



Blueprint

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Global markets are a tempestuous sea of risks and opportunities for many companies. Competitive intelligence is not just a means of growth, but a requirement for survival no matter what the company's size. Missteps and misunderstandings in global markets can cost billions of dollars. Companies are now creating positions dedicated to their strategic objectives, such as chief strategy officer, to better achieve their competitive objectives. The increased importance of strategic thinking stems from the many global companies whose initial market assumptions are continuously challenged or found to be flat-out inaccurate.

About 4 billion consumers in emerging markets currently represent a total market value of US\$5 trillion. From the most-considered emerging countries like Brazil, Russia, India, and China to peripheral markets like Thailand, Turkey, and Malaysia, companies need not only market data on their competitors but also must know about recent competitive actions and gauge a competitor's possible reactions. These companies certainly need to understand their competitors' vulnerabilities and strengths. With this insight, companies can carefully capture opportunities and maneuver through

the global economy's rapid transformations. This article discusses the elements and current challenges of global competitive intelligence and presents a model for effective intelligence gathering worldwide.

THREE ELEMENTAL E'S

Today's intelligence practitioners face several changes and trends:

- 1) Competitive intelligence is increasingly essential for a company's survival.
- 2) The rapidly changing business environment affects the understanding of and methods for intelligence gathering. The nature of globalization and local events affect the actions of customers, competitors, and companies.
- 3) The evolution of global intelligence gathering is towards integrated and hybrid approaches designed to comprehensively understand not only competitors, but also customers and the macro-environment.

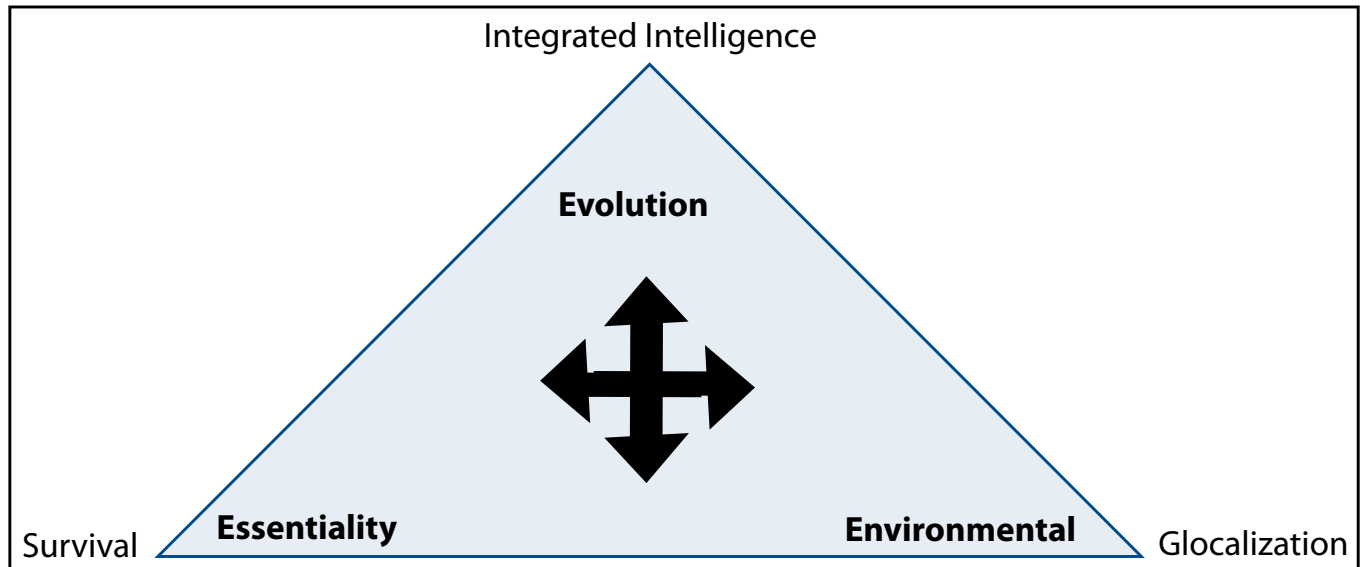


Figure 1: The Three Elemental E's in Competitive Intelligence

1. Essential Competitive Intelligence

Global companies expanding into emerging markets often end up competing with local giants. For example, despite its universal brand name, Coca-Cola competes with local beverage makers in Latin America. The local and entrenched competitors have the brand image and pricing to compete with them.

