and “pull” methods of CI output is roughly equal
 - Either a “push” of information out to groups or waiting for users to request and “pull” information from the CI unit
- Among the respondents who ranked their units as less effective there was a greater use of push than pull
- Less effective units were about 10% more likely to report they were mostly pull compared to those units that reported their operations as effective



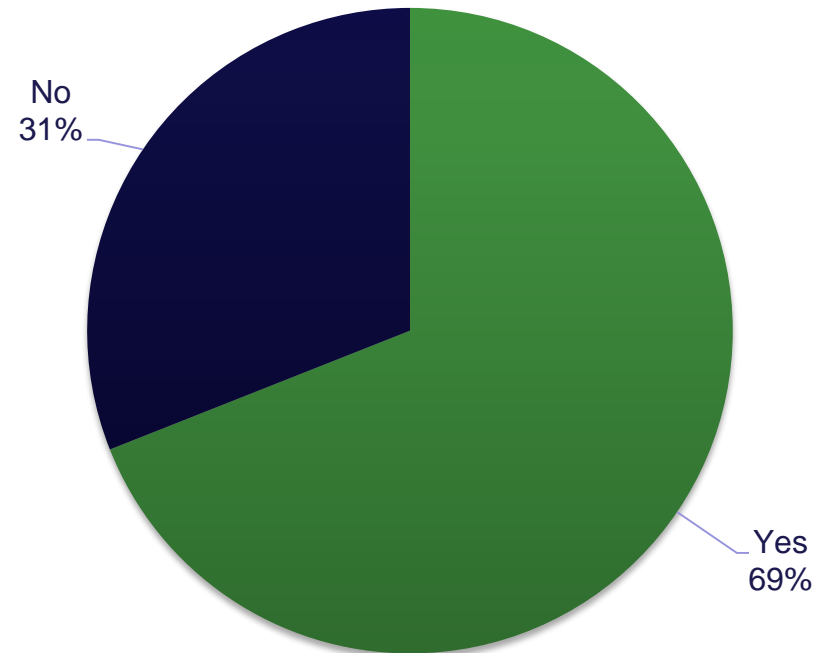
Key takeaway: CI units reported that most often they push competitive intelligence to their user groups, but the pull group was more effective



Most CI Units Send Out Recurring Reports

- While most CI units produce recurring reports in the form of newsletters and monitoring updates, close to one-third do not
 - Among the respondents who indicated that their units were not effective, close to 50% of the units do not produce recurring reports
 - Close to 90% of the effective CI units produce recurring reports
- The connection between recurring reports and CI unit effectiveness seems to be related to the frequency of communication
 - Effective CI units are more likely to produce recurring reports on a weekly basis than less effective units
 - Less effective units are more likely to only produce recurring reports on a monthly basis
- Regardless of the frequency of recurring reports, all CI units most commonly send e-mail to a user list when they distribute reports

Does your CI unit produce recurring reports such as newsletters or monitoring updates?



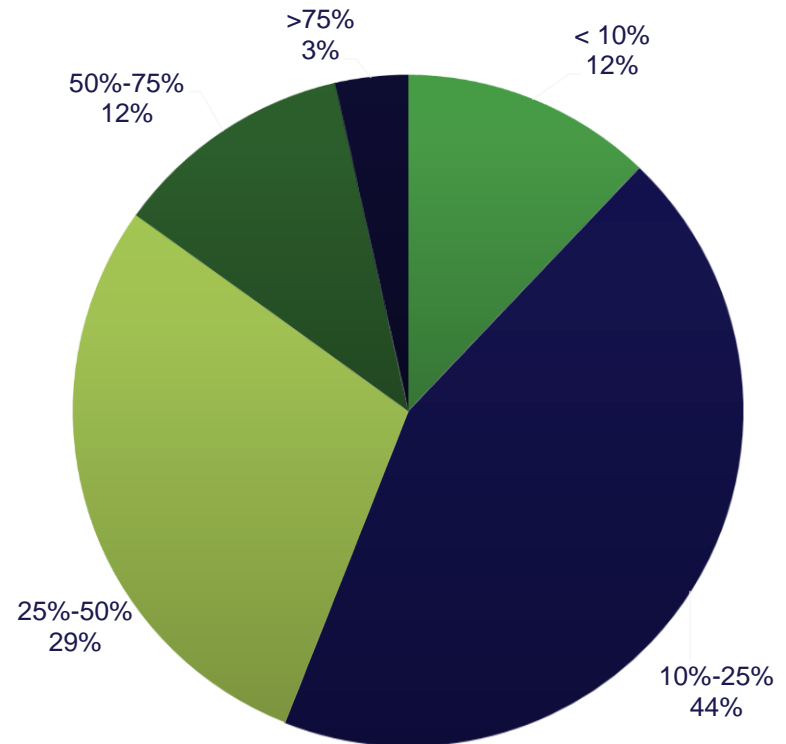
Key takeaway: Recurring reports are a useful tool in creating awareness, and sending weekly reports is linked with effectiveness



Effective CI Units Spend More Time on Recurring Reports Than Do Ineffective Units

