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Effective Competitive Intelligence Units

Characteristics of an Effective CI Operation

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Contents

- **Introduction and Scope**

- **Executive Summary**

- **Functional Characteristics**

- **Integration with Operations**

- **Scope and Coverage**

- **Operational Characteristics**

- **Budgets and Spending**

- **Idealized CI Unit**

BACKGROUND AND METHODOLOGY

➤ **In January of 2012, Fletcher/CSI surveyed all major industry groups to assess what an effective CI unit looks like and how it delivers actionable CI**

- A total of 387 CI units responded

- 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

SCOPE

➤ **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 what actions effective CI units take that allow them to be effective and the impact they have on company strategy and tactics**

➤ **Some characteristics seem to carry across organizations**

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Executive Summary

Effective CI Unit Design Varies by Industry and Company Type

- 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 that impacts the structure and function of its CI unit

Common Functions Exist across Effective CI Units

- Effective CI units are able to engage their user groups earlier in the decision-making process, often at the stage in which the elements of a decision are being made
- 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
    - Which was also the source respondents least frequently cited as the most important
- War Games and Scenario Planning are very common, but not universal
    - About 50% of respondents indicated they engage in neither one
- A budget of $200,000 per staffer is about average for the CI units covered
    - This amount is typically not enough to engage in extensive outside support
- 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
    - This lack of formal feedback puts the units at a disadvantage when asked to prove value
    - Also makes it hard to evaluate if the unit is providing value to users

Primary CI User Groups

A plurality of respondents indicated that their primary user group was product and brand managers

In most companies, a variety of different groups use CI

- The product and brand manager group was cited as the primary user by 25% of respondents
- CI units that reported Operations and Strategy as their top user groups were more likely than other groups to be engaged in decisions at the very early stages
  - 56% of Operations respondents and 52% of Strategy respondents reported very early involvement
  - The units that cited Sales Leadership as the top user cited very early engagement 18% of the time
- The low response rate for units that cited Operations and R&D as top users suggests that they are not a regular user of CI
  - However, this reporting group also reported that they were either very effective or somewhat effective and involved in all major decisions
  - Almost no respondents from these groups rated their group as ineffective, compared to 12% for all groups
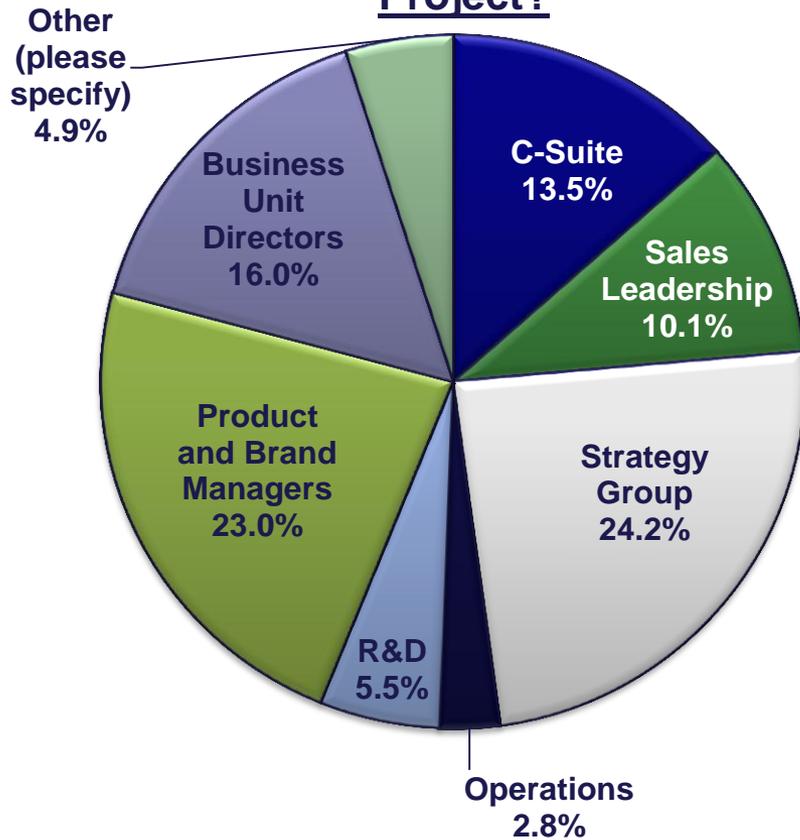
Which group is the primary user of the CI you produce?

