STATE OF THE ART: COMPETITIVE INTELLIGENCE

A Competitive Intelligence Foundation Research Report 2005-2006

Executive Summary

Edited by Dale Fehringer, Bonnie Hohhof, and Ted Johnson

A snapshot of who we are (competitive intelligence professionals), what we are doing (what competitive intelligence is), and who we are doing it for (clients and companies). Based on answers supplied by 520 CI professionals.

The Competitive Intelligence Foundation, a SCIP-supported 501(C)3 non-profit corporation, develops and promotes the body of knowledge for the competitive intelligence community through research and education. This study was jointly developed by the Competitive Intelligence Foundation and Cipher Systems.

About the Study

This study was completed through a partnership between the SCIP Competitive Intelligence Foundation and Cipher Systems.

The Society of Competitive Intelligence Professionals (SCIP) is the only global not-for-profit membership organization for everyone involved in the development and use of competitive intelligence. SCIP's mission is to enhance the success of its members through leadership, education, advocacy, and networking.

For more information, visit www.scip.org or call +1-703-739-0696.

Cipher specializes in competitive intelligence consulting services such as primary / secondary data collection, analysis, reporting, company profiling, and scenario planning. Cipher's award-winning competitive intelligence software Knowledge.Works is a customizable toolkit of CI technologies.

For more information, visit www.cipher-sys.com or call +1-410-451-6889.

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SURVEY HIGHLIGHTS

For many organizations competitive intelligence (CI) is a relatively small function, funded and supported in varying degrees by other departments throughout the organization. CI can be located in many different parts of the business, but often operates either as a separate competitive intelligence or business intelligence department, or as part of marketing or market research. Most CI units support several types of business activities, use an assortment of competitive intelligence tools and techniques, and supply intelligence to multiple levels of management through a variety of competitive intelligence deliverables.

Most survey respondents allocate their limited resources among the various components of the competitive intelligence cycle (planning, collection, processing, analysis, dissemination), with the majority of their time spent on analysis and secondary data collection. For them,

- Internal employees are the most important primary sources of information; publications and Web sites are the most important secondary sources.
- Competitor analysis and SWOT are the most frequently used analysis methods.
- E-mail has surpassed hard copy reports, personal delivery, and presentations as the most commonly used method for acquiring and disseminating CI. Competitive intelligence practitioners have many delivery options, and they need to know how to determine the best method for selecting specific deliverables.
- Many tools and technologies are internally available to help collect information and report intelligence. Almost half of the survey respondents are confident they use the most appropriate technology.

Survey participants appear more concerned with improving their skills and increasing the impact of their analytical products than obtaining additional funding or technology. When asked what changes would help improve their organization's competitive intelligence processes over the next 12 months, the top responses involved accessing, integrating, and sharing information, and better educating themselves and their management about competitive intelligence.

The results of this survey imply that competitive intelligence is on a positive trend and CI is at a key juncture in its quest to gain acceptance and provide value to organizations:

- Awareness is high and CI visibility has increased in many organizations. Most CI practitioners create exposure to senior management through distribution of their deliverables. They present an excellent opportunity for CI practitioners to demonstrate the value competitive intelligence provides to the organization.
- More organizations are assessing the effectiveness and value of their competitive intelligence activities, but all should employ objective measures.
- For most CI practitioners, developing a mission statement and formal competitive intelligence procedures and objectives should be a top priority.
- Competitive intelligence is often a relatively small function with limited budget and resources, but it receives additional support from other parts of the organization. Making the best use of these additional resources is a challenge for many CI professionals.

INTRODUCTION

The *State of the Art: Competitive Intelligence* research effort is the first in a series of studies designed to provide a better understanding of how competitive intelligence (CI) practitioners are working in the field today, differences in competitive intelligence activities across industries, and overall best practices. Over time the results of this survey will provide a basis for understanding trends, changes, and consistencies in competitive intelligence practice.

This survey research was conducted through a partnership between the Competitive Intelligence Foundation and Cipher Systems. This executive summary contains only a few research highlights; many more survey findings are contained in the 150+ pages of the ***Full Research Report*,** available from the Foundation at www.scip.org or 703.739.0696.

BACKGROUND

Competitive intelligence professionals work in a wide variety of environments where change is a constant. This *State of the Art: Competitive Intelligence* study helps chart the progress of the competitive intelligence field. By comparing this survey's results to findings from other research, we can begin to develop an understanding of how competitive intelligence supports its organizational environment – information that can be used by all competitive intelligence practitioners to improve their effectiveness.

The survey's baseline results and analytical report map the state of competitive intelligence in 2005. Moving forward, we will repeat this survey to identify emerging trends and best practices in competitive intelligence processes, technologies, and resources. This knowledge will help drive the focus and scope of future Foundation research and reports.

METHODOLOGY

Marketing professionals involved in the study identified standard survey methodology as the best way to reach the greatest number of potential respondents and to capture data in a way that allowed us to analyze survey responses by more than one parameter. This structure also provides the ability to compare question results across surveys and develop trends. Given the sensitive nature of competitive intelligence, it also created anonymity for the respondents. The survey data, captured during a four month period in 2005, was promoted primarily to SCIP members and others on competitive intelligence-related Web sites, newsletters, and blogs.