Even if companies have voluminous market research findings on certain emerging markets, they must develop and implement strategies appropriate to each individual market. Global companies must notice the way competitors understand the local market and employ appropriate strategies in response.

2. The Environment of Global Business

Relationships among people, markets, and business processes are becoming increasingly interlinked. For example, a company in China may employ strategies and actions comparable to those used in the United States.

However, development and globalization do not fully standardize local practices. Instead, emerging markets adapt global processes and practices to local traditional environments, producing a “glocal” landscape. Indeed, competitive companies largely behave within the bounds of their markets and local governmental policies, as well as within global markets and standards.

3. The Evolution of Strategic Intelligence

Companies now look for integrated or hybrid methodologies to understand their environment. Competitive intelligence (CI) is extraordinarily useful in crafting and delivering strategy and responding to competitor developments. However, seeing through this perspective alone

overlooks the customer viewpoint and satisfaction in their local market, traditionally a tenet of market research. After all, a firm can implement the shrewdest actions to counteract competitors, but if the firm's market does not demand such actions, then the company is at a loss. Finding the correct intelligence mix for clients is crucial for CI to provide value.

Each of these three elements suggests an increasingly complex environment for global intelligence gathering. The methodological challenges in conducting emerging markets competitive intelligence presents added obstacles for today's CI practitioner.

CHALLENGES IN GLOBAL INTELLIGENCE GATHERING

Attempting to apply traditional intelligence-gathering techniques to research covering emerging markets can cause trouble. People around the world may engage in the same global business processes, but their reaction to stimuli depends on myriad influential factors, including personal, cultural, socioeconomic, technological, and local factors. Despite research methodology quality and researcher expertise, these influential factors can control and sabotage research quality. Both primary and secondary data collection provide a challenge for global researchers.

Primary Research: The Power of Elicitation

Because of its reliance on people who come from different nationalities and cultures, primary research is often the most difficult aspect of international intelligence gathering. Accordingly, international human intelligence-gathering processes differ significantly from domestic ones. For example, in China and several other emerging Asian markets, researchers

may find the process of elicitation extraordinarily easy. What they may not realize is that the executives are not only providing inaccurate information but intentionally misleading information. They believe that researchers are a tool of the competition — as can often be the case.

Moreover, emerging markets research frequently lacks reference points for triangulating collected data from other sources. For example, a person may report that the construction industry is growing at 30 percent, but no independent data can confirm this number. Simultaneously, a competitor may say that the same market has a 10 percent growth rate. You will have to dig deep among existing and new informants to uncover the real picture.

Misunderstanding cultural norms and practices affects research outcomes. For instance, the perception that exported Western technology is superior and bound to be successful among consumers in the local market is not supported in some countries. An example of this is the possible introduction of high-technology cellular communications. While telephone penetration is low in countries like Nigeria, this market could provide high-technology growth and a place to develop a competitive advantage with technological products among consumers. But this perspective ignores cultural norms and existing, time-trusted means of communication, which have significant influence on whether a technology will succeed.

Indeed, the glocal concept arises again when describing competitor actions. Though many local business leaders have been trained in prestigious business schools abroad, their strategy, actions, and decisions are a mix of global macroeconomic factors and influential factors like personal, local, economic, or cultural norms. For example, a Chinese company may react to the same new opportunity as a Canadian company in a different manner, according to the local culture and the company’s experience. The Chinese company may be more risk averse than the Canadian one, but may be much more aggressive and efficient in pursuing low-risk opportunities. Likewise, glocality makes your task of gauging a competitor’s behavior all the more complex, requiring you to have an in-depth understanding of foreign markets.