Pie chart:
- C-Suite 13.6%
- Sales Leadership 14.2%
- Strategy Group 19.6%
- Operations 3.1%
- R&D 9.4%
- Product and Brand Managers 25.3%
- Business Unit Directors 14.8%

CI Project Initiation

Product and Brand Managers were most often cited as the research initiator

Who Typically Initiates a Research Project?

- Other (please specify) 4.9%
- Business Unit Directors 16.0%
- Product and Brand Managers 23.0%
- R&D 5.5%
- Operations 2.8%
- Strategy Group 24.2%
- Sales Leadership 10.1%
- C-Suite 13.5%

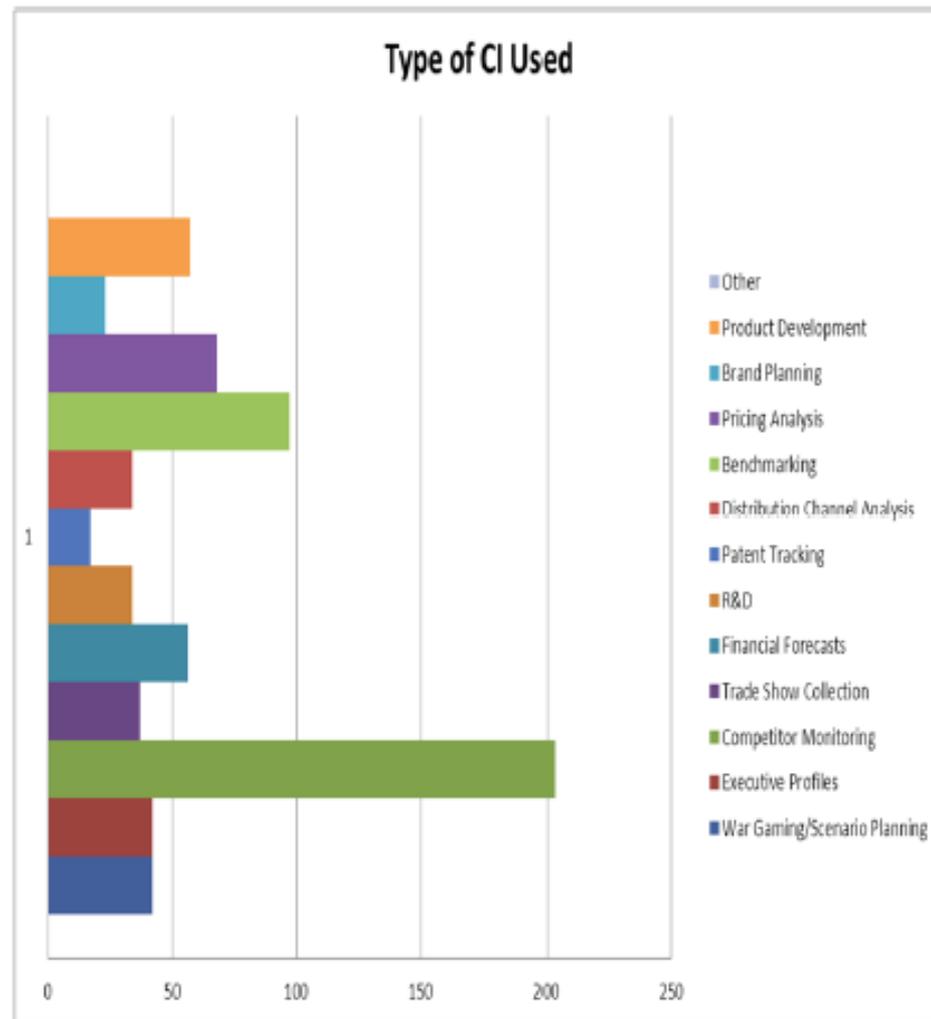## CI Unit Effectiveness Appears to Vary According to Project Initiator

- 23% of the units that indicated their projects were typically initiated by Strategy and Operations or Product and Brand Manager considered themselves to be very effective as a CI unit
- 29% of the units that reported that research projects were initiated by Operations rated their units as very effective compared to 15% overall
- Only 7% of the units that indicated that projects were initiated by Sales Leadership considered their units to be very effective
- 23% of the units that replied that Business Unit Directors were research project initiators rated their operations as not very effective
  - This was the highest reporting of ineffectiveness, across all groups
  - This subset is also more likely to use Monitoring and Tracking reports (29%) than the overall sample (22%)