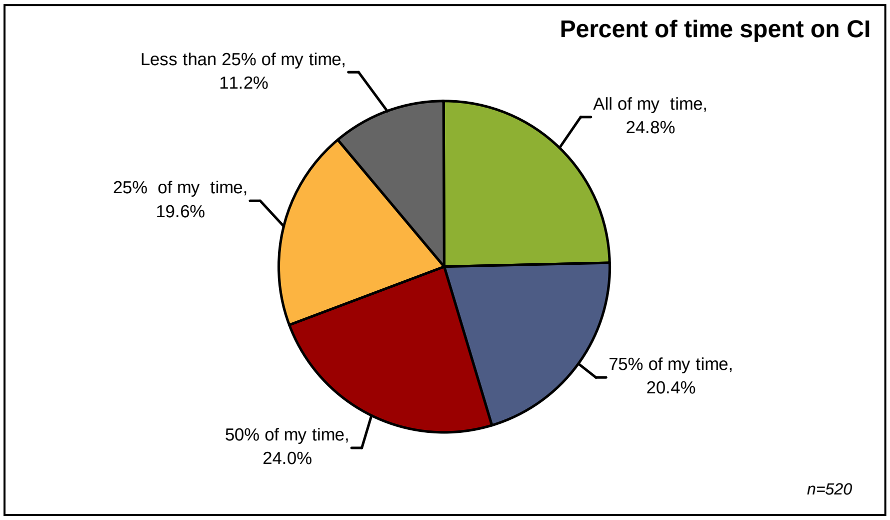
SURVEY SAMPLE

This first-of-its-kind study presents a comprehensive view of the current competitive intelligence field as defined by its practitioners. Over 500 unique individuals working in more than twelve industries took part in this survey. We received responses from all global regions and all competitive intelligence constituency groups.

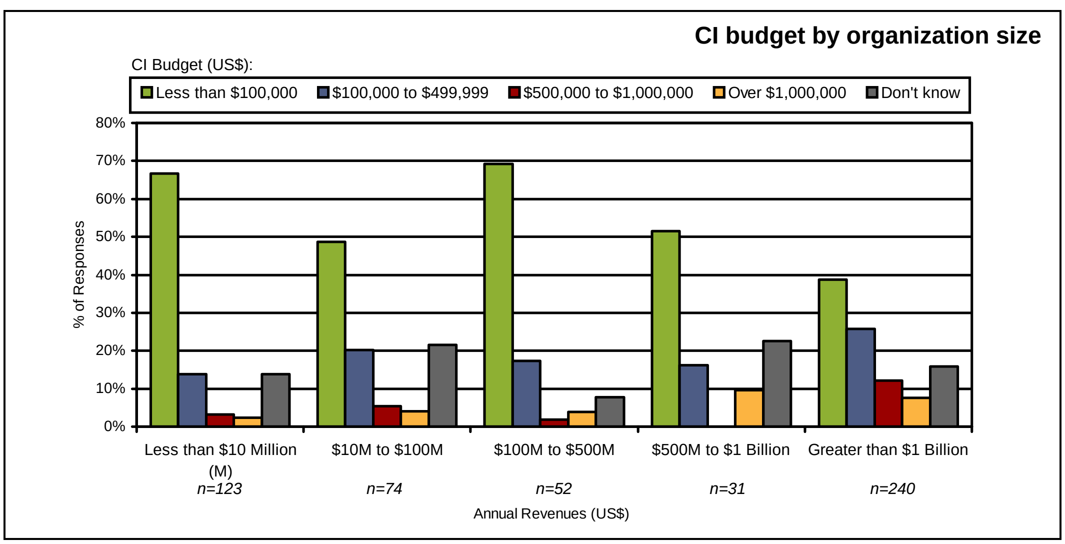
KEY FINDINGS: CI PRACTITIONER PROFILES

CI is often a relatively small function, conducted by people who work part-time on CI. They typically receive additional support from personnel elsewhere in the organization.

At the departmental level, almost half of the respondents reported one or less full time equivalent (FTE) employees supporting CI. Competitive intelligence is a part-time function for many respondents, but almost half spend at least 75 percent of their time on it. In most companies, additional help for the CI effort is available in other parts of their organization.

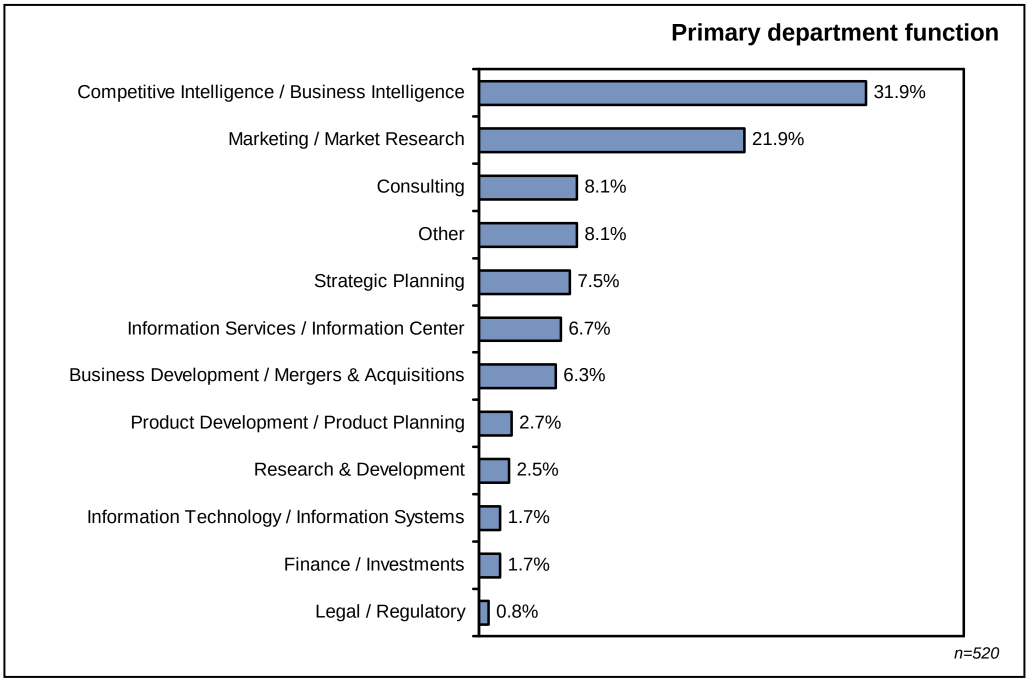


Survey participants reported generally modest competitive intelligence budgets. More than half have less than US$100,000 (excluding salaries) and only one in 8 has US$500,000 or more.



