

Knowledge is Power

Utilizing CI to Improve Strategic Planning

By Cormac Ryan

About 60 years ago, Willy Sutton, the notorious American bank robber, was asked why he robbed banks. His response was brief and to the point: “because that’s where the money is.” In a different place and time, Robin Hood pursued a similar career but with a different strategic objective – his goal was to give money to the poor, and he accomplished this by robbing the rich.

So what can we learn from these colorful desperados? Some things never change: to succeed, you need a goal and a plan. Business organizations need to determine and clearly articulate their strategic objectives, and develop short-term and long-term plans to achieve them. The more effectively companies can focus on their objectives (and evaluate their plans and programs in terms of their relevance in accomplishing these objectives), the greater their chances of success.

STRATEGIC PLANNING AND CI

In-depth knowledge of competitors is a fundamental prerequisite for effective strategic planning. The need for CI is acknowledged by virtually every major national and multinational firm we’ve encountered.

But just recognizing the need for ongoing CI isn’t enough. That’s like the *knowledge is good* inscription on the statue of Faber College’s founder in Animal House – it’s true, but you need to take it further than that if you want to get ahead. Business organizations should incorporate three steps into the preliminary planning process for a strategically sound CI project.

The people in the corner offices tend to take a long-term strategic view of the company. Their involvement and commitment to the CI project maximizes its value to the company. Begin every CI project with one-on-one interviews

with everyone who will be acting on the information it produces.

Include top management, such as the CEO of a mid-sized firm, or the head of the business unit of a larger firm. This is not based on a feel-good *I spoke with the boss* motive; we need to get their inputs above and beyond what they’ve communicated to their people about the project.

For example, when interviewed about a project, the president of the wireless data unit expanded its scope to include several other applications and one other indirect competitor. He’d had earlier discussions with his people about the project and these extras were never mentioned – he hadn’t thought about them at the time. As trained interviewers, we include “what about this?” and “what about that?” questions, and focus strictly on the CI project during these management interviews. The end result is a more comprehensive evaluation of the competitive landscape, and end client endorsement of the conclusions and recommendations – in part because they’d been more closely involved in the process.

Having top management involved at the presentation of the findings, conclusions, and recommendations is equally important. One retail company president was *lukewarm* in his attitude toward a CI analysis of other retail chains. He felt that he knew enough about the competition. When we interviewed him he was cordial and cooperative, but made it clear that he was skeptical about the value of a full-blown CI analysis.

When he attended the final presentation he came in with a show-me mindset and asked some tough questions which we were able to answer. By the end of the presentation, he was asking his people how soon they could implement the recommendations. Top management’s involvement at both beginning and end is necessary for every project.

TAKE ADVANTAGE OF OUTSIDE RESOURCES

TMA is a marketing consulting firm, so we're probably somewhat biased on this point. Outside help is necessary for companies without an internal CI team, but it also makes sense for some projects or components of other projects.

Obtaining primary information through outside interviews and investigative reporting can complement the work done by the internal CI people. And just as an internal CI group can do a better *inside* job, we can do a better *outside* job for the client.

DEVELOP BOTH OFFENSIVE AND DEFENSIVE PARAMETERS TO THE OUTCOMES

A strategically sound CI program relates back to the company's objectives. The findings, conclusions, and recommendations should help the company achieve them as a result of what's been learned. Include specific recommendations to help keep the customers you have (defensive) and get the customers you don't have (offensive).

Every CI study spends significant time analyzing competitive strengths and weaknesses. In some cases, this includes a SWOT analysis where the offensive and defensive strategies and tactics emerge. Companies go on the offensive to capitalize on competitive weaknesses (an opportunity), and at the same time go on the defensive to protect themselves against competitive strengths (a threat).

Within an existing customer base, effective CI analysis can segment customers to determine which customer groups are more or less vulnerable to outside competitive activities, and recommend specific plans to defend the weak segment.

OBTAINING "FUTURES" INFORMATION ON COMPETITORS

To hit a moving target, we need to aim ahead of it and we need to know where the target is going. That's where *futures* information comes in; through primary research, we try to find out what the competition is likely to do in the future.

We can approach the futures subject in two ways. First is to examine individual competitors and determine where they may be going based on their current market situation and their historical tendencies. What have they done before, what are they doing now, and what are they likely to do next? The other step is to look at the market as a whole. Where is it going, what future customer needs and expectations can we expect, and what will each of the competitors be likely to do in this future environment?

Current threats and opportunities, and what the company needs to do about them, takes first priority. But close behind that is what's liable to happen in the future, and what we should be doing about that situation. Competitors are moving targets. So are customers.

THERE'S GOOD NEWS AND BAD NEWS

CI work is thorough, professional, and objective. Thoroughness means working hard and digging deep, and doing a complete job in presenting findings, conclusions, and recommendations. Professionalism entails maintaining legal and ethical standards, and being consummate professionals in our dealings with everyone we encounter on the project, inside and outside the organization. It also mandates the proper treatment of confidential materials and information.