Respondents Reported that Multiple Types of are CI Used

Competitor Monitoring Broadly Used Was Linked to Effectiveness

➢ **The most often-cited type of CI used is Competitor Monitoring, which was cited by 72% of all respondents**

- **As an activity, Competitor Monitoring ranked twice as high as the second-most cited CI type, Benchmarking**

- **Patent Tracking and Brand Planning were the lowest-ranked activities**

- **When matched with unit's effectiveness, those units that indicated they used Competitor Monitor ranked very effective slightly more often than average**
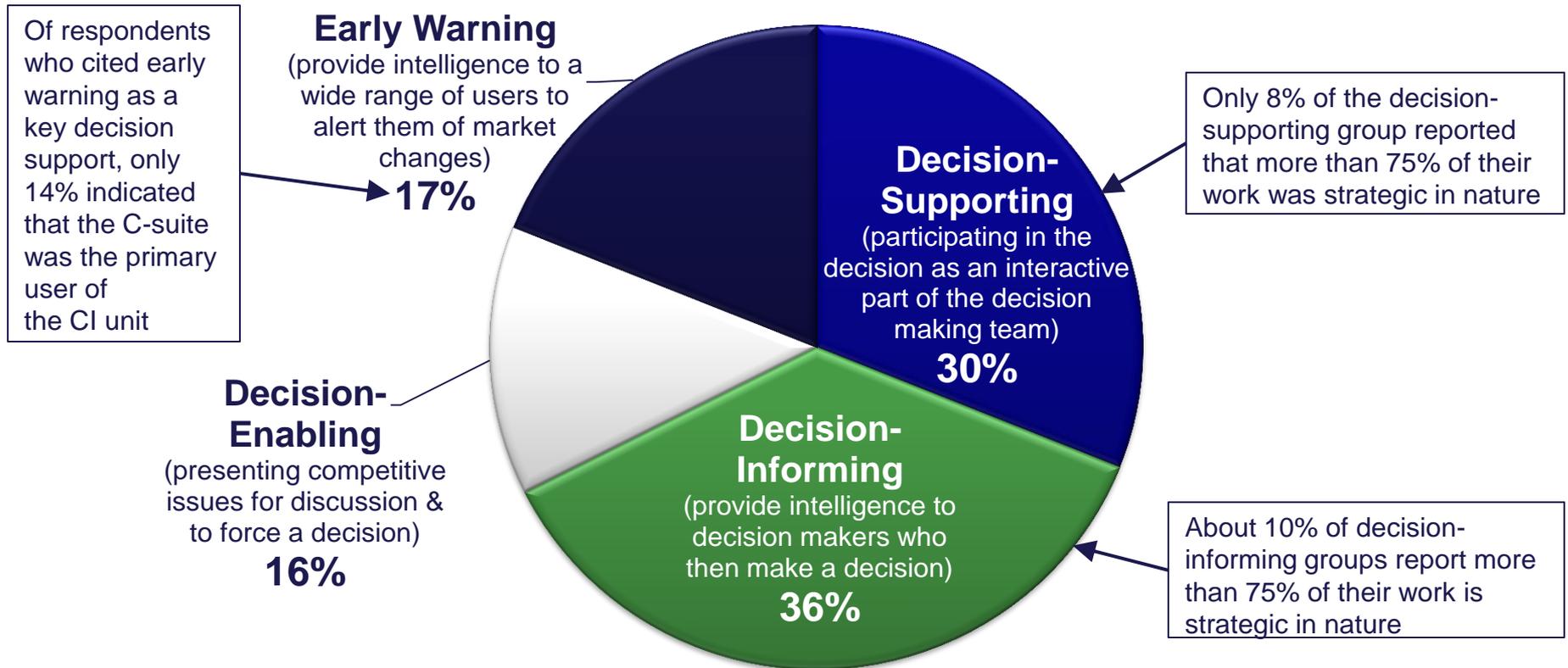

Type of CI Used

Legend: Other, Product Development, Brand Planning, Pricing Analysis, Benchmarking, Distribution Channel Analysis, Patent Tracking, R&D, Financial Forecasts, Trade Show Collection, Competitor Monitoring, Executive Profiles, War Gaming/Scenario Planning