Organizationally, competitive intelligence is most often either a stand-alone unit or a part of marketing or market research.

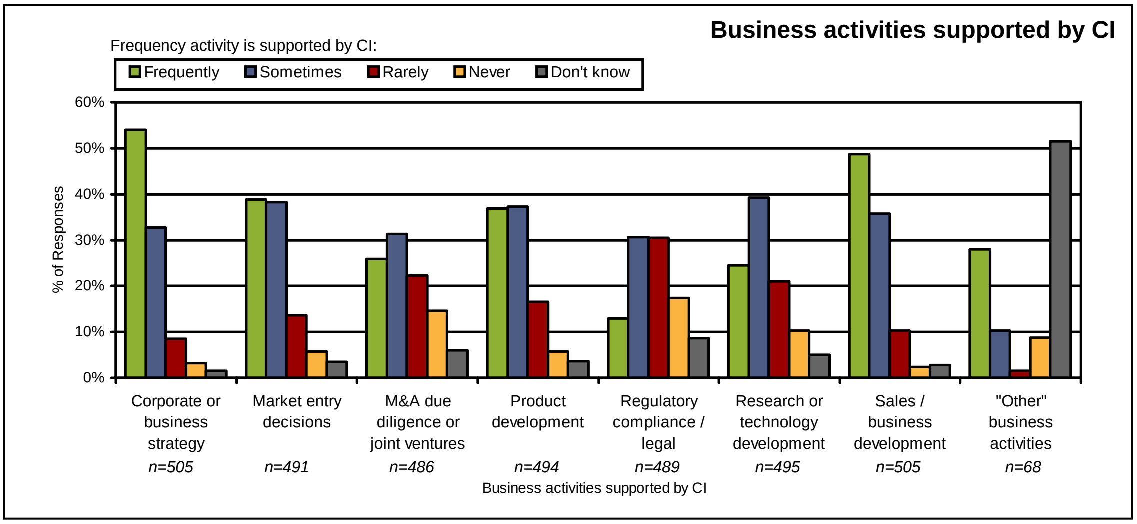
In about a third of the respondents' organizations, CI is a stand-alone competitive intelligence or business intelligence unit, an increase from the 10 percent reported in previous research. This implies an increased functional independence and opportunity to support multiple departments. For 22 percent of the respondents, their competitive intelligence function reports into marketing or market research; it is equally likely to report into strategic planning, information services/info center, or business development/mergers and acquisitions.



Competitive intelligence practitioner efforts are rarely concentrated on only one aspect of competitive intelligence.

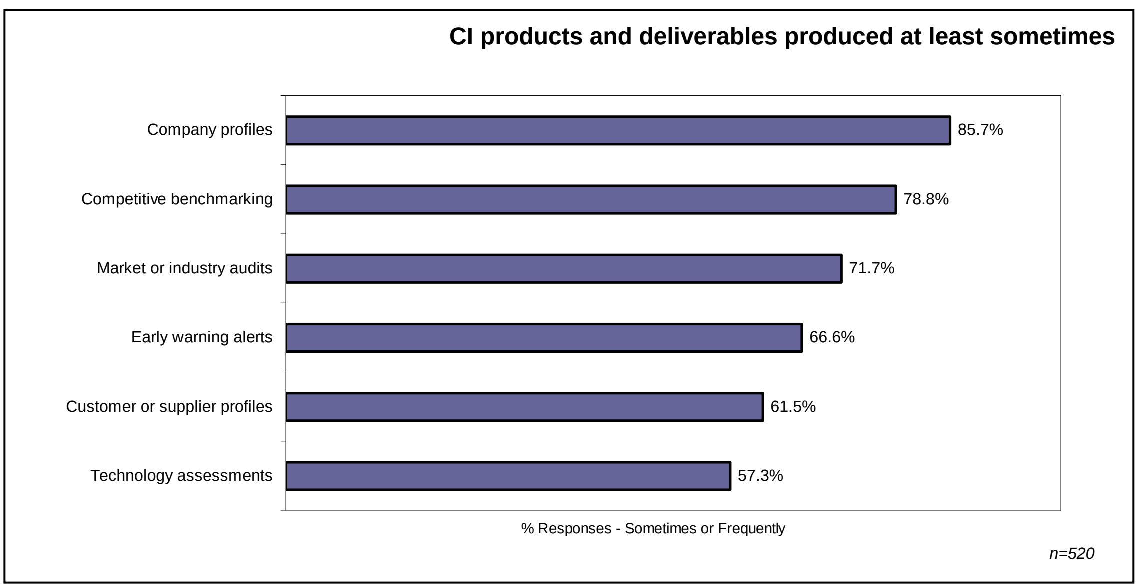
People who work in competitive intelligence must be flexible, as the nature of their work requires dividing their time among several responsibilities. CI professionals typically spread their limited resources among the various components of the CI cycle – planning, collecting, processing, analyzing, and disseminating intelligence – with the majority of time spent on analysis and secondary data collection. Many CI professionals also manage the CI function, and spend time allocating resources and overseeing projects and budgets. They also develop and nurture relationships with management, internal clients, outside suppliers, and others.

Supporting business decisions is the ultimate goal for many competitive intelligence functions, and the survey indicated that most CI practitioners support several key types of decisions, including those involving strategy and business development.



Competitive intelligence professionals create and distribute a variety of intelligence products.

Survey respondents reported generating a wide assortment of intelligence products for internal clients, many using sophisticated analysis. Company profiles are the most common (produced "sometimes" or "frequently" by 86 percent), followed by competitive benchmarking and market or industry audits. Two-thirds report using some type of early warning alerts and more than half develop customer or supplier profiles and technology assessments.

