

## Market Intelligence



**Market Intelligence**  
Building Strategic Insight

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*In Memory of our friend and colleague David Hussey*

## **Foreword**

The aim of this book is to provide managers with a book on market intelligence and analysis which is helpful, practical, and able to provide guidance for the practical application of sound concepts in real situations. It has also been to integrate a number of loose ends in the huge flora of the intelligence-related literature.

Most managers take little interest in theories, but are concerned about what works in practice. Hence in this book, it is our hope that the reader will find each chapter conceptually sound and useful to reflect the needs of managers whilst giving proper acknowledgement to the originators of the concepts and ideas. The emphasis is on the use of the concepts and methods, rather than on the academic argument.

Business school faculty and students concerned with the application of theories will hopefully find this book to be a supplement to the more academic texts available. At the same time the book also presents much original European research, some of which has not been published to an English speaking audience before.

The aim is to give the reader clear guidance on how to make market intelligence work in his or her own situation, while at the same time ensuring that the text does not over-simplify a given topic. Of course, it is for you, the reader, to judge whether we have succeeded.

*Per V. Jenster & Klaus Solberg Søylen*





# Preface

This book was born out of frustration that, although much has been written about competitive analysis, we could not find a practical text which covered the broad spectrum of the subject, supported by examples and case histories across different academic cultures concerned with the topic of Intelligence Analysis. There are many good books which have made a major contribution on intelligence related topics, and these have been helpful in shaping many of the concepts which this book discusses. However, the practical aspects of making use of the concepts in real situations have had less prevalent treatment. In other words, the *why* and *what* of competitive analysis has been covered, but we have found few writings on the *how* and *when* which have been practical, comprehensive, and conceptually sound. Academic communities occupied with intelligence related subjects still tend to be rather local, maybe because of the perceived sensitivity of the subject.

The book opens with an examination of the theoretical foundation for competitive and intelligence analysis. Chapter 2 examines a number of issues around competitive strategy in both attack and defence modes. We hope that this will demonstrate the need for a vigilant study of competitors.

Chapters 3 and 4 cover industry and company analysis, first from an examination of the basic principles, then with practical ways of using the concepts in business situations. Chapter 4 includes a set of tools for analyzing the information and communicating it to others which has been found particularly useful in consulting assignments.

Critical success factors are important both for self-analysis and for an examination of competitors, and the concepts are discussed in detail in Chapter 5 together with a wide presentation of other analytical tools.

Chapter 6 focuses on about how to build an effective business intelligence system. Chapter 7 emphasizes the organizational role of intelligence and Chapter 8 is discussing Business Intelligence Systems. In chapter 9 we cover the essential implications of the ethics in intelli-

## *Preface*

gence work. No training in intelligence analysis can be complete without it.

This is a book we have enjoyed writing, and which we hope will make a useful contribution to the understanding and application of the subject. Our acknowledgement goes to researchers and colleagues whose work we are building on, and to the students and clients who taught us through the years. We also would like to express our gratitude to Cheng Yiting for all her patience in editing and formatting the text. The book is dedicated to the memory of David Hussey, who not only contributed to much of the thought in this book, but who was also an excellent strategist and friend.

## *CHAPTER 1*

# **Converging Foundations of Intelligence Analysis**

A seminar on competitor analysis with a group of managers from a large multinational company reminded us of the old adage about the elephant and the six blind men. Each of the blind men tries to explain his perception of what he is encountering. One man, feeling the leg of the elephant, believes it to be the pillar of a grand building; another, touching the trunk of the elephant, thinks it is a slithering snake, and so forth.

In our discussion, a sales manager described the system for tracking different competitors' prices within a particular product line. A marketing manager talked about comparing brand positioning of different competitors. In production, attempts were made to benchmark the cost position of competing manufacturing sites, and the head of R&D was describing the technology path of various feuding organizations. A couple of corporate staff members described how the firm attempted to track competitors' acquisition paths, in order to assess the emerging build-up of market positions and competencies.

The point is that all these managers discussed some form of competitive analysis, but used the term to convey very different meanings. This lack of one common language is also reflected in the world of academic theories.

A considerable amount of research has been conducted to help managers understand competitive phenomena. The problem with most of these contributions is that they are dispersed among a large number of independent research bodies. The competitive advantage literature starts with Adam Smith<sup>1</sup> and follows an all but straight line to Michael

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<sup>1</sup> See Smith, A. (1776/1977).

Porter and his many contemporary inspirers.<sup>2</sup> Matters of intelligence are today studied by a diverse research community. Contributions made to help the state on a national, regional and local level (public intelligence), the military (military intelligence), non-profit organizations (NPO intelligence) and private companies (private intelligence) are often kept separate, even though they have much in common, first of all a certain working methodology.<sup>3</sup>

The study of intelligence also differs much from one country to another. In the US, the study of private intelligence was separated from military intelligence in the 60's, in an attempt to discover general theories of intelligence work.<sup>4</sup> To this end, it first took the title, Business Intelligence,<sup>5</sup> followed by Corporate Intelligence<sup>6</sup> and then Competitive Intelligence.<sup>7</sup>

The term Business Intelligence has survived, but now often refers to the technology applied. In France most of this research is still studied under Geopolitique or as Intelligence Economique. In Germany, it is studied as Wirtschaftsspionage or hardly at all,<sup>8</sup> and in Sweden as Omvärldsanalys, loosely translated to "surrounding world analysis". There is a need to bring all this research together and to develop a general methodology for studies of intelligence. In this book, we have chosen to call it Intelligence Analysis.

We want to provide the reader with an overview of the most important tools and concepts relevant to intelligence analysis for strategic decision making. Our focus will not only be competitors, but also customers, suppliers, and a range of other influencers. Even though this book focuses on private enterprises, it will be apparent to the reader that the same analytical framework may be used to understand the intelligence process in public organizations or the nation state. We will start this chapter with some thoughts on important dimensions to consider before engaging in any competitive analysis. We will discuss a

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<sup>2</sup> Porter, M.E. (1990).

<sup>3</sup> For an in-depth explanation as to how these forms of intelligence differ and coincide, see Solberg Søilen, K. (2005).

<sup>4</sup> See Knorr, K. (1964).

<sup>5</sup> See Greene, jr., Richard M. (ed) (1966).

<sup>6</sup> See Eells, R., Nehemkis, P.(1984).

<sup>7</sup> The term was established with the appearance of the journal *The Competitive Intelligence Review*. The journal, which was edited by SCIP and published by Wiley, came out between 1995 and 2001. It has been replaced by *The Journal of Competitive Intelligence and Management (JCIM)*, edited by Craig S. Fleisher and John E. Prescott.

<sup>8</sup> Solberg Søilen, K. (2004).