Competitor Monitoring is often linked to an effective CI unit

Decision-Information & Support Are Central Functions

The plurality of CI units consider themselves to be decision-informing, followed by decision-supporting

CI Unit Decision Support Role

Of respondents who cited early warning as a key decision support, only 14% indicated that the C-suite was the primary user of the CI unit

Early Warning
(provide intelligence to a wide range of users to alert them of market changes)
17%

Decision-Enabling
(presenting competitive issues for discussion & to force a decision)
16%

Decision-Supporting
(participating in the decision as an interactive part of the decision making team)
30%

Decision-Informing
(provide intelligence to decision makers who then make a decision)
36%

Only 8% of the decision-supporting group reported that more than 75% of their work was strategic in nature

About 10% of decision-informing groups report more than 75% of their work is strategic in nature
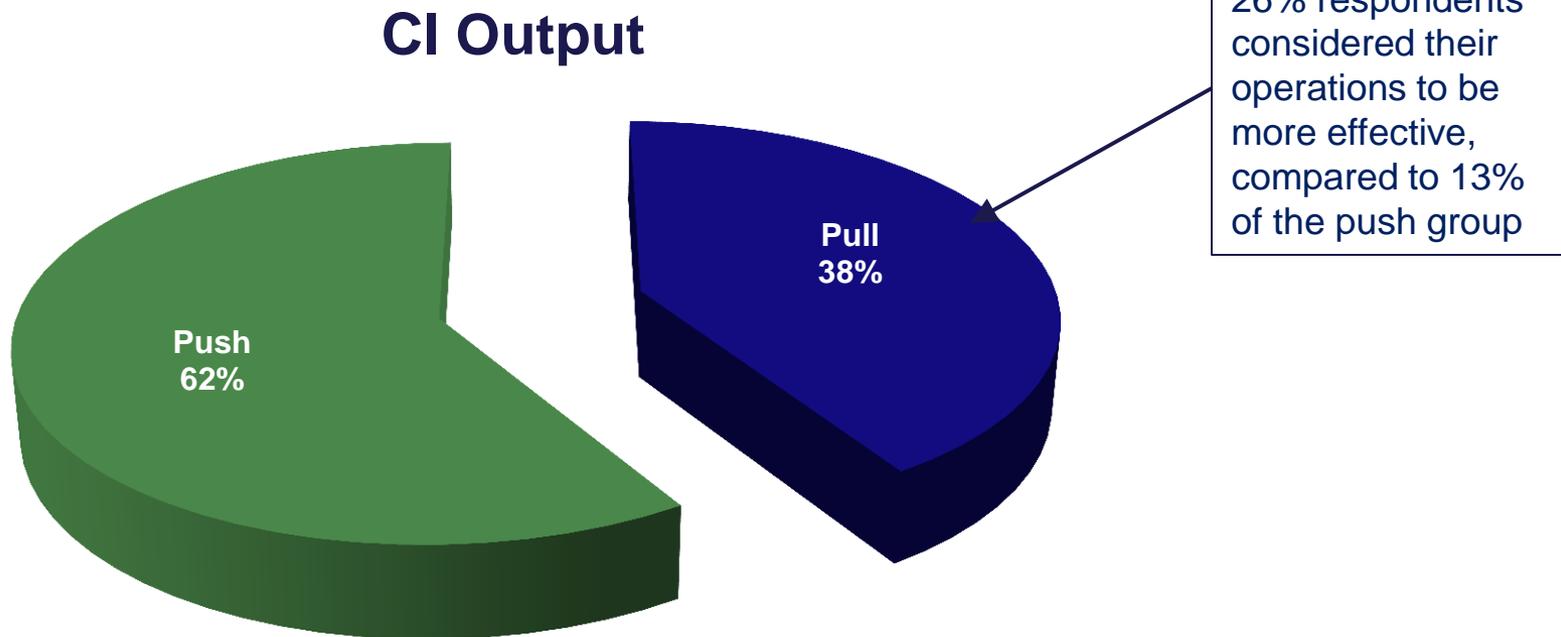
Decision-Informing groups were more likely to report that they were very effective (18%) than Decision-Supporting (11%)