Objectivity encompasses how we analyze the information, and how we present it to our clients. We need to tell them what they need to hear, rather than what they may want to hear. We need to tell them, without any political or corporate *spin*, exactly what we learned and what their options are to solve the problems and capitalize on the opportunities. Sometimes our presentations, or parts of them, aren't received with great enthusiasm. People prefer to see a presentation that corroborates their view of the landscape. Sometimes our CI clients take our advice, and sometimes they don't. Our clients don't always agree, but they should always listen.

STRATEGIES AND TACTICS: WHICH IS WHICH?

Where does strategy leave off and tactics begin? Let me give you an example of a CI project for a food company.

With most finished food products, the majority of the manufacturer's sales are to retail chains (supermarkets, club stores, discount outlets) and distributors and wholesalers. An important secondary market for many of these products is foodservice (restaurants, hotels, hospitals). For this particular company, foodservice was a strategically critical market because of its product trial opportunities. Consumers would sample the product in a restaurant or hotel and, if they liked it, purchase it in quantity in their supermarkets.

We learned that one of the major competitors was planning a significant sales initiative against the foodservice segment. They planned to double the size of their foodservice sales force, hire the national foodservice sales director from a major food company, and aggressively pursue the major accounts in this sector. We reported it about four months before it was scheduled to begin.

Our recommendation was to take strong pre-emptive action with our major foodservice accounts by renegotiating all contracts more than one year old. (Standard contracts are for three years. The normal practice was to renegotiate them six months before they expired.) Our competitor was planning to buy out the remaining months of short-term contracts. But by renegotiating and extending existing contracts, the company prevented that and suffered minimal losses.

That was the defensive side of the equation. The offensive side was to actively pursue major prospects and buy out their short-term contracts before our major competitor

could. So the company kept most of the business it had, and got more of the business it didn't have — the classic problem/opportunity approach. It effectively minimized the competitor's inroads because the company had good information, knew what to do, and acted quickly on it.

Strategies (doing the right things) and tactics (doing those things right) are both essential to success in the marketplace, and smart companies do both. So here's the question: what part was strategy and what was tactics?

It's not all that important whether it's considered strategic or tactical once firms start executing their business plans. Don't get hung up on semantics, and by all means don't stop on the wrong side of the river.

KEEP 'EM COMING BACK FOR MORE

Earlier I mentioned our responsibility to tell our clients bad news when they need to hear it. We want our clients to love us (okay, we'll settle for respect) so they'll use us again, and say good things about us to others.

That's much easier said than done, so how is it done? There are several things CI clients really appreciate:

1. Thoroughness, professionalism, and objectivity. Be totally professional, totally honest, and don't overlook anything.
2. The *futures* information on competitors. Including this makes for compelling presentations; more importantly, it's extremely valuable in long-term planning.
3. Information beyond the client brief. Address all the issues then look for new, unanticipated findings, conclusions, and recommendations uncovered during the project.

SCIP's former president, Paul Dishman, had an interesting observation in his *perspective* column in the July-August issue of CIM. Referring to the downsizing of internal CI staffs in many companies, he noted that while the economy was a factor, the other reason was that management didn't perceive them to be adding value to justify their continued existence. Or as Paul wrote: "The intelligence staff couldn't prove that they were contributing anything significant to the strategic future of the firm." He reiterated this point when he addressed our Dallas-Ft. Worth SCIP chapter meeting last September.

It's true for internal CI people, and it's equally true for outside CI consultants. We all must demonstrate real value in these projects and their outcomes. And beyond the normal due diligence and the points suggested above, we've learned that we constantly need to revisit the project in the context of the client's strategic objectives. Ask yourself: "is this work helping them achieve those objectives, and is there anything else we can do to make this even more effective and relevant?"

HOW ARE WE DOING?

My first job after undergraduate school was in sales with Eastman Kodak. My boss taught me, among other things, to ask our customers "how are we doing?" What I quickly learned was that many customers gave only partial answers — they'd say "you're doing fine" even if we had a small problem, which might later become a large problem because we didn't know about it early enough. In answer to my second question, which was "how are our competitors doing?" they'd smile and say "none of your business." So we need to initiate formal CI projects, and work harder to get more below-the-surface information about our competitors — what they're doing now, and what they'll probably be doing in the future.

Does it always work? Of course not. Every story doesn't have a happy ending. Every company doesn't succeed, but if they expect to have a chance of success, they have to do the work. This entails defining clear strategies, conducting effective strategic planning to develop business plans, and utilizing CI as an integral part of the planning process.

"If we do all this, will you guarantee we'll succeed?" My answer is no, but if you don't do it, I guarantee that you won't succeed. It's like doing all the homework and studying diligently for the exams — it won't guarantee every student an A, but if they don't do it, they'll probably get a grade closer to the other end of the alphabet. And as I said earlier, don't stop at objectives and preliminary plans — go all the way to the end of the process.

I'd like to revise the title I suggested for this article — knowledge per se isn't power. As President Faber sagely observed in Animal House, "knowledge is good." But it isn't powerful unless business organizations use it to take specific actions. So whether it's robbing banks, or robbing the rich, or renegotiating and locking up foodservice contracts to preempt a competitor, companies need to develop the objectives, strategies, and tactics to increase their competitive advantage. And if you're the one that makes it happen in your organization, the company is likely to be successful — and you're likely to wind up in the corner office.

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