

# CI and Marketing Strategy Formulation

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Competitive intelligence (CI) and its working relationship with marketing strategy formulation (MSF) has received limited in-depth research. Previous reports and studies on this relationship have largely ignored the contribution which CI can make to MSF. This is partly because managers and academics themselves have not yet identified that such a relationship exists. It is also extremely rare to find evidence of any investigative study looking at this aspect of CI within European companies.

The first and only CI doctoral study to be completed in the UK to date focused on filling the gap in current knowledge on the 'Role of Competitive Intelligence in the Formulation of Marketing Strategy.' This article provides an overview of the work, including the salient findings from the empirical study. (More detailed papers from this 390 page thesis are planned for 2004.)

The issue of whether a relationship between CI and MSF exists at all is central. If it does exist, how does CI contribute to the marketing strategy process?

An extensive literature review first revealed the CI and marketing gap. We conducted a questionnaire survey, followed by semi-structured face-to-face and telephone interviews with several CI practitioners. We subsequently extended this into a discussion of theoretical implications for advancing the study of the relationship between CI and MSF. We identified the managerial implications and made recommendations for improving the working relationship between CI and marketing managers in European companies.

## **PRACTICAL MARKETING STRATEGY**

It is difficult to find a hard and fast definition of marketing strategy, so we began by describing its

components. Formulating marketing strategy is part and parcel of the corporate strategic planning of the company. It consists of four major stages:

- marketing objectives
- strategic marketing analysis
- strategic decision-making
- implementation and control

Although much of the literature deals with these components in isolation, it fails to establish a relationship either conceptually or in practice.

The importance of understanding the internal and external business environment when developing competitive strategies is well recognized. A fast changing business environment and the globalization of competition requires companies to better understand the impact and consequences of these changes on their position in the marketplace. Companies also need to make adjustments in practices and strategic planning to develop and maintain their competitive advantage. Consequently, enlightened companies recognize the importance of CI as an essential tool to provide the intelligence needed for decision-making support.

Much research widely acknowledges the importance of good CI practice, yet it often goes unnoticed by management. Our research indicates that the need for CI is growing rapidly. Findings from this study highlight both encouraging and worrying signs regarding the practice of CI among European CI managers who are seeking a clear and practical set of guidelines to help them carry out their job.

Most of the available CI literature still highlights the importance of *why*, which those who participated in this research already fully understood. What they lacked was the

how knowledge to carry out their CI activities and overcome the most common problems to gain maximum benefit.

The practice of CI in Europe requires a great deal of commitment to improve the current status. Companies recognize the need for CI methods and activities, but find it difficult to use them to their full potential to gain maximum benefits.

### SAMPLE FRAME

Our research goal was to provide a picture of CI and MSF. Members of SCIP in Europe provided us the opportunity to develop knowledge about CI across a range of industries and company sizes. An underlying assumption, that the respondents selected would at least be aware of CI, was confirmed in the responses.

Despite the nature of the study and the argument that managers have a negative response toward questions dealing with intelligence activities, we achieved a satisfying response rate of 251 usable returns from 806 contacts (31.1%). Twenty three CI managers participated in follow-up face-to-face and telephone interviews.

### PROFILE OF RESPONDENT'S FIRMS

The manufacturing sector provided the largest response, and services companies were well represented. Both sectors showed strong evidence of reacting quickly and competitively to the increased pressures on developing and maintaining a competitive advantage. Of the total respondents, 70.5% were from companies with over 1000 employees. Moreover, 57% of respondents worked in firms with a turnover of over £1 billion.

In this sample, it would appear that CI is the domain of larger firms, although firms with smaller turnover categories had good representation. One could conclude that smaller companies are less likely to have the extra resources to invest heavily in CI and as such, are less able to practice it. But they clearly have an interest in CI even if they are not yet fully engaged in the practice.

The pharmaceutical and chemical sector accounted for 21% of respondents, closely followed by industrial products and telecommunications with 19.4%. Another indication of recent market changes was the high number of consumer products firms and the energy and utilities sector which in recent years have moved from public to private ownership.