Push is a More Common Method of CI Output

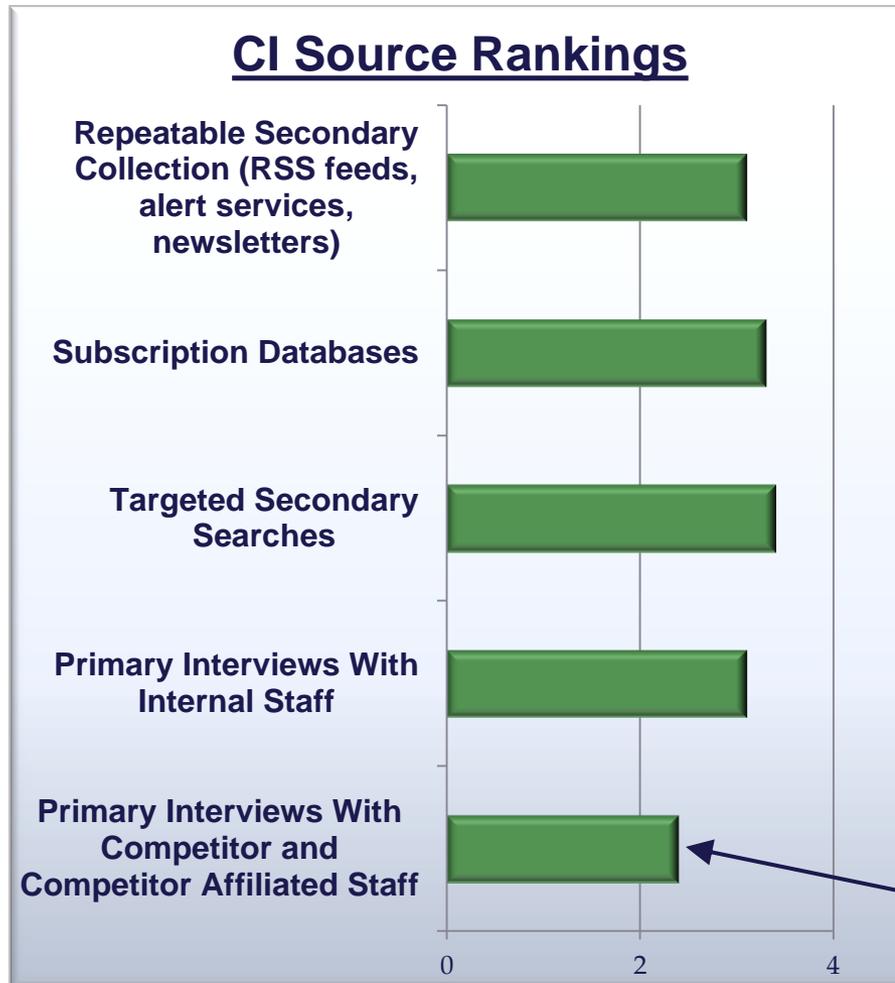**There were no significant differences in the types of CI produced or user groups based on push or pull**

CI Output

Of the pull group, 26% respondents considered their operations to be more effective, compared to 13% of the push group

Push
62%

Pull
38%

CI units reported that most often they push competitive intelligence to their user groups

Effective CI Units Use Primary Data Collection from Competitors

The highest-ranked source of CI was targeted secondary sources, followed by subscription databases, then primary interviews with internal staff

CI Source Rankings

Source	Ranking
Repeatable Secondary Collection (RSS feeds, alert services, newsletters)	
Subscription Databases	
Targeted Secondary Searches	
Primary Interviews With Internal Staff	
Primary Interviews With Competitor and Competitor Affiliated Staff	

(x-axis scale: 0, 2, 4)

Use of Primary Data Collection is a Key Indicator of CI Unit Effectiveness

➢ **The least frequently cited source was most frequently linked to an effective CI unit**

➢ **Respondents who indicated that primary data collection from competitors was the most important or next most important source of CI were more likely to consider their unit to be effective**

- Of the groups that indicated primary interviews as their most important source, 29% ranked their units as very effective

- Of the respondents who ranked Targeted Secondary Collection as their main source of CI, only 19% rated themselves as very effective

- Of the units that cited primary interviews as a key source, only 2% responded that their unit was not effective

Primary interviews with competitor staff was the lowest-ranked data source

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Effective Units Have a Role in the Use of CI

A plurality of respondents indicated that they include recommendations for action in their CI output