Secondary Research: Harnessing the Power of the Web

CI researchers take advantage of the increased standardization and availability of secondary research. But in emerging markets research information is frequently untimely, useless, and irrelevant, or in the worst case, inaccurate. For example, information is available on the Middle East, but you will find many conflicting statistics and data. In other markets, secondary research information is either unreliable or useless for your CI needs. While Web information can be plentiful and easily obtained,

TABLE 1: SAMPLE REGIONAL RESEARCH PLAN – ASIA

Information Requirements	China	Indonesia	Cambodia	Thailand	Taiwan	India
Internet search yield						
Secondary data						
# patients						
# hospitals						
- private						
- public						
Critical care unit growth						
Primary research						
Nurse interviews						
Hospital administration interviews						
Physician interviews						
Competitor interviews						
Distributors						
Competitors						
Suppliers						
Information analysis						
Market projections						
Global market plan development						

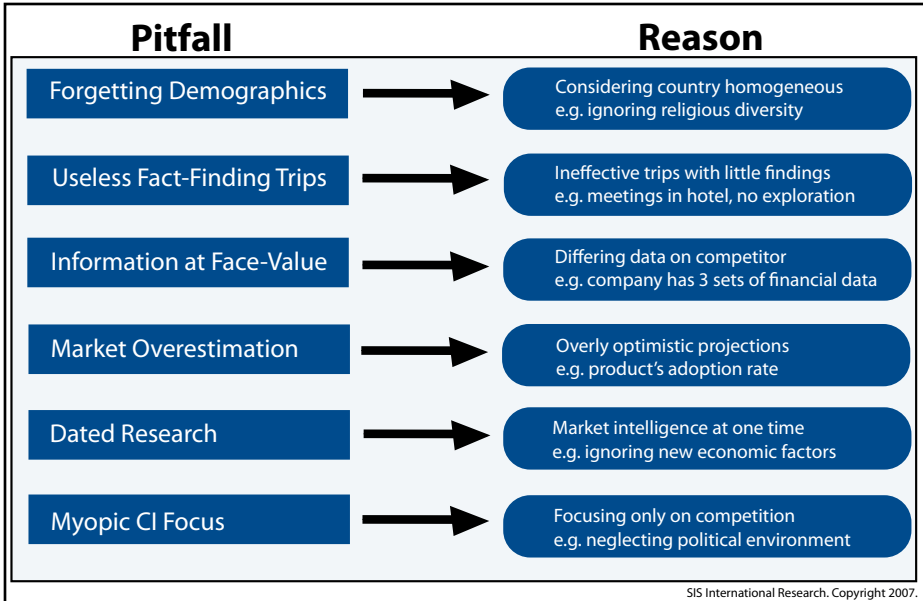


Figure 2: The 6 Pitfalls in Global CI

transparency and accuracy are usually not characteristics of published information on emerging markets.

The growth of internet-based information from almost every pocket of the world presents you with numerous innovative tools to gauge competitors' business activities. Knowledgeable researchers can locate valuable information beyond the traditional channels of databases like LexisNexis or newswires. Unconventional ways of extracting information often provide valuable strategic insight before the information appears in databases.

For instance, several years ago Bill Gates searched Google's Web site, looking at Google's job postings. Noticing that many of the job postings resembled many of Microsoft's, Gates made it policy to watch his competitor's hiring patterns for indications that Google was encroaching on their territory. Sure enough, Google sought to compete with Microsoft in software. New social networking sites and employment sites in emerging markets are becoming useful tools in gauging competitor actions.

The key to overcoming barriers for collecting primary and secondary research in global emerging markets is to keep the methodology open, account for the differences in "influential factors," and develop a robust research methodology that allows for creative research methods.

