

# How to Gather Competitive Research

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To formulate an effective corporate strategy, it's essential to understand two basic questions: What is your company doing, and what are your competitors doing? You may have a handle on what's going on under your own roof, but developing a detailed picture of your competitors' activities usually requires some sleuthing. Competitive intelligence is a field of strategic research that specializes in the collection and analysis of information about rival firms. Don't worry: This doesn't require Dumpster diving or shady tricks. Instead, competitive intelligence is about adhering to a strict ethical code by collecting bits of information that are available either in the public domain or from other players in the marketplace. The goal is to amass enough data to make meaningful comparisons between your firm and your competitors — and to make better-informed strategic decisions as a result. Here's how to get started.

## Things you will need:

- \$0 to \$4,000 and up per month (depending on whether you need to travel or subscribe to expensive databases)
- Three or four months
- **A Focused Goal:** Avoid fishing expeditions. Define what you want to know about your competition and develop a specific investigation "assignment."
- **Unwavering Ethics:** It's tempting to cut corners or resort to dubious techniques when hunting for proprietary information. **Don't do it.**
- **Research Tools:** Online databases are an essential place to begin your research, although many require a subscription. (We've included a list of useful databases below.)
- **Resourcefulness:** Competitive information is seldom served up on a silver platter. Finding the information you need will inevitably require creativity and adaptability.

A yellow sticky note icon with the text 'step 1' written on it in a handwritten style.

## Establish the Strategic Problem

### **Goal: Define your question before you begin the search for answers.**

Developing a competitive strategy begins with a rigorous apples-to-apples evaluation of how your organization performs relative to one or more of your rivals. Guesswork and gut feelings aren't rigorous; meaningful comparisons are possible only when you assess your own and other firms on the basis of quantitative data and thorough research.

Doing this legwork enables you to clearly define the challenges your firm faces: Perhaps a rival is entering a foreign market first, or has found a way to lower prices through more efficient production. Perhaps your competitor's new management team has streamlined a

sloppy organization, leaving the company with reams of excess cash to spend on acquisitions. Having a handle on this kind of information makes it possible to redeploy your firm's money, time, manpower, or R&D efforts to maximum effect.

To avoid analysis paralysis, it's essential to define what competitive questions you want to ask and what kind of research data you will need to formulate meaningful insights. Generally speaking, most strategic problems boil down to one or more of the following questions:

1. What products and services do you and your rivals offer, and what are their comparative benefits?
2. What companies might launch offerings that are similar to yours?
3. How significant are the resources (marketing budget, R&D budget, spin-off, or upgrade plans) your rival plans to deploy?
4. How much does it cost you and your competitor to produce comparable products? Does one of you enjoy a cost advantage?
5. Where do you and your rival sell products, and to which target audiences?
6. How do your sales perform for different customer segments?
7. What products does your rival have in the pipeline, and how will they be marketed?
8. How is your rival's company organized? How well are operations performing?
9. What are your rivals' sales channels (store, mail order, web)? What is their sales mix, and will it change?
10. Is your rival considering a joint venture or strategic partnership?

## Big Idea

### Basic Frameworks of Competitive Analysis

Although the number of potential research questions that can be asked is almost limitless, these are two of the most common conceptual tools:

#### SWOT Analysis

Competitive intelligence professionals often use an analytical technique called SWOT — an acronym for Strengths, Weaknesses, Opportunities, and Threats. Though some downplay SWOT's effectiveness, it's not a bad starting point for analyzing your position relative to that of your rivals. The output of a SWOT analysis varies, but key data typically includes a comparison of financial muscle, strength or weakness of management teams, strength or weakness of marketing capabilities, presence or absence of patents or intellectual property protection, and an assessment of distribution channels. A SWOT analysis will also look at external market conditions to assess potential opportunities and threats. Find out more about SWOT in "[Analyzing Your Business's Strengths, Weaknesses, Opportunities, and Threats.](#)"