- These respondents were also more likely to work with the Product and Brand Managers than the overall sample (25% vs. 20%)

- 16% of these respondents reported that they are more likely to work with the C-Suite vs. 13% of the overall sample

Roles in the Use of CI
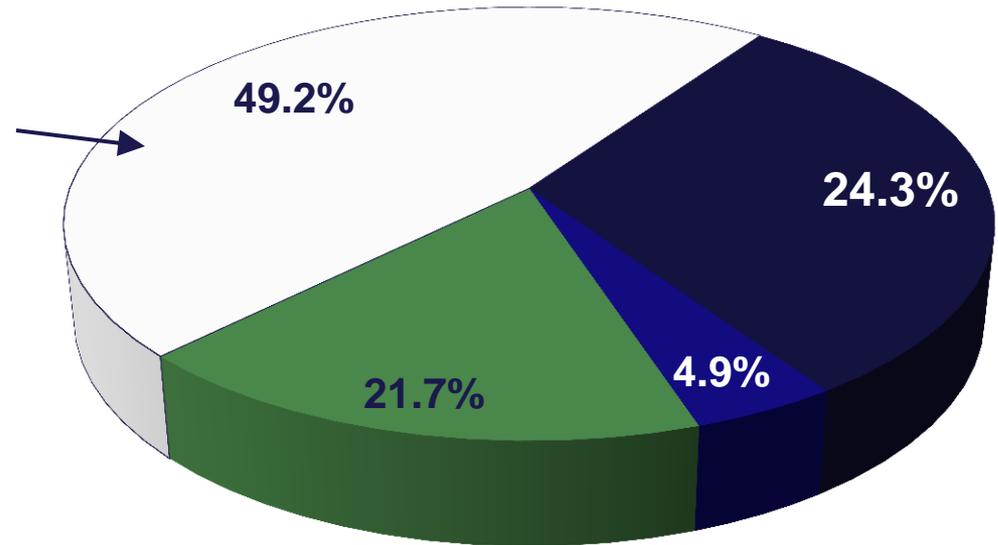
- We are involved in the implementation of the recommendations

- We deliver and then they take it from there

- We include our recommendations for action along with the output

- We are involved in the decision on what recommendations to take

The low number of respondents who indicated they were involved in the implementation as well as the recommendations suggests that most CI units are advisory in nature

War Gaming/Scenario Planning is Not Ubiquitous

A majority of respondents indicated that their CI units did not engage in War Game/Scenario Planning sessions

War Games/Scenario Planning Not Common, but Correlate with Unit Effectiveness

- **Almost 2/3 of respondents do not engage in War Game/Scenario planning**
  - Of those who do, 33% have between 2-3 sessions per year
  - 48% hold one session per year
- **Groups that use War Game/Scenario Planning sessions were more likely to consider their operations effective**
  - 28% considered their operations "very effective"
  - The group that did not engage in war game/scenario planning sessions considered their operations "very effective" only 15% of the time

Does Your CI Unit Use War Game/Scenario Planning Sessions?

No 64.0%

Yes 36.0%
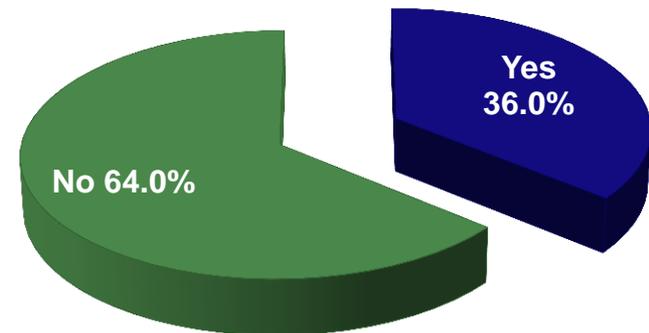
The majority of groups that engaged in war games and scenario planning considered their operations to be "very effective," and more strategic
(32% stated that 50%-75% of CI tasks are strategic, and 15% stated they are over 75%)

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Most CI Units are Between Two and Four People

The largest group of respondents reported CI unit staff levels of between two and four people

Positive Correlation Between Unit Size and Budget

➢ **There was a direct link between unit size and total budget, with the larger units having larger budgets**