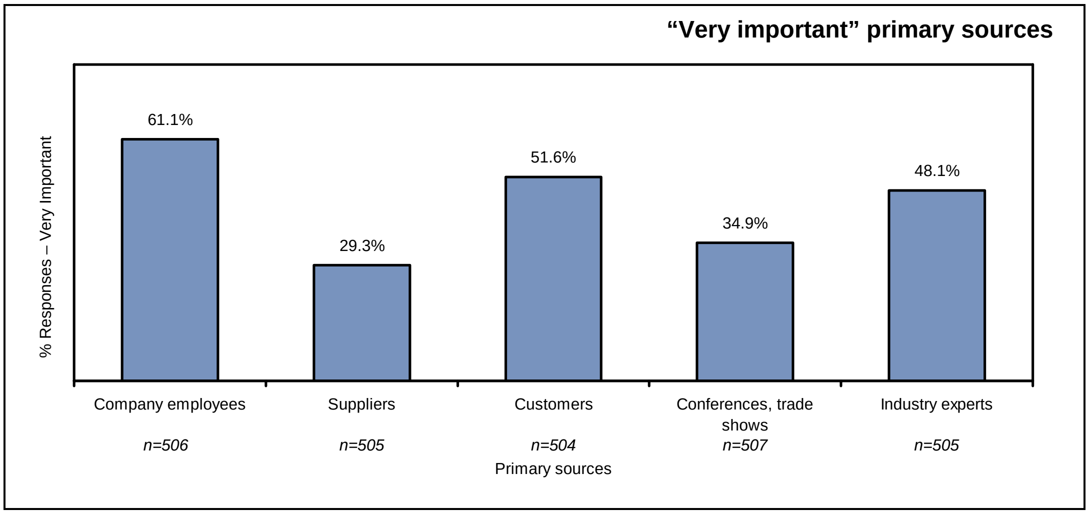


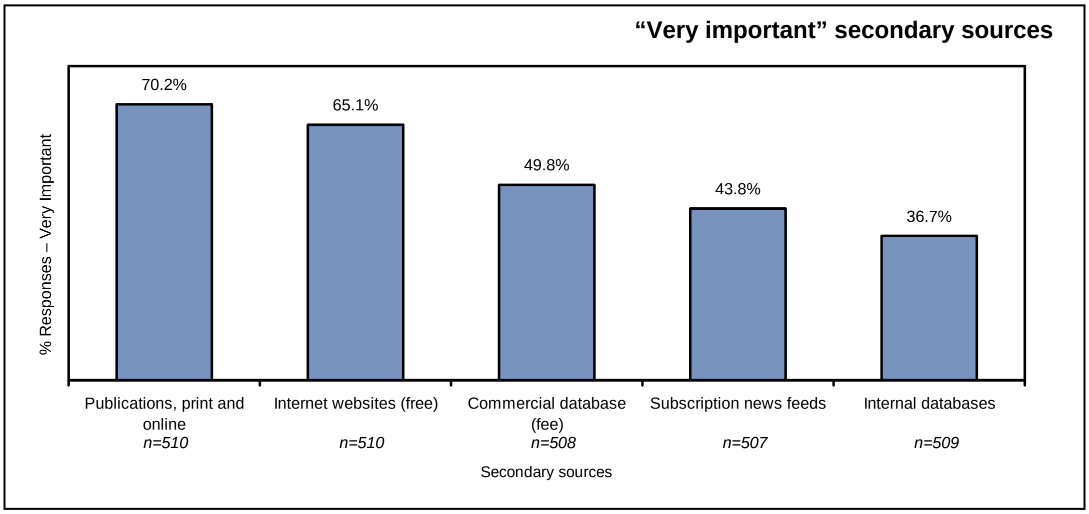
KEY FINDINGS: CI TOOLS AND TECHNIQUES

Collection: competitive intelligence leverages a variety of primary and secondary sources.

Collecting information that can be turned into actionable intelligence is a critical phase of the competitive intelligence process, because without quality information there is little possibility of meaningful intelligence. In this study, survey participants indicated that most forms of primary and secondary sources are important to their CI practice – especially publications, Internet Web sites, and company employees. As one might expect, there was a good deal of difference in responses from respondents with larger or smaller competitive intelligence budgets and staffs.

Secondary sources continue to be a main source of information for many competitive intelligence professionals, often viewed as more important than primary or people sources. The most accessible and least costly (and unfortunately usually the least valuable) were viewed as the most important.





Analysis: Most CI professionals use competitor analysis and SWOT.

Competitive intelligence professionals can apply many analytical techniques to turn information into actionable intelligence. But CI practitioners generally prefer to use only a few techniques, and those preferences have not changed much over the years. In this survey, CI practitioners indicated they use two analytical techniques (competitor analysis and SWOT) frequently and others occasionally.

