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Industrial espionage : the legal way

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You don't need hidden cameras and tracking devices to gather competitive intelligence for advertising and media planning, writes **Bronwyn Higgs**.

Industrial espionage – the legal way.

To the uninitiated, gathering competitive intelligence can seem like a mysterious task. Even the word 'intelligence' conjures up dark images of cloak and dagger espionage activities. Yet gathering competitive intelligence is just one of the standard tools in any good planner's repertoire.

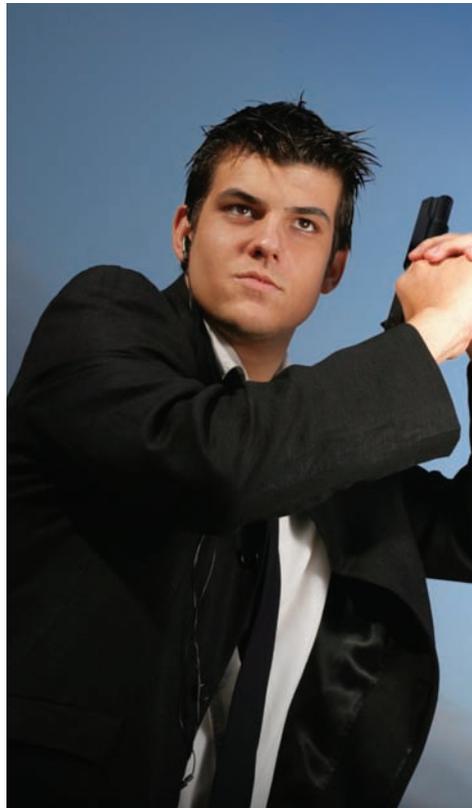
The commercially sensitive nature of competitive information adds to its aura of mystery. As a result, some marketers incorrectly think that little of value can be learned about competitors without resorting to active surveillance and industrial espionage of dubious legality. In reality, however, business intelligence is concerned with the ethical and legal gathering of information about the competitive environment.

There is much that can be gleaned using standard sources and a systematic approach. You will also need a preparedness to analyse data and bring your interpretative skills to the table. This article describes a basic approach and suggests a range of sources to get you started.

IDENTIFY YOUR BRAND'S POSITION WITHIN THE CATEGORY.

The primary aim of any competitor analysis is to understand the dynamics of the category in which your brand competes. That is, understand your brand's position relative to its nearest rivals. What is unique or distinctive about your brand?

An obvious, but often neglected, issue is to define the boundaries of the total category. While this sounds simple enough in theory, there are practical problems. If you define the category in narrow terms, there is a danger that you will overlook emergent substitutes and other potential threats. An overly broad category definition, however, can present far too many rivals and an overwhelming research task.



Product categories are dynamic – products that were once close rivals drift apart, substitutes can sneak up to become close rivals, while new product concepts can burst open the entire category. In short, market trends can lead to substantial redefinitions of the competitive landscape.

Consider, for example, the Mars chocolate bar. At its most basic level, Mars competes with other chocolate bars where its closest rival is Cadbury. Recent market trends, however, have placed confectionery into a much broader competitive environment – energy bars and biscuits retailed in individual packs now form part of the competitive landscape. Some analysts might even extend the competition to

include ice-creams and breakfast bars. Mars not only competes with chocolate manufacturers Cadbury and Ferrero Rocher, but at a broader level, it also competes with Arnott's, Uncle Toby's and Streets.

Deciding where to draw the line around category boundaries requires some intellectual effort.

Once the boundaries have been clearly delineated, it is time to start identifying individual competitors. You will want to prepare detailed competitor profiles for close or direct competitors. Indirect competitors should be monitored in broader terms to test the pulse of market trends and identify emergent threats.

IDENTIFY EVALUATIVE CRITERIA.

Identifying the key criteria used to evaluate your competitors' performance sets the foundation for a robust and systematic process of data gathering. As such it is worth spending time on this stage.

It is not possible to prescribe a universal set of criteria to fit every situation. Depending on your purpose, there will be different information needs. Whereas a corporate planner might be interested in share growth, profitability and return on investment, the advertising strategist will have entirely different information requirements.

Theoretical insights can provide ideas about issues that should be included in your list of criteria. At the very least, the advertising/media strategist will want to locate information on competitors' advertising expenditure, media expenditure and brand shares. Ideally, this should also be placed into the context of the overall category. So you should also try to locate information on category value, growth and ad spend.

THINK ABOUT SUITABLE SOURCES OF INFORMATION.

Much of the data used in competitive intelligence can be found in the public domain. Given that intelligence relies on data gathered from multiple and disparate sources, there are several basic rules. Firstly, important facts should be corroborated with reference to at least two sources. Secondly, data evaluation is paramount. In evaluating data, consider both its relevance and the source reliability. Thirdly, learn how to analyse data to render it more meaningful.