#### Five Forces Analysis

Harvard Business School professor Michael Porter developed a list of **five basic forces** that define the competitive landscape for any company: customer bargaining power, supplier bargaining power, product substitutes, barriers to entry, and potential new

competitors. Detailing these factors provides a foundation for establishing your firm's strengths and weaknesses, as well as those of your rivals. Learn more about this method in "[Porter's Five Forces](#)."

step 2

## Know Thyself

**Goal: Compile relevant information about your company to provide an objective basis for comparison with others.**

The quest for competitive intelligence begins under your own roof. To assess your competitor's strategic position, you first need to get a handle on your own business situation. The critical information you need — your company's financial data, marketing plans, R&D roadmaps, product plans, distribution processes, supplier relationships, productivity figures, and so on — is probably kicking around somewhere inside your building. But you'll have to ask for it, and you'll probably need help to get it.

If you're not in charge of the business, enlist a C-level executive, president, vice-president, or division head to facilitate access to and cooperation from relevant information-gatekeepers.

Just getting a top dog's calling card and list of names isn't enough, however. Once you get an introduction, meet with these gatekeepers face-to-face to emphasize that their participation is crucial. You want to collect the needed data, of course, but you also want context. If sales are up, is that because the new product finally gained momentum after marketing launched an ad campaign, or is it because prices were cut and a rival discontinued a competing product?

Mine your internal sources for information about the competition. Jack in marketing may know Jill in marketing over at your rival, Acme Widgets. He may also know that she was hired specifically for her ability to market to seniors, suggesting that Acme Widgets intends to concentrate on that demographic. Likewise, your factory foreman may have heard union gossip about how Acme Widgets is shaking things up with new production methods. Such little tidbits can point to big insights as you pursue your research.

### **Danger! Danger! Danger!**

#### **Seeing the Blind Spots**

Ben Gilad, author of "Business Blind Spots" (Infonortics, 1996) and president of the [Fuld-Gilad-Herring Academy of Competitive Intelligence](#), says there are three areas where companies can falter when evaluating their own capabilities:

**Operational blind spots:** Companies often think their internal processes and management practices are stronger than they actually are. (JetBlue learned this in early 2007 after the airline left thousands of passengers stranded at airports during a major East Coast snowstorm.)

**Corporate myths:** Companies may not understand why products are popular or why customers really like them. (Dell learned this when complaints increased after the computer manufacturer outsourced customer service to overseas call centers.)

**Taboo topics:** When CEOs or top managers believe they know why the market behaves a certain way, they often turn a blind eye toward contradictory information and ignore or bully those with opposing views. (Some attribute the rockiness of Carly Fiorina's five-year tenure at Hewlett-Packard to lingering resentment over the strong-arm tactics she used to pursue her pet project, HP's merger with Compaq.)

step 3

## Follow Your Competitor's Paper Trail

**Goal: Use publicly available data to compile a detailed picture of your target.**

Competitive research is all about doing the legwork. Lots of it. According to Wendy Schmidt — who leads the Forensic & Dispute Services practice at Deloitte Financial Advisory Service in New York — three-quarters of the information you'll need in order to research a U.S.-based company is available publicly, in the form of regulatory filings or legal documents.

For example, publicly traded companies must make quarterly financial and other filings (such as legal versions of "insider" stock sales) to the [United States Securities and Exchange Commission](#), and filings are viewable via the [EDGAR database](#), which offers free and paid search options.

Wondering about a competitor's next move? Check the company's annual filing with the SEC (called a 10-K) to see if it alludes to future plans in an "Outlook" section. From there, examine additional SEC filings to learn about plans to sell shares or borrow money in order to finance future activities. Look for a "Use of Proceeds" section that explains if the company has used money to expand and grow, repay debt, or to shore up general operations — in other words, whether the company is stocking up cash for specific goals.

Private companies have fewer disclosure requirements, so they're harder to research. As a start, financial reports on private companies are viewable on services such as [Hoover's](#) or [Dun & Bradstreet](#). Hoover's offers a free service that discloses headquarters locations, names of principals, head counts, and revenues for larger companies. Finding this same data on smaller firms may require a paid subscription.