  - Most CI units budget $100,000 per staff member
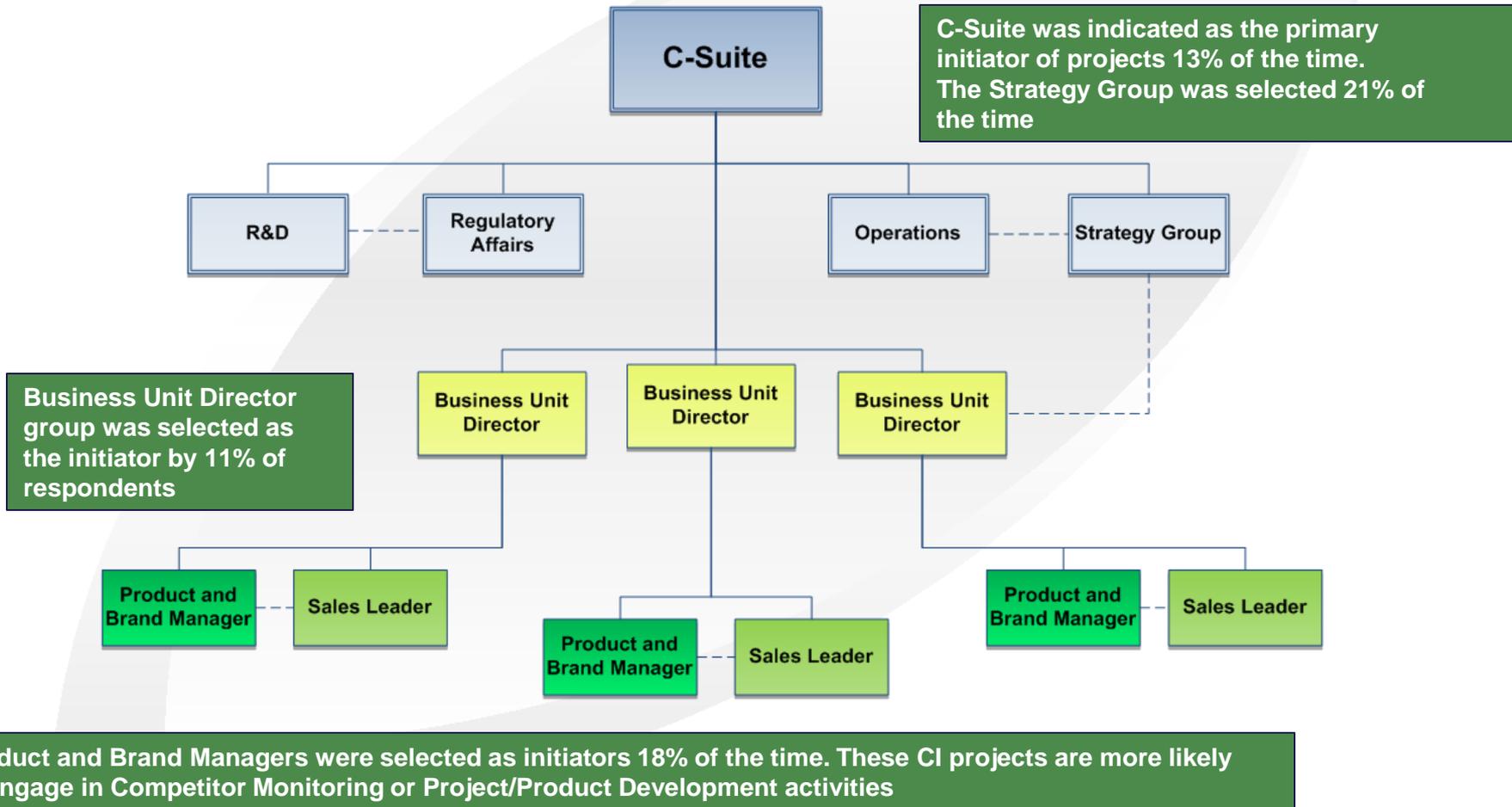 - Larger Units budget closer to $200,000 per member