### THE CONTRIBUTION OF CI ACTIVITIES TO THE MSF PROCESS

Marketing strategy formulation (MSF) aims to establish, build, defend, and maintain competitive advantage. This requires extensive analysis of both the internal and external

**TABLE 1: CI CONTRIBUTION TO SETTING MARKETING OBJECTIVES**

CI contributed by understanding competitors strategies and objectives	77.5%
Useful intelligence help set achievable, realistic marketing objectives	77.0%
Intelligence used as a platform to develop marketing objectives	59.0%

environments and a mixture of useful intelligence. Managers must also deal with issues that involve a high degree of uncertainty and vagueness.

MSF needs a great deal of hard and soft intelligence. While the respondents in this study understood the importance, benefits, and need for CI in the MSF process, their main problems were in *how* to integrate CI into MSF.

It was encouraging to note that 87% of respondents felt that CI helped strategic planning and that this was the main reason for engagement. The second most cited reason was to develop new marketing strategy followed by awareness.

The overall study results indicated that CI managers believed that CI often contributed to strategic analyses and strategic decision-making. They also understood that CI sometimes contributed to setting marketing objectives, implementation and control. Some guidelines can be drawn on how CI contributes to each stage of MSF.

### STAGE ONE: SETTING MARKETING OBJECTIVES

This is a key stage in MSF. Marketing objectives are what the company wishes to achieve in the future, normally expressed as market share, profits, or some other agreed performance measure. Managers use their judgment and experience to set these objectives and examine the feasibility of each in light of market conditions.

The top three reasons given by respondents when asked how CI contributed to setting marketing objectives are shown in Table 1. Multiple responses were allowed.

One worrying result from this study was that in addition to making their selection, 41.6% of all respondents stated that they *didn't really know* how CI contributed to setting marketing objectives. These managers would be reluctant to use CI in this stage of MSF, and if they do use it, they will not be doing so effectively.

### STAGE TWO: STRATEGIC ANALYSIS

CI at this stage focuses on decision structuring, data gathering, recovery and analysis. CI collects and processes relevant marketing information and transforms this

information to meaningful intelligence. Analytical techniques can also be used to track market share, market trends, target markets and competitors' activities.

CI offers advice on how to use the relevant marketing theoretical models properly. CI can help identify new customers' needs and requirements, and analyze market share. CI can also be employed to forecast market growth rate, market trends, competitors' reactions and activities, and market response.

Other suitable strategic analysis methods and models are key success factors, competitor profiling, financial analysis, industry analysis, win/lose analysis, wargaming and role playing. All strategic analysis techniques or models have advantages and limitations. A single strategic analysis technique is sometimes problematic to adapt to certain circumstances, and will only highlight a small part of the strategic arena. There is no one tool by itself which is adequate in dealing with the complexity of strategic analysis.

CI managers must be fully aware of all the techniques available and how each one can be used efficiently to maximize the benefit of strategic analysis. The proactive practice of CI can only assist with this stage.

Table 2 highlights the top three views given by respondents on CI's contribution to this stage of MSF. As before, multiple answers were allowed.

All respondents were of the view that CI had made some contribution to this stage but 21% had to admit that they didn't really know how. This again draws into focus the problems that CI managers have in expressing the real contribution which CI makes to their strategic analyses. If companies are not using CI in the analysis stage of MSF, then they will fail to develop a strategy which takes full account of the business environment.

### STAGE THREE: STRATEGIC DECISION-MAKING

Analysis is just one step towards strategic decision-making, but detailed analysis is crucial in laying a firm foundation. Stage three makes assumptions and forecasts the future positions of products and markets. Relevant analytical methods include forecasting and risk assessment. This is also

**TABLE 2: CI'S CONTRIBUTION TO MARKETING STRATEGY ANALYSIS**

Helping to better understand business environment	70%
Providing intelligence on the competitive environment	65%
Identifying market opportunities and competitor moves	52%

**TABLE 3: CI'S CONTRIBUTION TO STRATEGIC DECISION MAKING**

Timely intelligence on business environment	81%
Assess and evaluate competitor reaction	66%
Provided intelligence and suggestions	62%

the time when the *all-important* decisions are made. Aside from gaining expert knowledge and enlightening assumptions made on performance, CI can be used to predict strategic factor changes as well as identify threats to products, markets, and competitive position.