- The more effective CI units spend more time on recurring reports compared with other CI units
 - Over 48% of effective units spent between 10% and 25% of their time on recurring reports, and 45% spent more than 25% of their time on recurring reports
 - In the ineffective CI units, less time was spent on the recurring reports
 - roughly 60% of the non-effective units reported spending less than 25% of their time on recurring reports
- For the effective units, the main audience of the recurring reports was the C-Suite, followed by strategy and business unit directors
- In the less effective units, the main audience of the recurring reports was the sales leadership

Percent of CI unit's time spent on recurring reports



Key takeaway: Effective units devote more time to recurring reports, and produce them for the C-Suite

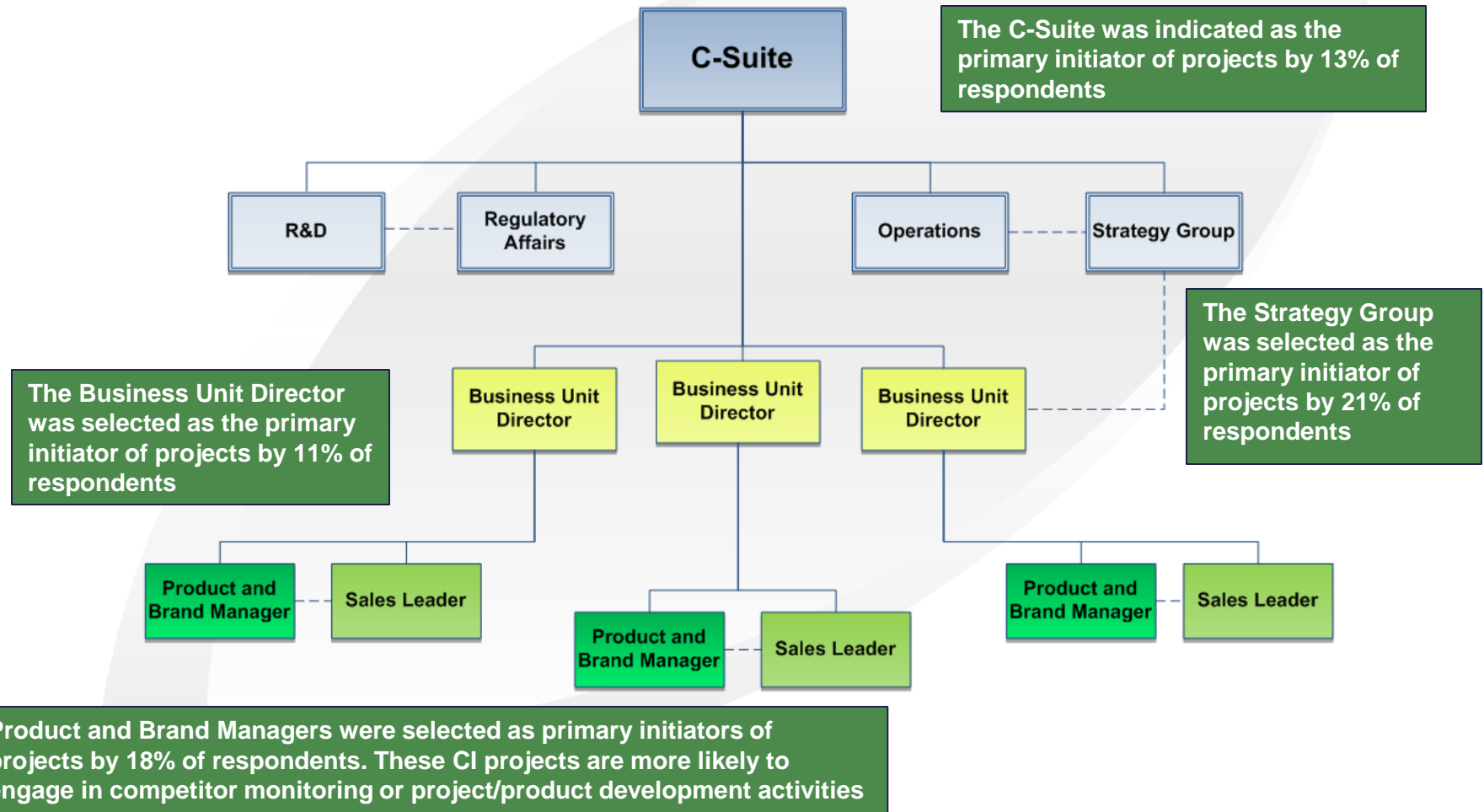


Integrating CI within the Organization



CI in the Org Chart

Competitive Intelligence supports critical decision-making in all areas, at all levels of the organization