A FICTIONAL CASE STUDY FOR EMERGING MARKETS

James has just taken a new position as manager of global research for a large global manufacturer of medical devices sold in multiple markets throughout the world. His company, Kirkland Carlson Medical (KCM), developed a new

surgical care product in the United States. KCM is considering adding manufacturing and distribution capabilities for this medical device in the Asian, Latin American, and Middle Eastern markets. James' task is to assess each region's competitive environment and ensure the successful market entry of the company's new product.

Where to start? An effective framework for conducting CI in emerging markets involves six steps:

- Review secondary research.
- Communicate with personal and professional contacts.
- Research on the ground with a fact-finding trip.
- Develop a hybrid research plan: competitive intelligence and market research.
- Create a plan for market entry.
- Constantly monitor global intelligence sources.

1. Review Secondary Research

James' first step is to review past research on the topic. Look at secondary research not only as a guide and support, but also to foresee potential problems with primary research gathering. James' past experience in secondary fieldwork has taught him many lessons:

- Avoid the use of a single data source. If there is either no relevant data in emerging markets or too much conflicting data, all secondary data needs to be cross-checked.
- Account for an inaccurate, politicized angle in some countries. Examples include high birth rates used to prove the need for more secondary schools, or unreliable trade output figures used to influence trade policies.
- Account for differences in data sources in countries within regions. All data is comparable within regions if you understand the difference in definitions and the political context of the data production.
- Analyze each source within the political and environmental context of each country and region.

To gauge the existing industry, social, macroeconomic, environmental, and political background, James and his researchers chose secondary sources such as internal and external databases, and Web articles from prominent publishing sites. To better understand the competitive environment, they also explored unconventional Web sources such as employment sites, various Asian and Latin American governmental export reports, economic stability reports,

information published by Brazilian universities, and financial analyst reports.

The secondary information was harder to obtain and validate in some countries. Overall, James felt that there was a lack of transparency in several of the emerging markets. This signaled that he might face challenges in obtaining accurate answers during primary data collection. He uncovered the following data for most countries in the study:

- Number of patients with need for this surgical care device.
- Private vs. public hospitals.
- Method of treatment.
- Current (known) competitors who manufacture surgical care devices.
- Profiles of current competitors obtained via their Web sites and sales literature.
- Sales and financial information of competitors.

Ultimately, the basic secondary data findings suggested that the new product had the potential to compete successfully with existing products in those markets.

2. Communicate with Personal and Professional Contacts

Next, James discussed the product’s likelihood of success with many of his personal contacts in the medical field and professional colleagues in the industry. Several informants thought that the product could be successful in these markets. These discussions helped him understand the potential demand abroad for the product and also consider the weaknesses and strengths of some competitors.

3. Research on the Ground with a Fact-finding Trip

James’ company already had substantial insight into several markets that only needed to be brought into the discussion. Now he had to travel and visit with employees at several of the company’s regional branches. On this trip James met as many colleagues as possible, including university experts, health care specialists, and professionals in relevant nonprofit organizations. In addition, he spoke to his Asian, Latin American, and Middle Eastern regional sales and manufacturing offices. This trip enabled him to:

- Obtain existing research, data, statistics, and rumors heard from the field sales force in these countries.
- Focus the study on the most

important information areas.

- Ask for suggested sources and additional people to interview.
- Learn about the local health care systems in these countries.

James also understood the problems surrounding primary information gathering, especially with regard to employees who worked at the same organization. During these trips, he wanted to ask the “right” questions to penetrate overly optimistic assessments. James decided to hire a local staff member for translation. After numerous interviews, he identified the key gaps to be filled and gained a sense of the cultural nuances, as well as who and what to gather intelligence on in these markets. James also received the following suggestions from market research consultants on how best to approach multi-country interviews in emerging markets:

- Avoid face-to-face interviews. In the age of mobile phones and the internet, phone calls have a higher intelligence yield.
- Conduct the interviews in the local language. An international market research firm conducted these interviews.
- Avoid interviewing from within the same country. For obtaining sensitive data, you obtain better results when calling or visiting from another country.