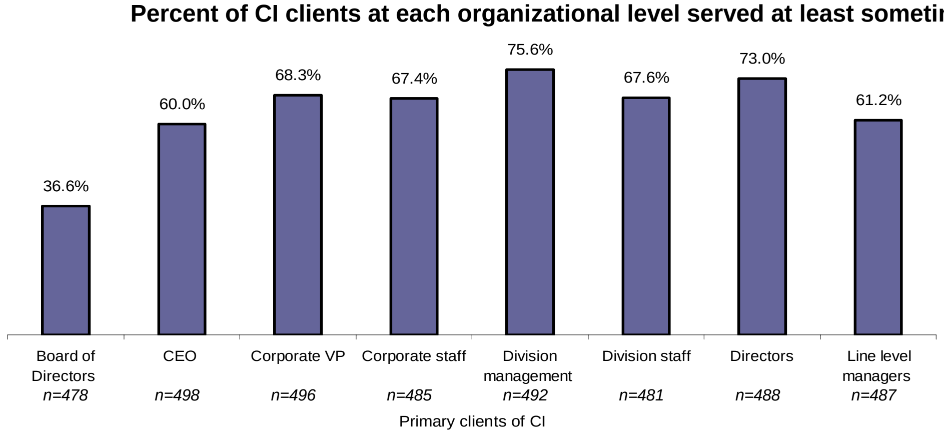
Top CI analysis techniques used

Analysis Technique	Frequently (%)	Sometimes (%)	Frequently + Sometimes (%)
Competitor Analysis	58.4	24.8	83.2
SWOT	47.8	34.8	82.6
Industry Analysis	28.1	37.5	65.5
Customer Segmenting	29.9	34.1	64.1
Financial Ratio	27.5	32.4	59.9
Customer Value	22.1	31.4	53.5
Scenario Analysis	16.2	33.6	49.8
Issue Analysis	20.9	27.9	48.8
Strategic Group	16.7	29.9	46.6
Sustainable Growth Rate	18.1	28.5	46.6
Product Life Cycle	16.5	29.8	46.3
Management Profiling	13.8	31.1	44.9

Dissemination: Competitive intelligence deliverables go to a wide and diverse internal audience.

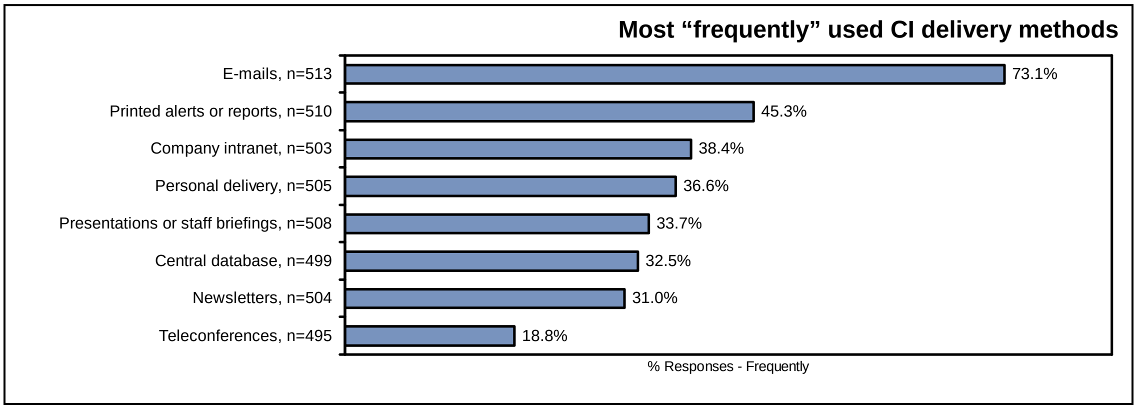
By its nature CI often contributes to more than one internal group, and the survey responses reflected that. As expected, most respondents serve a wide variety of internal clients with CI content and multiple deliverables. Serving several different internal employees with limited resources requires a certain amount of finesse, and solid direction and processes.

Percent of CI clients at each organizational level served at least sometimes



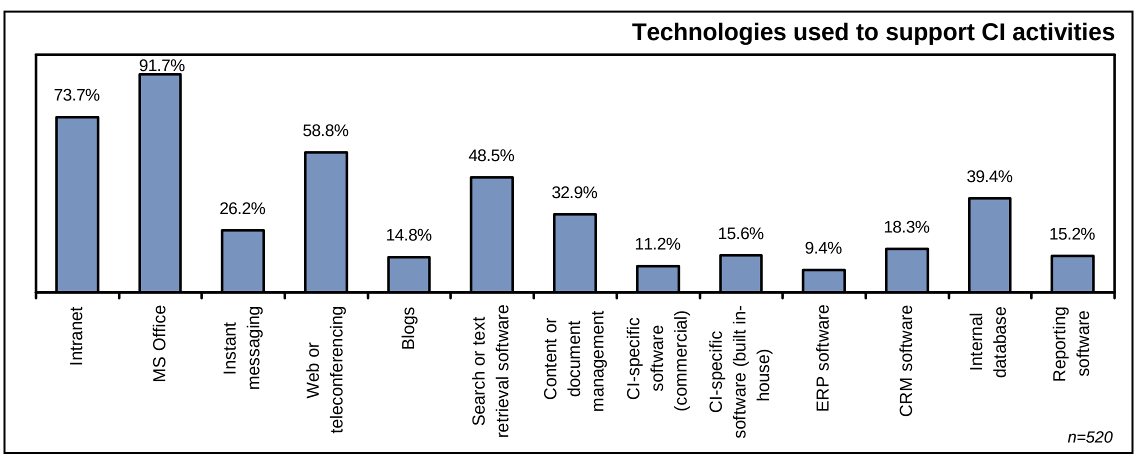
E-mail is the most common way to deliver information and analysis.

Disseminating competitive intelligence to a wide and diverse internal audience often requires several different delivery methods. Respondents to this survey favor delivery methods that can reach large numbers of clients at once, such as printed reports/alerts and presentations/staff briefings. But e-mail tops all other methods. E-mail is also the primary method others in the organization use to send competitive information into their competitive intelligence unit.



A variety of technologies help collect information and report intelligence.

Many technologies on the market today support competitive intelligence. Some help collect information, while others make analysis easier or more accurate. Other technologies report intelligence or assist in developing and maintaining internal contacts with clients and information sources. When asked what internally available technologies supported CI activities, most respondents used those technologies that help them collect information (such as search/text retrieval software) and report intelligence (intranets and Web or teleconferencing). Almost half are confident that they have the most appropriate technology.