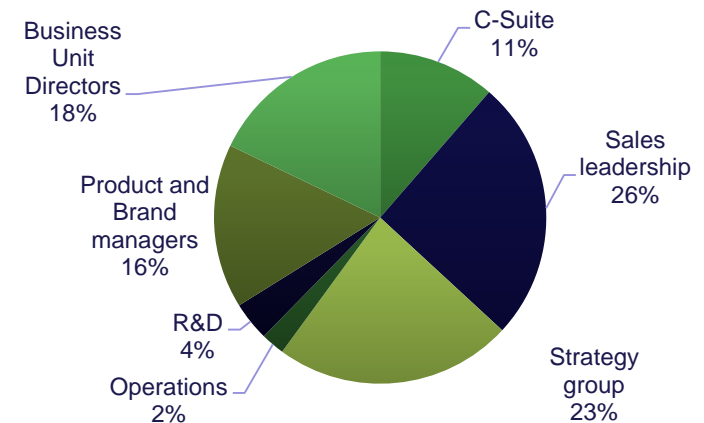


CI User Groups

A plurality of respondents indicated that their primary user group was sales leadership

- Sales leadership was cited as the primary user group by 26% of respondents, closely followed by the strategy group
 - In the 2012 survey, product and brand managers were the main users
- More effective CI units reported strategy groups (26%) or the C-Suite (15%) as the main users. In contrast, only 2% of the less effective CI units cited the C-Suite as the main user of CI
- Less effective CI units were more likely to cite sales leadership (30%) or product managers (23%) as the primary user of CI

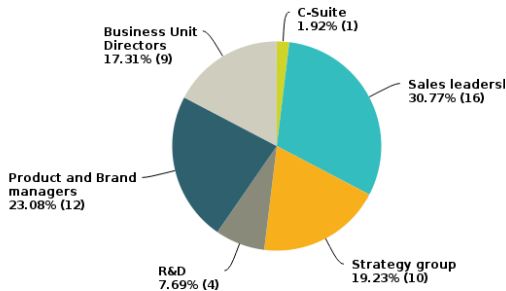
Which group is the primary user of CI



Not Effective

Q2 In most companies, a variety of different groups use CI. Which group is the primary user of the CI you produce?

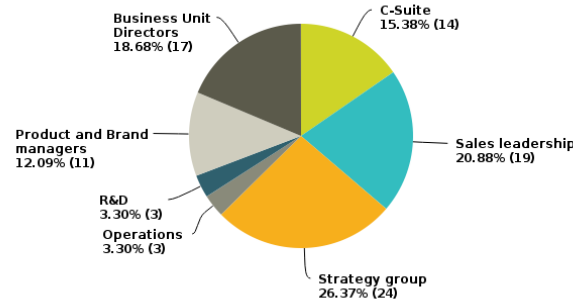
Answered: 52 Skipped: 1



Effective

Q2 In most companies, a variety of different groups use CI. Which group is the primary user of the CI you produce?

Answered: 91 Skipped: 2

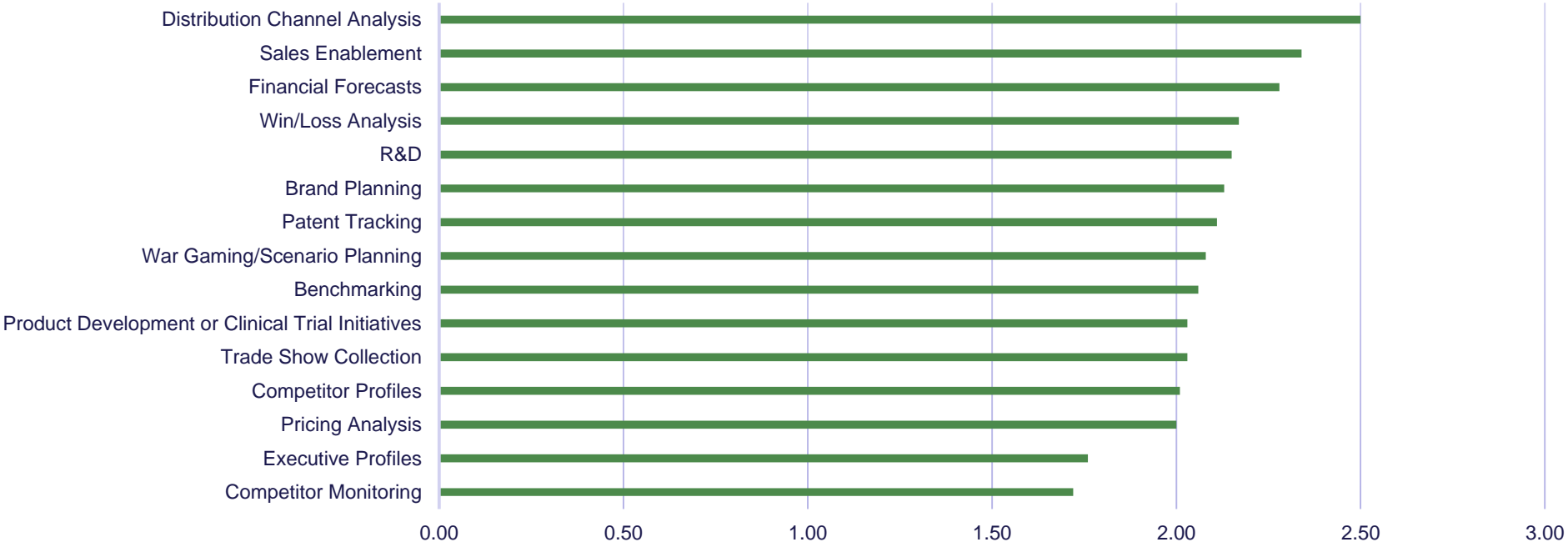


Key takeaway: Effective CI units tie CI to the Strategy Group and the C-Suite



Effective CI Units Support a Range of Functions

Which three CI activities do you support the most?