4. Develop a Hybrid Research Plan: CI and Market Research

After his trip, James felt that competitive intelligence methods alone might overlook the importance of customers.



Figure 3: Checklist for CI: Emerging Markets

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Although strategic assessments are crucial, the company might neglect customers and thereby create losses. Conversely, if the project focused too much on market research, then it might ignore key competitive information.

James developed a research plan that combined both market research and competitive intelligence input and analysis (see table 1). The elements of an effective global CI methodology included the following:

- Primary interviews of suppliers, competitors, and distributors.
- Primary interviews of customers, such as nurses, hospital purchasing agents, and physicians.
- Secondary research on suppliers, competitors, and distributors.
- Market projections.

Initial analysis revealed that KCM's new product might have a competitive advantage in technology and pricing over two competitors in the Asian markets. The global analysis required data normalization to project the units sold by country and on a global basis. James then determined if the product had the same competitive advantage in the Middle East and Latin American markets, and developed a plan for entering these regions.

5. Create a Plan for Market Entry

James devised a dynamic marketing plan that offered a clear entry into international markets while reducing risk in each marketplace. He reviewed the circumstances surrounding other companies' failed market entry and saw the success of European company partnerships in the Middle East. As a result, KCM engaged business representatives for its Middle Eastern market entry deals.

6. Constantly Monitor Global Intelligence

James also recommended that KCM develop constant global online tracking of its markets. These markets change dramatically and have many complicated factors and entities that could help or hurt KCM's performance after market entry. He proposed two options to enhance the company's command of these markets:

Conduct a monthly scan of available data, market research reports, and databases. This approach includes newswires and published sources, some of which provide access to market research studies. However, James thought this approach was time-consuming and required skilled researchers to identify useful information.

Use a global competitive intelligence tracking system. Some market intelligence firms offer subscriptions to global market trackers, including global market data and analysis. The data would help James analyze and track his industry globally for competitive events and environmental threats and opportunities. Such data could eliminate the need to sift through hundreds of articles.

CONCLUSION

This case study illustrates a dynamic model for performing competitive intelligence in emerging markets. Certainly, it is not a "one size fits all" model, but its components are remarkably robust for global CI. It recognizes the challenges and complex variables in such research, and provides value with various intelligence methods.

In any global CI model, you must understand the culture and dynamics beyond industry information and statistics. Influential factors such as local, cultural, and personal factors are remarkably significant and affect competitive developments. A lack of this insight can easily affect the study's quality no matter how experienced the researcher or how time-trusted the technique.

Emphasize continuous information tracking after completing your study. Trends can change dramatically from quarter to quarter. While India may be strong in information technology (IT) now, employees could be constantly job-hopping to obtain higher salaries. This may well help to shift the IT bubble toward other strategic destinations such as Bulgaria.

Moreover, companies should be careful about looking predominantly at a specific country for their market entry projects. Factors change quickly, and often the country next door becomes more desirable. Countries that now seem absolutely inconsequential may become the next hot spot thanks to some element such as the lack of legacy systems, lower costs, and less bureaucracy.

Companies should look to regions, instead of specific countries. For example, Romania is a growing market for IT, but effective competitive intelligence will also benchmark nearby competitors and environmental factors in Turkey.

As the world becomes increasingly global and competitive, CI in emerging markets will likely become more commonplace. Despite standardized technologies, communication forms, and business protocols, local and cultural factors will continue to significantly affect intelligence gathering and make this research increasingly complex. While research methods can continuously adapt along with the global marketplace, the time-trusted ideal still stands: Experience and practice by "doing" provides the best insight into effectively approaching emerging markets.

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