It is important to get to know your sources and understand their limitations. In his book, *Offensive Marketing*, Hugh Davidson identifies three broad classes of information: published, observational and opportunistic.¹

Published sources are well-known – including traditional publications such as business directories, newspaper articles, trade press etc. The advent of electronic databases has made searching very straightforward. A library card is your ticket to a rich array of useful databases and reference works.

Observational methods involve you going into the field and looking around. Store visits, random price checks and attendance at trade fairs can provide a wealth of information not available from other sources.

Opportunistic methods include an array of traditional and non-traditional techniques. Chance discussions with suppliers or ex-employees can provide valuable competitive insights.

A major problem with opportunistic sources rests with their erratic nature. In their eagerness to control opportunistic research, some companies engage in data collection methods of dubious ethical standing. No doubt you have heard of practices such as combing through industrial waste bins in search of inside information about rivals. Eavesdropping on employees' conversations while they drink at a favourite watering hole is yet another source of information used to gather intelligence. Although many such techniques are perfectly legal, you may find them distasteful. You will need to decide on your own ethical stand in relation to opportunistic data collection and surveillance.

BUILD DATA FRAGMENTS INTO COHERENT PROFILES.

Competitive intelligence is not just about profiling competitors: it's about understanding your competitive environment. The key to pro-

filings is to combine data from disparate sources into a coherent and meaningful narrative about each major rival and its likely impact on your advertising and media strategies.

It is unlikely that you will find all your information needs in a single location. Be prepared to cast around for bits of data in multiple sources. The very nature of competitive intelligence means that analysts work with fragmentary bits of data and weave them together to build a big picture. Piecing the bits together can be like solving a good detective story. Use data to build your understanding of the competitive landscape and of the main players within the category.

ANALYSE DATA.

Data analysis is without question the most important stage of the process. In their book, *Competitive and Strategic Intelligence*, Craig Fleisher and Babette Bensoussan suggest that planners typically spend a disproportionate amount of time on data collection, often at the expense of data analysis. They recommend inverting the order so that 40 to 60 percent of total time is spent on analysis and interpretation and only 20 percent is spent on data gathering.

Most strategists make an important distinction between data and intelligence. Data are simple facts, figures or observations. Analysis is the process by which facts and figures are distilled to make them meaningful and actionable.

To illustrate this distinction, consider the observation that Competitor A has an advertising budget of \$20 million as a simple fact. On its own, this fact has little meaning. If, however, we consider this budget as a proportion of the total category expenditure to arrive at a measure of share of voice, this has more meaning. To say that this budget represents 40 percent of all advertising in the category means any rival advertiser has a formidable challenge to be heard. Facts, located into some kind of context, have a great deal more meaning than facts taken in isolation.

Analytical techniques that can be used are all around you. Some theoretical reading can be used to suggest an array of analytical techniques or to refresh your memory. Scenario analysis, portfolio analysis, perceptual maps, trend analysis and many other techniques are regularly used in competitor intelligence. Most good texts on strategic marketing or competitor intelligence provide step-by-step instructions for a battery of analytical techniques.

At the end of the day, facts are facts. Moreover, most of them are known to competitors. It's what you do with the data and how you turn it into information, that adds real value to the facts. It is this added value that has the potential to give you an advantage. **M**

SOURCES OF INFORMATION FOR AUSTRALIAN CI.

Electronic sources

Australian Securities and Investments Commission (ASIC)

www.asic.gov.au

Australian Stock Exchange

www.asx.com.au

Australian Business Directory Online

www.aussie.com.au

Australian Bureau of Statistics

www.abs.gov.au

Department of Industry

www.industry.gov.au

Productivity Commission

www.pc.gov.au

Australian Bureau of Statistics

www.abs.gov.au

ACNielsen, Top Advertisers Report

www.acnielsen.com.au

ACNielsen, Top Brands Report

www.acnielsen.com.au

ACNielsen, Grocery Report

www.acnielsen.com.au

Get to know your library

The following references should be readily available from state, university and local libraries:

Business directories (e.g. Kompass, Jobson's)

The Business Who's Who of Australia

Company Annual Reports (Database)

Australian indexing services (ABIX, APAI, FACTIVA)

International indexing services

(ABI/INFORM, ProQuest, Emerald)

Retail World (especially see the annual report in the December edition, which contains market shares for FMCG)

Trade press (*Marketing*, *AdNews*, *B&T Weekly*)

Australian Strategic Market Research and CI Specialists

Mindshifts www.mindshifts.com.au

Forseechange www.forseechange.com

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