- Overall, distribution channel analysis is the most frequent activity supported by all CI units, followed by Financial Forecasts and R&D support
- In effective CI units, patent tracking was not mentioned at all, while distribution channels, executive profiles, and sales enablement were cited as the three most common activities
- In less effective CI units, patent tracking and brand planning were the two most frequent activities

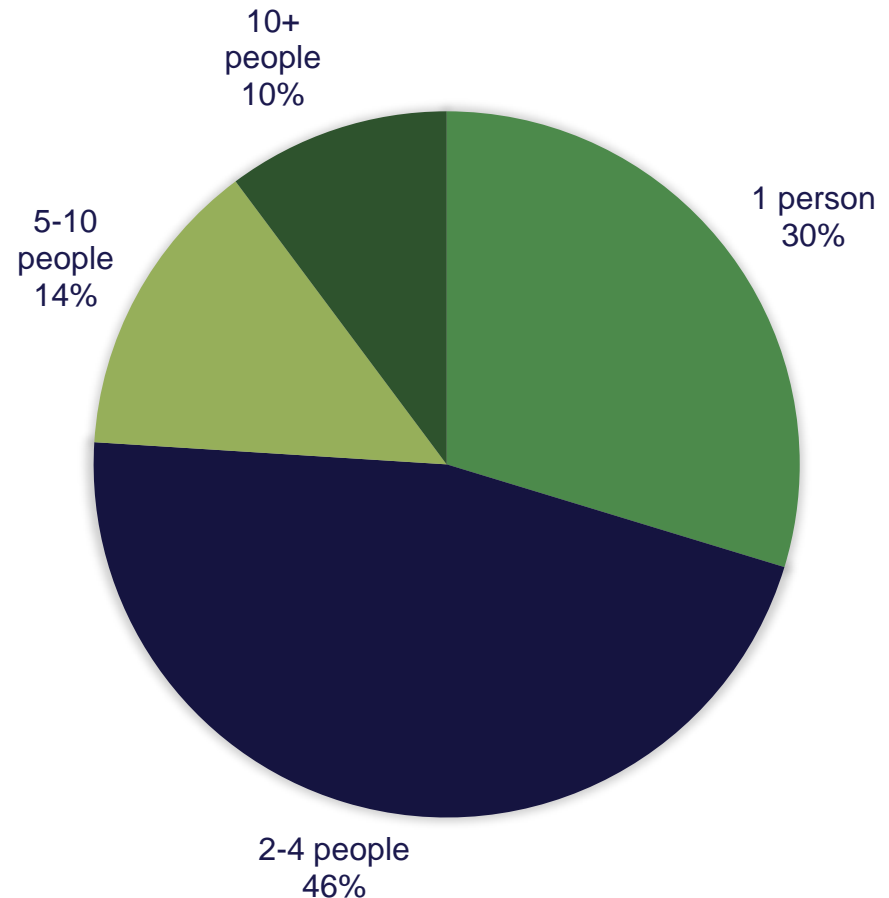
Key takeaway: Some of the most common CI activities are not linked to effective CI



Many CI Units Are between Two and Four People

- A plurality of respondents reported staff levels of between two and four people
- The less effective CI units tended to be smaller in size
- Over 51% of the ineffective CI units have one person, and 92% are under four people
 - Most have budgets of under \$500,000
- In comparison, effective CI units are larger, with 40% having more than 5 people on staff
 - The larger units have budgets of over \$1M
- The more effective CI units spend slightly more on outside contractors (about 15% more)

How large is your CI unit?



