Competitive Intelligence: Understanding the Secret Techniques Your Competitor Is Using Against You

Bill, the Chief Marketing Officer at a large manufacturing company in the Midwest seemed puzzled as he sat down to lunch with me recently.

"I just don't get it," he said. "I have some of the top talent in the country on my staff, I have a leading brand and our company has a real tradition of innovation. But over the past couple of years it seems as if we're always behind the curve. We always seem to start out with some new and unique ideas but somehow by the time we get to rollout, our biggest competitor has already launched something similar. We've lost millions in market opportunity and it puts our sales reps in a defensive position -- and me in a bad mood."

Bill went on to explain that he had originally suspected some kind of 'mole' or inside employee feeding secrets to the competitor, but security had checked everyone out and found no unusual behavior or activity that would indicate a leak. They had done awareness training with those that handle sensitive information and Bill felt that, while worthwhile, his strategic situation still hadn't improved.

"I'm at a loss" he said, knowing that I had built and managed competitive intelligence departments for some major corporations in the past, "where do I go next? We're still getting beat to market and it's not improving. I'm starting to feel like our CEO is wondering what's going on and I don't have any answers."

As I pondered his question I could see that this was no idle chit-chat. Bill needed to explain what was going on and start putting together a plan to turn it around or he feared he'd be looking for another job before long.

Your Competitor has a Capability That You Don't

"Listen Bill" I said, "it sounds like you're doing everything right. You're playing the game the right way..."

"Yea, but I'm not winning..."

"OK," I began, "If your CEO is starting to wonder what's going on with you and your product development processes, maybe we should start by trying to understand what's really happening with your competitor."

"How would you know that?" He asked. "You don't even know our industry that well."

"That's correct, I am not well versed in your industry," I agreed, "but I know the discipline of Competitive Intelligence, or CI. Let's start with the fact that I know your competitor is active in the intelligence discipline. I met a couple of their intelligence folks at a national conference last year. I believe the CI Director came from a pharmaceutical company and joined your competitor a couple of years ago."

"That's about when I started noticing we were playing catch-up," Bill replied.

"It may be just a coincidence," I said, "but she has been involved in the discipline for years. She's even published some articles and the young analyst I met with her probably accompanied her to your competitor. Going from Pharma to your industry would require some learning on her part, but certainly not difficult."

"Hmm, that's interesting," Bill said. "I've been so focused on us and what we're doing that I didn't know they even had a competitive intelligence department. "

Well," I mused, " I certainly don't know the details of your situation but I know what folks learn in the discipline of CI and I know the standard competitive intelligence best practices. I'll bet you lunch that they are doing 90% of the things I'm about to tell you."

"You're on," he said as he studied the menu.

How They are Beating You

"OK," I started, "the first thing they are probably doing is scouring your web site. And I don't mean just somebody checking it once a week. There are monitors that can be set up to constantly monitor a site for changes. Alerts are sent and then they dive in to study exactly what has been changed. Sometimes it's nothing, sometimes it's an indicator of something they want to know about.

"They are also reading your press releases and digesting any and all published information that they can get their hands on. Directories, trade journals, the local press and many others. I know your company's CEO is known well in the industry and some of your leaders often speak at conferences. They are pulling those transcripts and dissecting them for clues on where you guys are headed."

"They are also using social media extensively. They can pretty quickly put together a profile of your management staff, who reports to whom and even identify which suppliers you are using."

"If she's following best practices," I continued, "they attend trade shows and observe you in action with your customers. They will talk to your sales people, not in a funny disguise but openly and overtly with their identification clearly visible. They will engage them in a non-threatening manner..."

"Oh come on," Bill laughed, "you mean they're asking our reps what they had for breakfast and gaining intelligence from that! You've been watching too much TV!"

'Well maybe not questions about breakfast, but they will use elicitation techniques such as flattery to put them off guard, and provocative statements to validate a hunch. Your folks aren't even asked a question and certainly don't realize they've provided some valuable intelligence."

"Really?" Bill replied sheepishly.

"This is all carefully scripted" I replied. "And not only that, the best companies have their sales and marketing people trained to find certain information about their competitors at every trade show. It is all coordinated and planned, just like you'd have a plan for finding new leads and customers."

"And how do they make sense of all of this? It's like lots of little pieces of information..." asked Bill.

Creating an Ethical Business Discipline

"You're right. Lots of pieces but related to a defined key intelligence topic. It all gets compiled in a database so that it is organized and related to its topic. That might be a specific competitor or a threatening technology or other important development they want to keep their eyes on. This is at the heart of a world-class intelligence operation."

"But we do that," Bill replied as he shifted in his chair. "We do a complete competitive assessment prior to each planning cycle and then we make that available on our sharepoint site so that others can access it."

"Not the same," I said. "Your competitor is likely using a database system designed specifically for market and competitive intelligence, not just a place to upload and store documents. It allows them to compile, analyze, and disseminate intelligence in one step in an ongoing manner. Since the CI analysts aren't subject matter experts, remember she came out of Pharma, it also allows them to engage others in the organization to gain valuable perspective and help them develop real insight they can act on."

"The more important point is that this is not an annual, quarterly or even a monthly exercise. Intelligence is an ongoing, everyday activity. It is a way of doing business just like proper accounting or human resources development. She probably meets regularly with key leaders in the organization to find out what strategic decisions they are considering and what intelligence they need. She probably attends sales meetings and has lunch with her company's purchasing folks. She likely has a Rolodex of external contacts that she can tap into. If she follows the best practices, she has a large group of key leaders engaged in their intelligence efforts."

"And she must have a big staff of analysts. We could never afford something like that..."

"Actually, it's probably just her and the one analyst along with some subscriptions and technology." I said feeling like I was bursting his bubble. "Her role is more of a ringleader than one of the performers. She leverages the knowledge that people have in their heads so it can be acted on."

"So why are they targeting us?" Bill asked. "We're not their biggest competitor and I can't imagine we're their number one priority."

"My guess is that you are on the list because of your reputation for innovation." I said. "They're big and slow, right? And you're fast and nimble. They know you're good at discovering the next customer need or product innovation. By watching you they likely confirm their own hunches. Then it's just a matter of deploying their vast resources to outrun you to the finish line."

Bill exhaled slowly and looked a little disappointed. "You didn't once mention spying or dumpster diving or pretexting. I figured they had to be doing something illegal, or at least unethical."

"Again, I don't know exactly what is happening," I replied, "but I can tell you that if she is applying some of the best practices she would have learned along the way, this is what she is doing and it is completely legal and ethical."

Outsmarting the Competition

"So it's really about being smarter about finding the information that is available to anyone, and knowing how to use it to make decisions," said Bill as his face brightened.

"Exactly. You have to remember that strategic information is a resource just like equipment, capital, or human resources." I said. "You have access to the same kind of information and you can develop the same skills. But it isn't easy. It requires a commitment to developing a real competency, not just a one-off project, and the leadership to change your organization's behavior until it becomes part of your culture and part of the way you do business."

"Lunch is on me" said Bill as he looked at his watch." I need to make an appointment with our CEO. We need to turn the tables on them and learn how to do competitive intelligence, and now."

By Stephen Schulz

Line of Sight has been helping organizations make the right strategic moves for two decades. We do that by providing high-touch, customized market research and competitive intelligence, ongoing competitive monitoring, and intelligence program implementation and software. Our clients span multiple industries including financial, health care, education, manufacturing and others, from Fortune 500 to startups.

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