CI Unit Size

- 5-10 people 16%
- 10+ people 9%
- 1 person 24%
- 2-4 people 51%
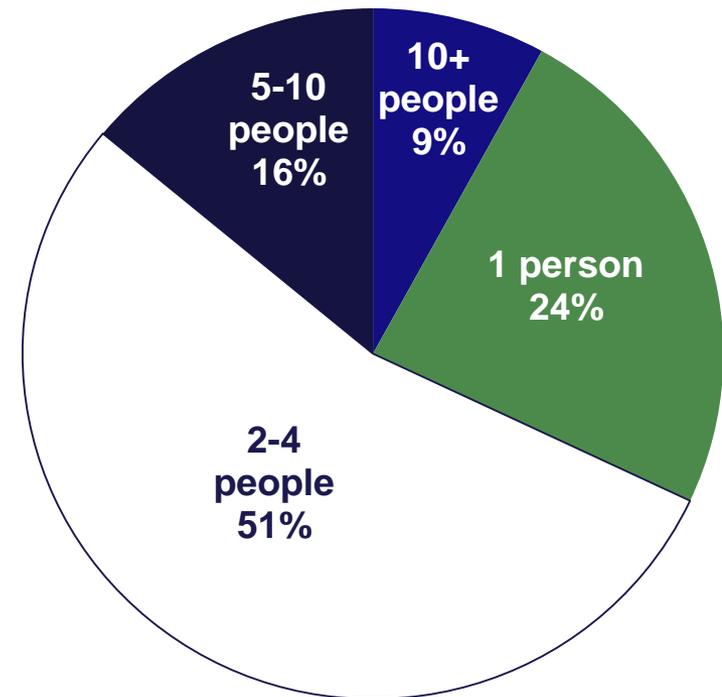
Unit size did not have a significant impact on unit effectiveness

Diagram of CI Usage

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

C-Suite was indicated as the primary initiator of projects 13% of the time. The Strategy Group was selected 21% of the time

Business Unit Director group was selected as the initiator by 11% of respondents

Product and Brand Managers were selected as initiators 18% of the time. These CI projects are more likely to engage in Competitor Monitoring or Project/Product Development activities

Feedback on CI Units Is Informal

Informal Feedback Is Most Common, but Formal Feedback Offers Benefits

- The most common response on how feedback was obtained on CI projects was to use informal means
  - Relies on chance or scheduled meetings where feedback is not the primary goal
- Formal processes were cited only 30% of the time
  - Formal feedback was sought through both regular surveys and post-event surveys
  - Formal feedback respondents were twice as likely to use push than pull compared to almost even for all respondents
- Formal respondents were also more likely to be brought in earlier in the decision making process

Feedback Types
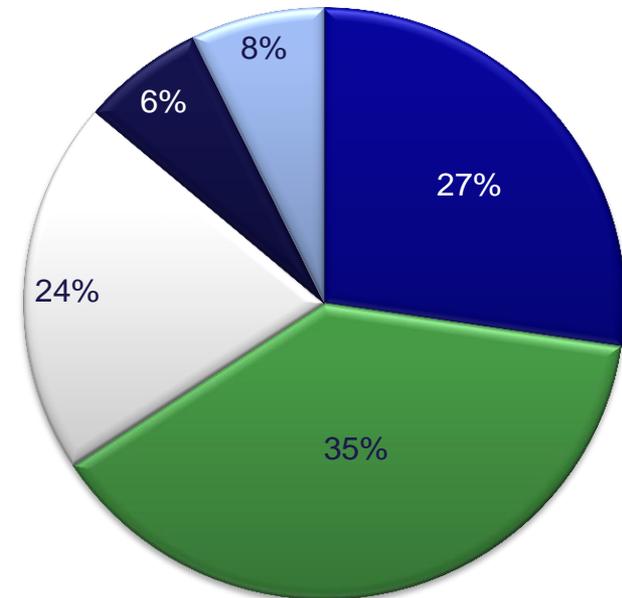
- ■ Informal – I ask the users if they liked it after every report and found it useful
- ■ Informal – I ask users now and again when I see them
- ■ Formal – We have a regular survey of our users
- ■ Formal – We survey users after a key event
- ■ Budgeting – Our budget is proof of our value

27%
35%
24%
6%
8%

Key Elements To Be Effective

- Lobby to build interest in your CI unit
  - Show your user groups how they can benefit <u>professionally and personally</u>
  - Remember–deep down, emotion almost always trumps
- 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 if there are ways to get other insights. Help your team see what may be missed, even though it's 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 question/issue
- Understand how your client thinks and how they digest information
  - What is best for them?
  - Orchestrate your presentation – start at the 30,000-foot level, then go to sea level
  - Also ask yourself 3 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 happen 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 if the data was useful 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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To Learn More About Effective CI Units

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