Key takeaway: Effective CI units have more staff and larger budgets



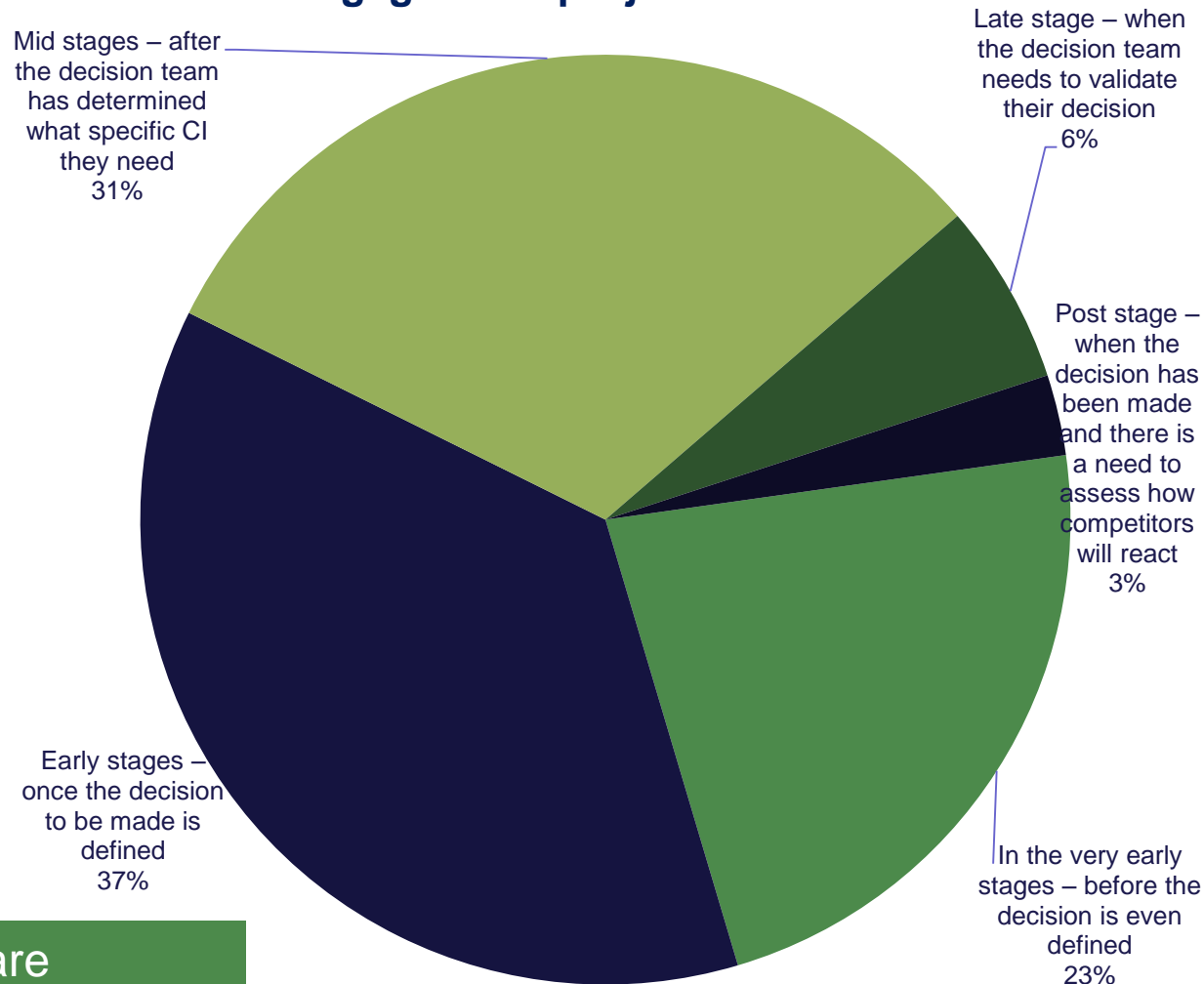
Influencing Strategy with CI



Role of CI in Defining Decisions

- For most respondents, CI is engaged in the early stages of decision-making
 - The role in these cases is to support the decision process once the key parameters of the decision are known
 - In this role, CI brings insight into the actions but not the decision itself
- About one-quarter of the respondents indicated that they are brought in to help frame the decision
 - A more strategic role
 - More often linked to C-suite interactions
- Only a small minority of CI units reported that they were brought in once a decision has been made
 - Not surprisingly, linked to less effective CI units

At what stage is the CI team most often engaged in a project?



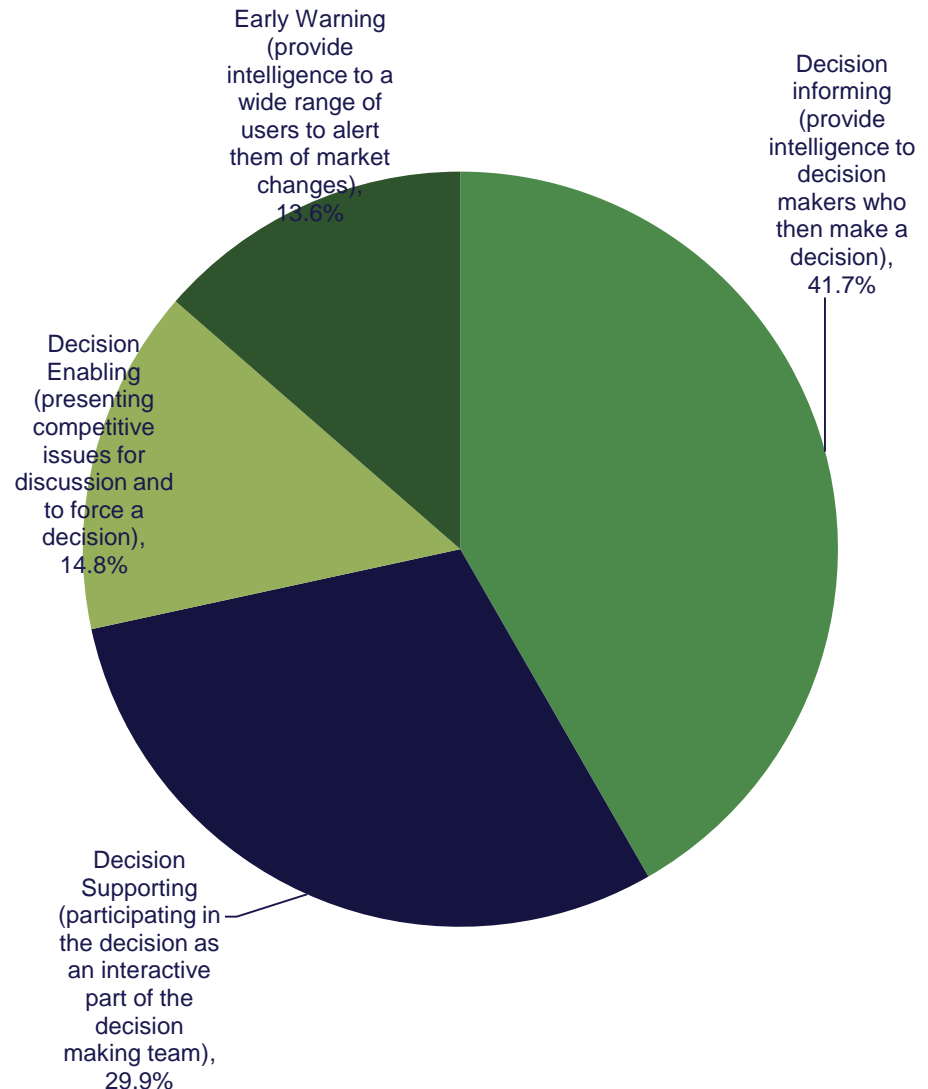
Key takeaway: Most CI units are engaged early in the decision process