Respondents stated the top three ways that CI contributed to strategic decision-making and these are given in Table 3. Multiple selections were allowed.

All agreed that CI had some contribution to make and it was gratifying to learn that only one respondent believed that CI could never be applied to this stage of MSF.

At the end of the decision-making stage, strategic priorities must be set. The chosen strategies should be built on competitive advantage and sustainability. CI provides relevant intelligence and analytical techniques to answer the *what-if* and *so-what* questions. CI informs on the validity of expert advice and also helps managers to think strategically. CI and strategic analysis have to work together to examine the planned strategies against unintentional biases.

### STAGE FOUR: IMPLEMENTATION & CONTROL

The decision as to which strategy to follow is not the final stage of CI's contribution to MSF. Some managers can devise a superb theoretical strategy, but if it cannot be implemented the strategy will be useless, with a subsequent waste of time and effort. Implementation of any strategy is one of the most vital stages to success and it is not a stage which is carried out and then forgotten.

Continual re-assessment and feedback is essential so that decision adjustments can be made. One CI manager from the semi-structured interviews supported this by saying "It is not just a case of saying 'this is our strategy, thank you very much', CI's contribution to implementation and control should be an ongoing process which evolves continuously. Any strategy which just stands still will die."

The top three ways in which managers thought that CI contributed to the implementation of marketing strategy are given in Table 4. Multiple selections were permissible.

Somewhat worryingly, nearly 6% of the respondents believed that CI never contributed to the implementation and control stage of the MSF process. Some CI managers do

not understand the importance of using the intelligence derived from CI activities in this stage. This prevents the use of performance feedback in the design of future CI activity which could result in companies obtaining intelligence at too late a stage, when adjustments may be impossible. It is too easy to overlook the need to employ CI in the drive to continuously monitor and adjust strategies. The end result will be ineffective implementation of the strategy, which in turn will lead to ineffective performance

As discovered in the previous stages, 44% of respondents believed that CI did contribute to the implementation stage of MSF in some way, but could not state clearly what this was or how it could be quantified. This also throws into doubt the use of CI for these firms in trying to assess competitor reaction to any strategy they might wish to implement. CI's vital strength as an early warning system is thus weakened and potentially impotent.

### CONCLUSIONS

The number of respondents who participated in this research was encouraging and provided original, valuable, and illuminating insights into the practices of CI in MSF by European companies. It also reflects the respondents' enthusiasm that the relationship between CI and MSF was being researched. Several comments were received that, apart from the previous work undertaken by members of the Competitive Intelligence & Marketing Strategy team (CIMS) at Leicester Business School, nobody had shown much interest in how CI was practiced in European firms. Indeed past contacts through previous studies was valuable in securing further contact with key individuals. Their

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enthusiasm to participate was infectious.

It could be argued that the focus on the tactical use of CI suggested that few companies are taking a longer-term strategic view of CI. Conversely, it could be that tactical actions are more easily identified, more

regularly reported, and easier to measure. The preoccupation within many European firms on profit, contribution and other financial measures of success does not help.

To offer enhanced support to the MSF process, the strengths of CI must be well integrated into each stage of the process and its contribution well understood. CI is not only useful but also critical to the design of realistic, achievable and successful marketing strategy. The benefits of familiar tried and tested techniques and models of strategic development can be maximized, but a competitive advantage can only come if CI is seen as part and parcel of the overall strategic process, not just a *nice to have* add-on activity.

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**TABLE 4: TABLE 4: CI'S CONTRIBUTION TO MARKETING STRATEGY IMPLEMENTATION**

An early warning system to assess success or failure	61%
Provides information about competitor reaction	54%
Checks the validity of the chosen strategy	43%