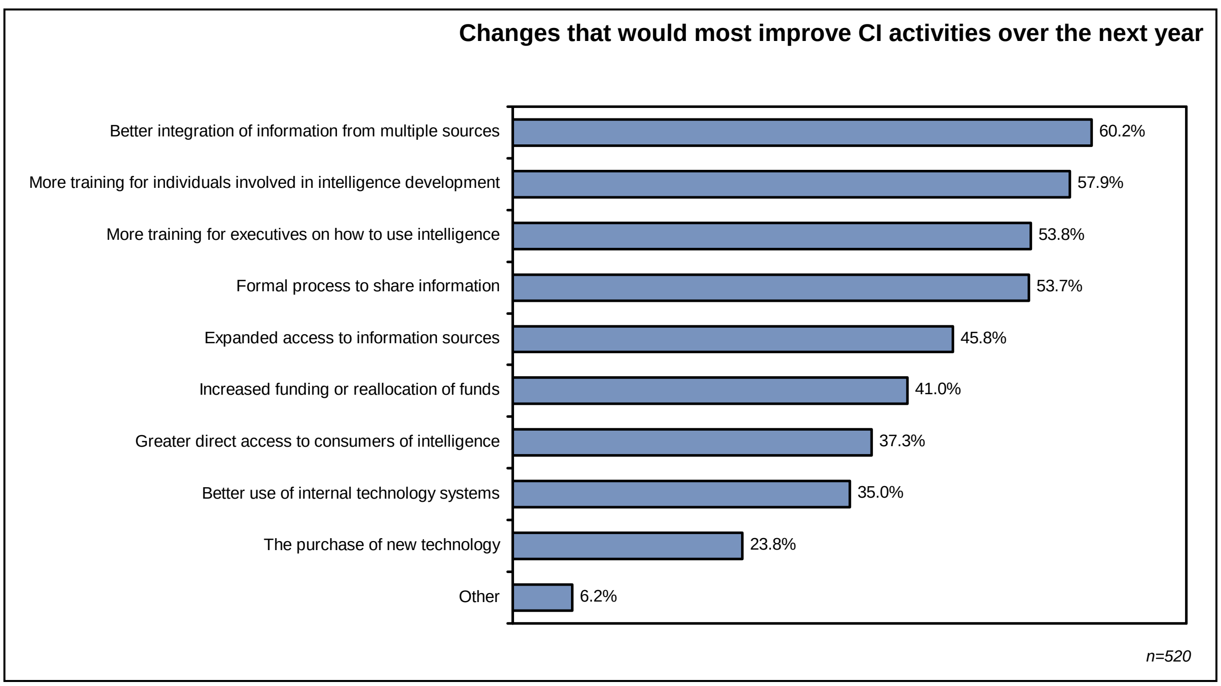


Many competitive intelligence professionals want more education and better information integration.

Survey participants appear more concerned with improving their skills and increasing the impact of their analytical products than obtaining more funding or technology. When asked what changes would most help improve their organization's CI process over the next 12 months, the top responses involved accessing, integrating, and sharing information, and better educating themselves and their management about competitive intelligence.

The survey respondents selected the ability to better integrate multiple sources of information as their most desired change. This indicates that the respondents do not feel "information starved," but want the ability to better handle the information they already have. It may also indicate the need to spend less time on information handling. Interestingly the respondents do not seem to want to purchase new technology (ranked ninth) as a solution although technology may be the best way to address this need.

The need for more training for individuals involved in intelligence ranked second among the changes that would improve competitive intelligence processes. Based on the number of one person departments and less than full time practitioners, this need for training is not particularly surprising. For larger CI organizations, this ranking may be driven by the belief that better skills and more competitive intelligence knowledge are required to improve organizational excellence.



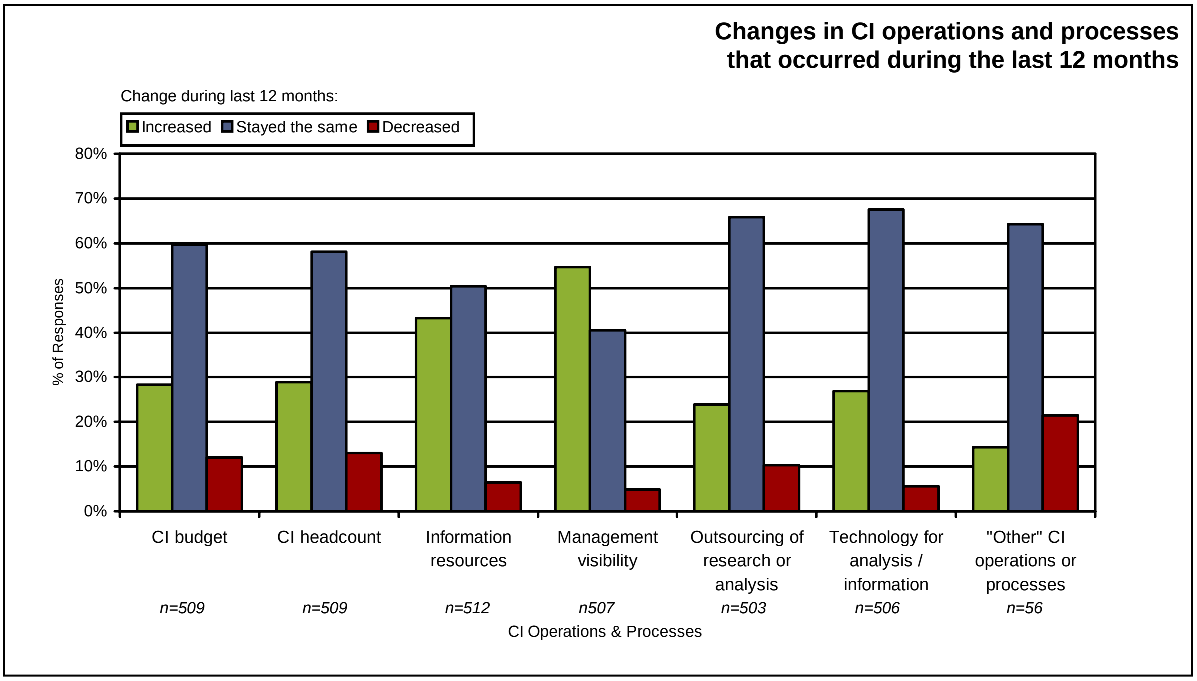
KEY FINDINGS: ISSUES FOR CI

Competitive intelligence has the opportunity to improve its standing by leveraging awareness and visibility.