Role of CI in Making Decisions

- Most CI units provide intelligence to inform decision-makers, who then make the decision
 - Often without the CI unit engaged in the discussion
 - Units that are an active part of the decision process are a smaller percentage of all respondents
- Among the effective CI units, a higher percentage of respondents were involved in decision support than in the non-effective units
- Early Warning was twice as common a response from the less effective CI units than it was from the effective units

Key takeaway: Effective CI units are often directly involved in the decision-making

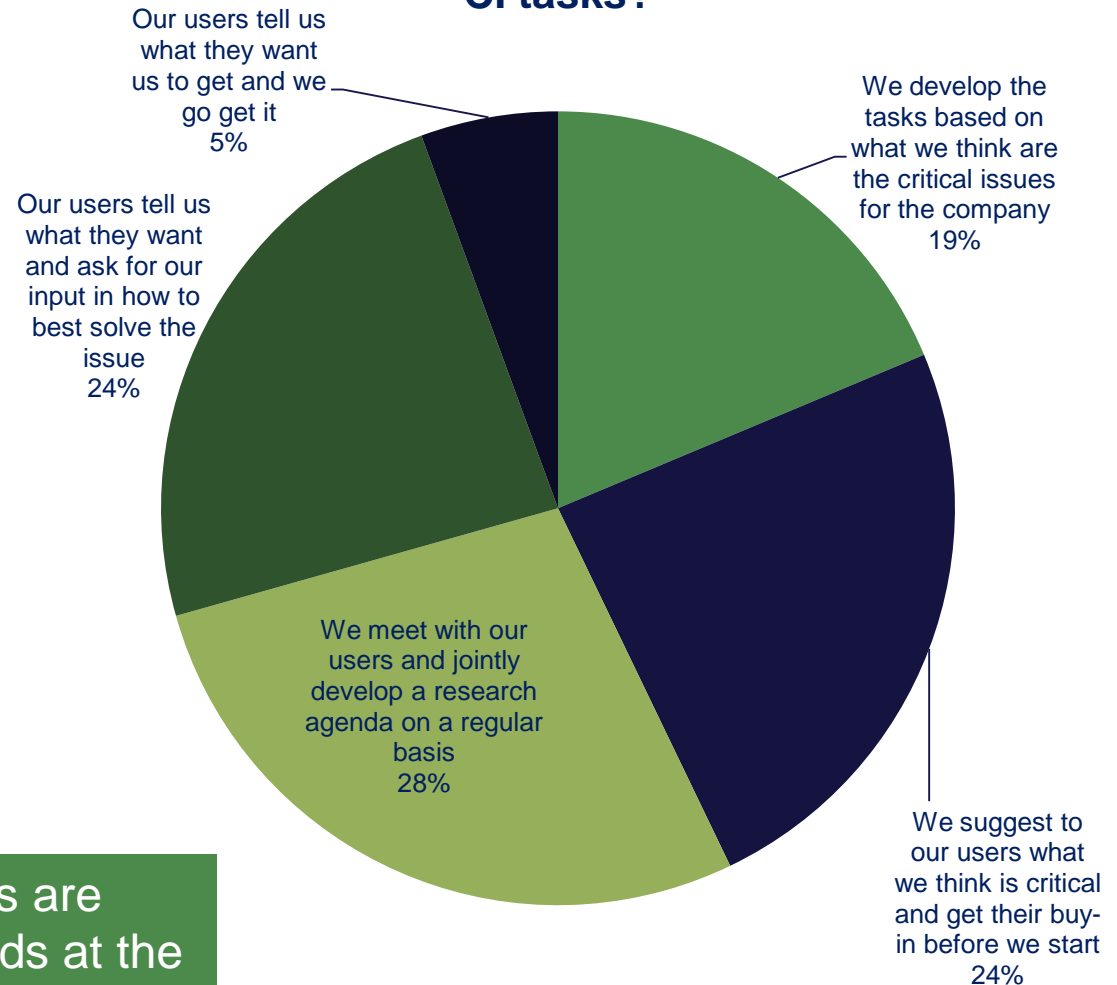


Effective CI Units Are More Likely to Suggest CI Efforts

- The role of CI units in defining CI tasks is evenly divided between being proactive and reactive
 - Effective CI units are twice as likely to suggest tasks to build consensus compared to less effective units
 - Less effective CI units are also twice as likely to react to user requests compared to average units, and three times as likely to be reactive compared to Effective CI units