The important thing to remember is that every company generates a paper trail: tax filings, legal disputes, bankruptcy proceedings, reports from watchdog agencies, patent and trademark filings, and so on. Richard Combs, a competitive intelligence analyst who runs Combs Inc. in Chicago, cites as an example a company that disclosed financials during a court case with the Environmental Protection Agency. In doing so, the company's otherwise-secret information became part of a public legal record.

Paying a visit to the town where a competitor is headquartered, or where it has significant operations, may also be worthwhile. Local government offices often contain a treasure trove of public documents, such as building blueprints from the planning department or staffing details from the tax assessor. In smaller towns, local newspapers don't always post their articles online or in databases like Nexis, but many keep a clipping file on local companies to facilitate their own research. If you ask nicely, they may let you see it.

If all else fails, there's always the eyeball test. Former Bain consultant Jared Heyman recalls a client who wanted to know how many people worked at a rival's factory. Public documents were of little help, so Heyman positioned a member of his team on public property near the factory's entrance. The researcher counted how many cars passed through the gates in the morning to develop an estimate of how many people worked there.

Trying to research a foreign rival? Schmidt warns that publicly available data is scarce outside the United States. Overseas, she says, about 80 percent of intelligence will come from interviews or private sources, and only 20 percent will be found in public records. That's the bad news. The good news is that if the foreign company has substantial American operations, you may have some luck by following its U.S. paper trail.

These suggestions are just a framework to get you started; where you look for answers will be determined by what kinds of questions you ask. Competitive research demands resourcefulness and creativity, but as you proceed, be mindful of the ethics and legalities of your sleuthing work. For more about what practices to avoid, see "[Thou Shalt Not Steal Thy Competitor's Secrets.](#)"

## Other Resources

### Tools for the Desktop Detective

Online databases are a natural place to begin your competitive research. Here are some good places to start, although in many cases a paid subscription may be required. For a more detailed list of recommended sources, see "[Where to Find the Competitive Data You Need](#)".

Financial Data:

- [United States Securities and Exchange Commission](#)
- [Dun & Bradstreet](#)
- [Standard & Poor's](#)
- [Hoover's](#)

Legal Data:

- [LexisNexis](#)

Copyright/Patents:

- [Patent Application Information Retrieval \(PAIR\)](#)

Media Coverage:

- LexisNexis
- Newsalert.com
- Industry Watch
- NewsPage
- PR Newswire

step 4

## Talk to People

**Goal: Fill in gaps in your knowledge by conducting live interviews.**

Tracking down a vexing piece of information about a competitor can be as simple as discussing the industry with a contact at a trade show. It's all about knowing what you don't know, asking a lot of questions, and paying close attention. There are many environments where people exchange information freely: Conferences, trade associations, industry chat boards, alumni networking events, and social networking sites are all venues where people maintain their professional identities and boundaries but also trade information for one reason or another.

It helps to learn some basic interviewing skills. To be sure, getting a source to talk is harder for a competitive intelligence researcher than it is for a journalist; reporters can fall back on their affiliation with a publication, and their sources have a general sense of how their words will be presented. Competitive intelligence researchers have to speak more generally, and a certain amount of (truthful) ambiguity is often required. This can yield surprising results: It's amazing how much people will tell you when you simply explain that you are "conducting industry research."

Consider what motivates the person you're talking to — and whether you can help them without compromising your own goals. An MBA job-hunter who thinks you have contacts may be happy to share details about his conversations with rival companies — and in so doing reveal a few secrets. A parts supplier who wants to learn the names of your company's key decision-makers may talk about his experiences selling to your competitor — giving you details about your rival's purchasing and procurement patterns.

Here's how you might mine a trade show contact for information about a rival:

1. Identify yourself in general terms: "Hi, I'm John. I work in telecom like you."
2. Make the source comfortable and establish respect for their expertise: "I understand you've been a supplier to Acme Widget for more than 20 years. You must be happy with them!"
3. Ask friendly and flattering questions to build rapport: "So, you're in sales now. But isn't that competitive? How did you work your way up?"