Survey participants were asked to consider what changes have taken place in their overall competitive intelligence operations or processes during the last twelve months. The results indicate that competitive intelligence is on a positive trend, and at a key junction in its quest to gain acceptance and provide value to organizations. The downsizing and budget cuts that followed 9/11 and the earlier economic downturn appear to be over for most respondents' organizations, and many competitive intelligence units are now stable or growing.

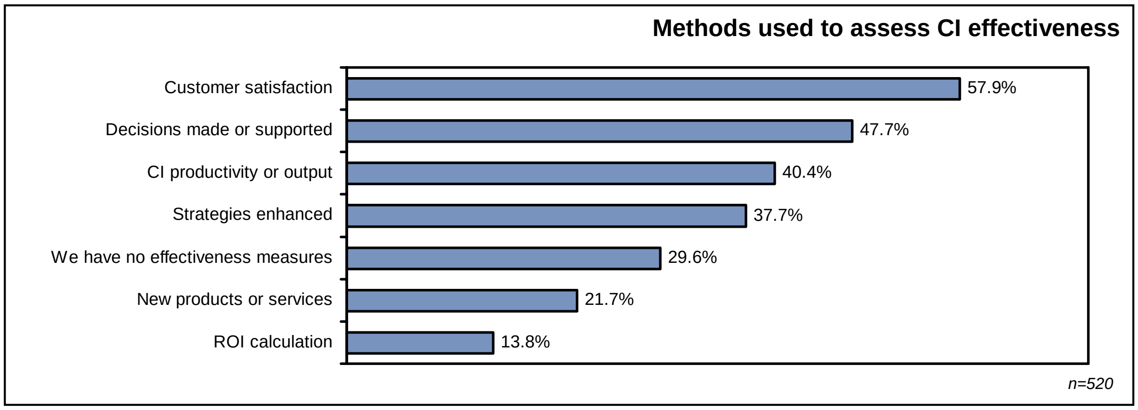
Most respondents have regular contact with their senior management through their deliverables, and many report high levels of CI awareness and increased management visibility. This positive environment presents an excellent opportunity for practitioners to improve CI's overall standing and to lay the groundwork for additional budget, headcount, or resources by demonstrating the value competitive intelligence provides to their organizations.

Some companies may be trying to provide more tools to competitive intelligence staff (possibly in lieu of more budget or resources). Outsourcing of research or analysis is present and increasing for some respondents, although only a minority indicated increases in their organizations. For many, additional help is available in other parts of their division or elsewhere in the organization, and about two-thirds of respondents indicated that at least some of their company's personnel participate in competitive intelligence activities.



More organizations are assessing the effectiveness and value of their CI activities, but all should employ objective measures.

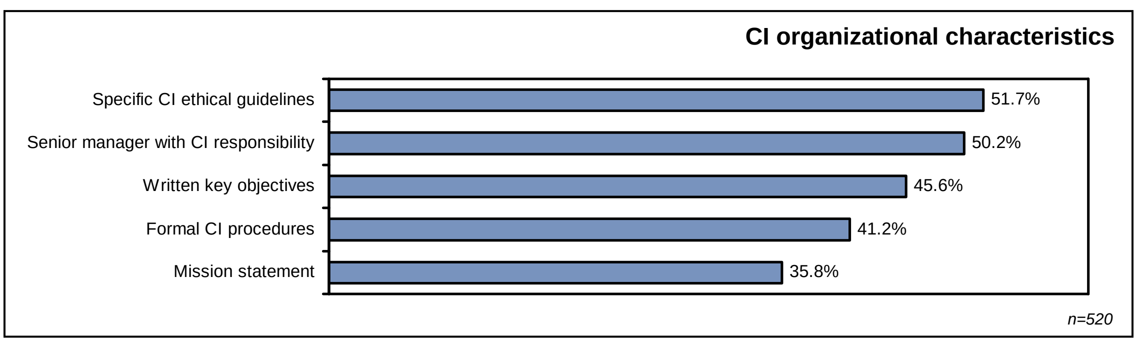
When asked how their organizations measured CI effectiveness, the majority of respondents used customer satisfaction surveys, but a minority reported using more objective methods such as return on investment (ROI). Even fewer respondents applied measurements to the value of their CI function and 30% reported having no formal or standard measurement processes.



For most CI practitioners, developing a mission statement and formal CI procedures and objectives should be a top priority.