- Effective CI units are also more likely to define CI tasks jointly with users than are less effective units

Key takeaway: Effective CI units are proactive in determining CI needs at the company

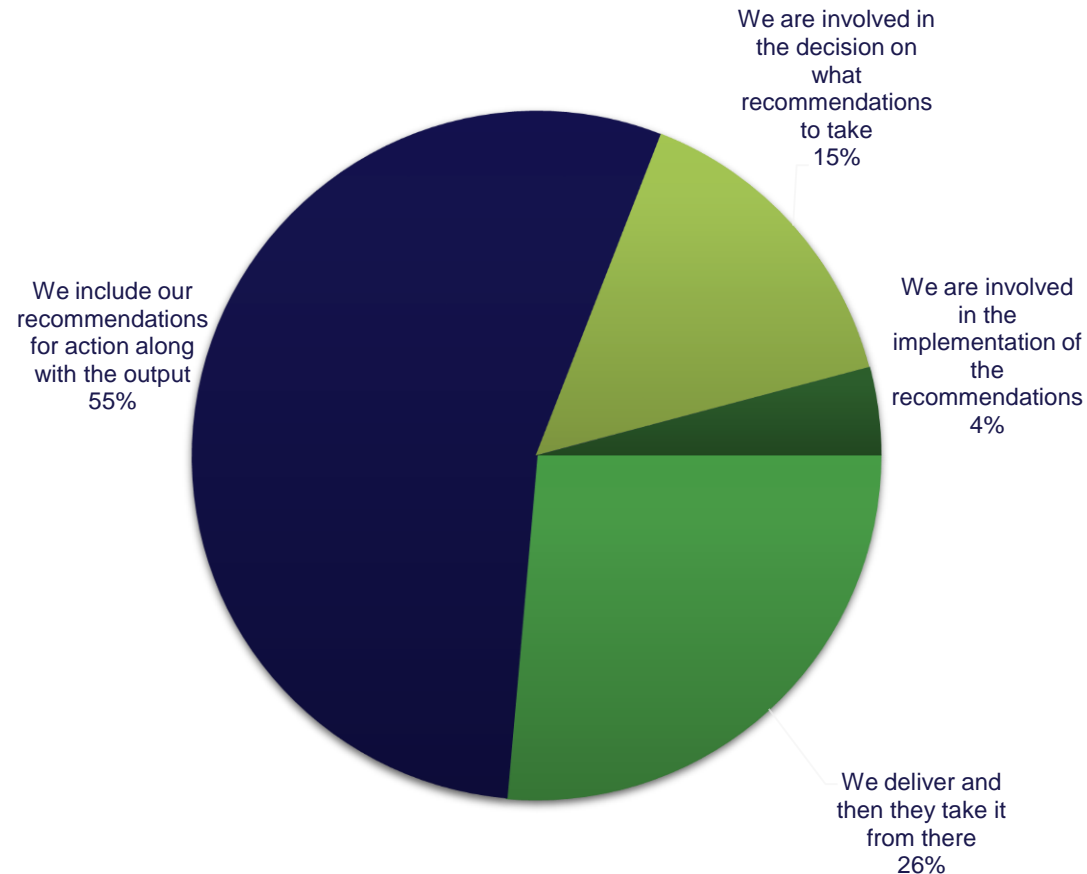
What is your most frequent role in defining CI tasks?



Delivering Recommendations

- A majority of respondents indicated that they include recommendations for action in their CI output
 - In the less effective CI units, over 43% of the respondents replied that they do not provide recommendations
 - Only 14% of the effective CI units do not include recommendations in their reports
- There is a significant difference between effective and ineffective CI units when it comes to the implementation of the recommendations
 - Over 30% of the effective CI units reported that they were either involved in the decision on what recommendations to take or in the implementation of the recommendations
 - Fewer than 10% of the ineffective CI units were similarly involved

What role do you have in recommendations?