4. Start with simple questions, and couch them as assumptions or rumors that the source can correct or amend: "I hear Acme Widget is offering more service in rural communities. Is that what you've heard, too?"
5. Begin to dig deeper: "It seems like there's not that much money to be made there. I wonder why Acme Widget. is getting into that market?"
6. Don't follow a script. Let the source lead or change the subject. Don't let on that you're only concerned with one type of information.
7. Get the source's card — and more leads: "Thanks for your time. I had no idea how firms like yours work. Do you know anyone else in the biz?"
8. Remember: Keep it ethical. Never lie about your identity.

## Hot Tip

### Use Scully, not Mulder

Heyman says his female colleagues at Bain often had more success than he did when trying to draw information during interviews — both on the phone and face to face. "It's the nature of the business," he says. "A 50-year-old male store manager will talk all day to a cute-sounding girl." Other experts agree. Author Gilad says women are generally more successful than men at eliciting information from sources.

step 5

## Connect the Dots

### **Goal: Compile your data and do the analysis to create a useful picture of your competitor's activities.**

In some ways, competitive intelligence research is like detective work. It requires patience, thoroughness, resourcefulness, a keen eye for detail, and a little bit of luck. But competitive intelligence is different from police work in one very essential way: As a researcher, you don't need to prove your case "beyond a reasonable doubt." So don't get flustered if some pieces of competitive information resist your best attempts to track them down.

Likewise, don't let the thrill of the chase obscure your true objective: Developing an informed picture of your rivals' business activities. It's tempting to wait until you have every last scrap of information at your fingertips before you begin your strategic analysis, but if a hole in your data simply can't be filled, it's time to move on.

Competitive strategy is ultimately about similarities and differences: What do you have in common with your competitors, where do you differ, and how do you maximize your strengths at the expense of your rivals' weaknesses? Figuring this out requires a rigorous analytical framework in which every competitor is compared side by side, on the basis of the same characteristics.

The specifics of those characteristics will vary based on the question at hand: Are you looking at production costs? Distribution strategies? Product development roadmaps? Acquisition plans? The information needed to evaluate these questions is different in each case, but the important thing is that the data sets remain consistent throughout the analysis.

If you determine how much it costs your company to produce a widget, for example, you should also estimate how much it costs your rivals at Acme Widget to produce a similar item, as well as estimating an industry average so you can determine how you both stack up against the rest of the playing field. Informed guesswork may be required at times, but as long as your estimates are properly sourced and disclosed, and the analysis as a whole is logical and well-documented, occasional gaps shouldn't diminish the value of your insights. Competitive researchers seldom have 20-20 vision into the activities of their rivals, but that's no barrier to being able to figure out what's really going on.

## For Example

### Using Competitive Data to Define Strategy

Imagine you're an executive at a mid-sized company that manufactures a healthy bottled juice product. You're worried about competition from both big-name beverage giants and boutique soda companies. How can you use competitive research to formulate a strategy?

Your competitive research revealed that big-name soda companies are spending a lot to develop healthier drinks (such as waters or sugar-free tea), but they're losing money and cutting back on juice development. Boutique soda companies are marketing their beverages as alternatives to booze, but most sell their products in bars and restaurants since they don't have sufficient distribution capacity for major grocers.

What do you do with the information? For starters, the fact that big-name soda companies don't want to play around with juice-inspired drinks, and that boutique soda companies don't have much distribution muscle, means there's an opening for you to get into supermarkets with your juice-inspired beverage before the boutique brands bulk up. Alternatively, it could also mean the big-name soda companies are on to something: If they can't sell juice-inspired drinks on a large scale, is that because the market doesn't want them? Or is it that the big guys just didn't market them correctly?

It might also be time to research whether your company should offer new flavors of juice drinks, or if entry into grocery stores should be accompanied by a new ad campaign. Interviews could reveal that grocers have specific requirements: Some won't work with you unless you have a lot of flavors, but others only want two. If you decide the big soda giants' failure was one of positioning or taste, you may need to run focus groups with target beverage drinkers, comparing the giants' product with yours to fine-tune your taste. If you learn that poor marketing caused the giants' demise, you may need to spend some extra time researching product positioning.

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