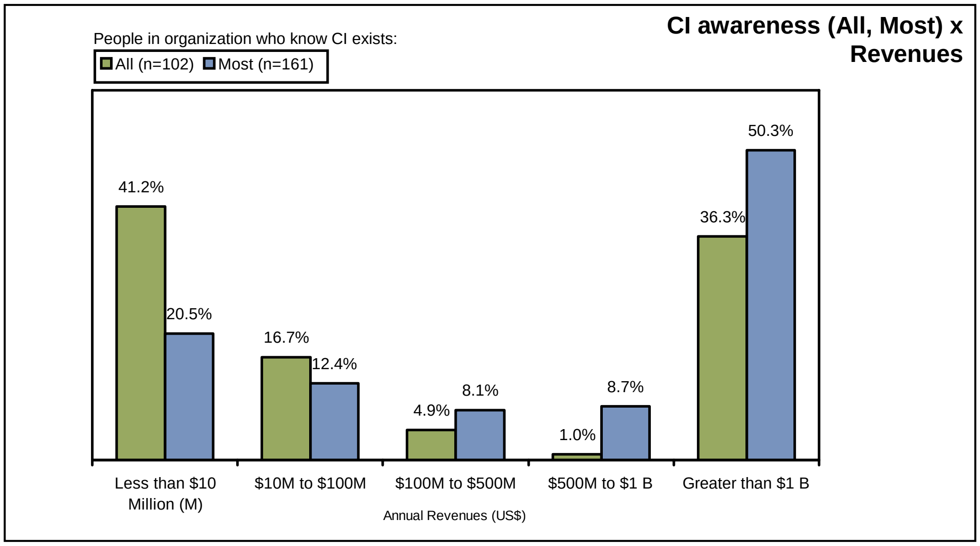
Slightly less than half of survey respondents indicated their organizations have the fundamental organizational characteristics that typically indicate acceptance of a function by an organization. Just over a third reported their competitive intelligence function has a mission statement, and less than half said they have formal competitive intelligence procedures or written key objectives.

Historically, there has been a high correlation between having these organizational characteristics and high levels of competitive intelligence awareness and participation. This survey again showed those relationships, as CI functions that have mission statements, objectives, and formal CI procedures are much more likely to have high levels of company-wide competitive intelligence awareness.

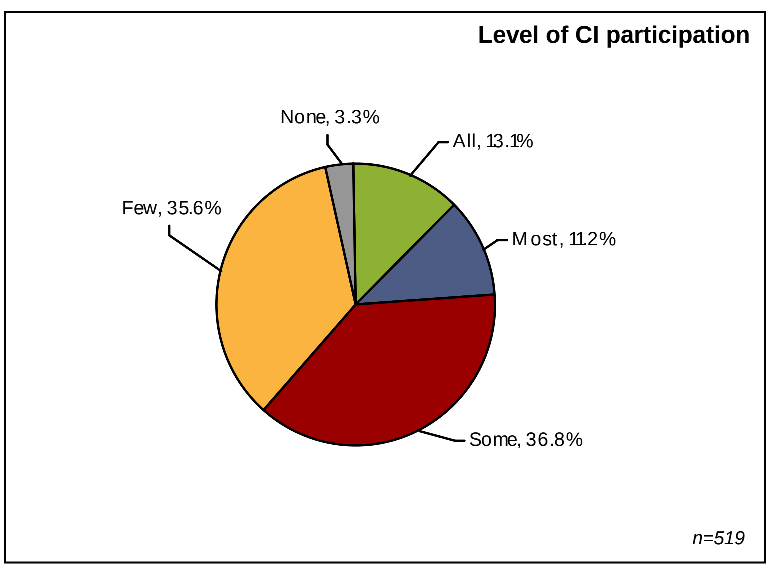


Most people in the organization know that competitive intelligence exists, but fewer participate in it.

More than half of the respondents reported that most or all of the personnel in their organization know the competitive intelligence function exists, a good indication of effective CI outreach and marketing. This awareness is directly correlated with the size of the respondents' organizations.



Overall, approximately one-fourth of survey respondents reported that all or most personnel participate in competitive intelligence activities, indicating active networking and information gathering throughout the organization. On the flip side, more than one-third reported that few or none participate. Those with small participation numbers are not fully accessing the internal competitive knowledge of their employees, and competitive intelligence practitioners may not be benefiting from the value that this information can bring to their process.



SURVEY PARTICIPANT CHARACTERISTICS

Respondents represent a variety of industries and regions.

A large, diverse group of 550 competitive intelligence professionals completed the survey, resulting in 520 usable responses. Respondents work in many different industries, which reflects SCIP's diverse membership and the increased use of competitive intelligence across most types of organizations. No single industry had more than 17 percent of all respondents, and when combined, more than half of the respondents work in four industry groups (education, pharmaceutical/biotech, CI or strategy consulting, telecommunications/internet).

Survey participants work all over the world, and all global regions are represented in the survey results. Similar to the distribution of the SCIP membership, slightly more than three-quarters of the survey respondents work in North America.

Respondents represent a variety of organizations, competitive intelligence experience, and all major CI constituent groups.

Survey participants work for a variety of organization sizes. Nearly a quarter work for small organizations (annual revenue less than US$10 million), slightly less than a third work for mid-sized companies (US$10 million - $1 billion), and just under half work for companies with annual revenue greater than US$1 billion.

Participants represent many levels of competitive intelligence experience and all major CI constituent groups (practitioners, vendors, consultants, and academics). Nearly 40% are in the "trenches" doing the work, with titles of analyst, researcher, collector, or technical staff. Another 40% are filling a managerial role (manager, department manager, director). Because many of them work for companies with small competitive intelligence budgets, some of them likely fill dual roles as competitive intelligence analyst and manager.

FOR ADDITIONAL INFORMATION

This *Executive Summary* touches on only a few of the high level observations derived from the answers supplied by 520 competitive intelligence professionals. The full *State of the Art: Competitive Intelligence Research Report* analyzes in detail the results from 28 main and 85 sub-questions covering how companies organize their competitive intelligence activities, use analysis and information processes, evaluate CI effectiveness, develop sources of information, deliver analysis, and support competitive intelligence with technology.

To order the full research report, please call 703.739.0696 or go to the Competitive Intelligence Foundation's website at www.scip.org/cifoundation.

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Society of Competitive Intelligence Professionals

1700 Diagonal Road
Alexandria VA 22314
www.scip.org

Cipher
Information Into Knowledge

2200 Defense Hwy, Suite 400
Crofton MD 21114
www.cipher-sys.com