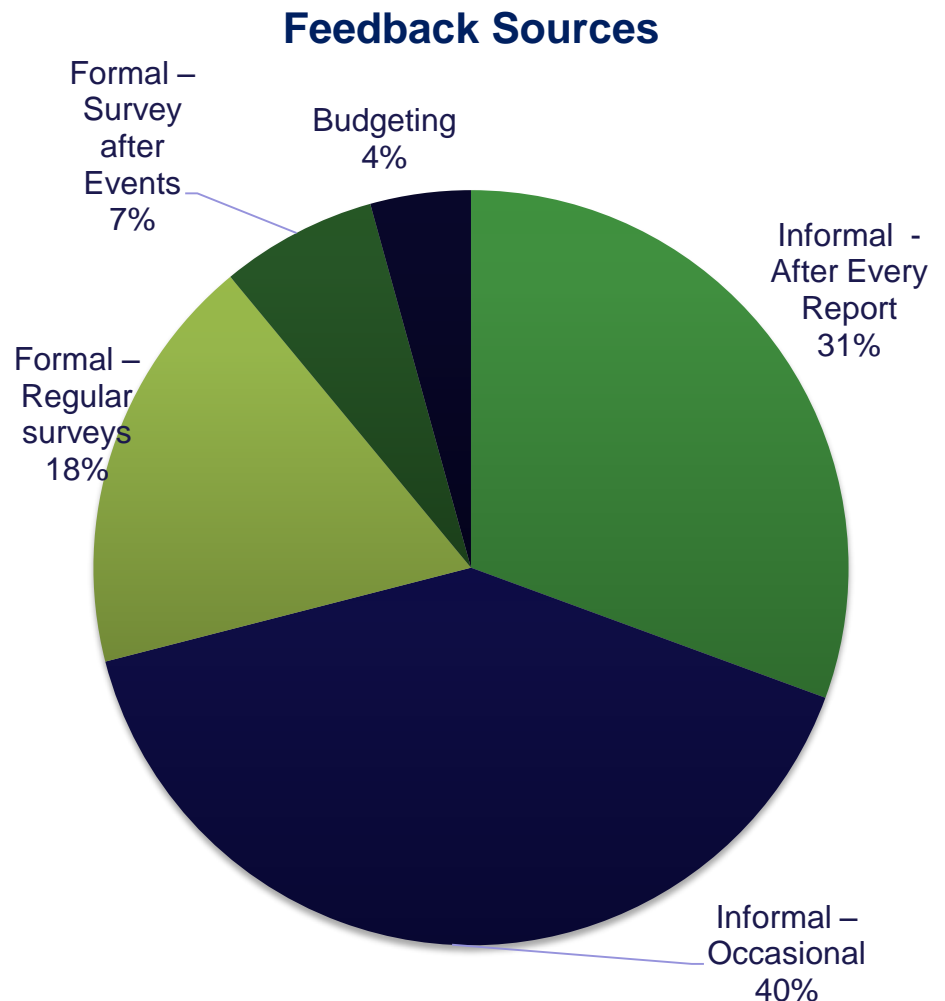


Key takeaway: Effective CI units stay engaged after the project is completed and contribute to the implementation of CI recommendations



Effective CI Units Have Formal Feedback Mechanisms

- A plurality of respondents use informal feedback mechanisms to measure success and impact
 - Effective CI units were five times more likely to use formal feedback than less effective CI units
 - But still more likely to use informal methods than formal ones
- The units that used formal feedback mechanisms were also more likely to be engaged in strategic CI
 - Slight difference among the effective CI units
 - The less effective CI units that used informal feedback were three times less likely to be strategic than the effective CI units
- Units that used formal feedback methods were also more likely to be more established (over three years)



Key takeaway: Effective CI units have a formal feedback system in place



How to Be an Effective CI Unit



How to Be an Effective CI Unit

- Lobby to build interest in your CI unit
 - Show your user groups how CI can benefit them both professionally and personally
 - Appeal to CI users by helping them succeed
- Truly understand your client's needs and challenges. Ask, clarify, challenge and understand
 - They may ask you to go fetch information. You need to continually probe to get to the root of the issue and what problem they are trying to resolve
 - Ask the "So What" questions to make sure what they want is actionable, or find out if there is another way to get more relevant insight. Help your team see what may be missed, even though it may be right in front of their eyes
 - Consider what is most important to them. Ask them to answer: "All I really care about is _____."
- Design an effective research initiative that gets to the root of the issue
- Understand how your clients think and how they digest information
 - What is best for them?
 - Orchestrate your presentation – start at 30,000-foot level, then go to sea level
 - Also ask yourself three questions before presenting the findings:
 - For what? For what reason are you giving the presentation?
 - So what? Why is this important to the audience?
 - Now what? What do you want to have happens as a result of the presentation?
- Understand the "outside influences" and "politics" when presenting data and be prepared for objections/confrontation/questions
- Be proactive in following up to see how useful the data was and whether it was taken into consideration when making a decision. If not, why?
- Continue to get maximum exposure for your contribution – market yourself! Keep your internal clients engaged. Find a coach within your organization that can help



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program consulting and training
sales battle cards
lead qualification

Conference and trade show intelligence
3rd party collection and analysis
program consulting and training

Custom market research
customized, proprietary studies
voice of customer
mystery shopping

Competitive intelligence and analysis
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