
Making Sense of Market Intelligence

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Greater confidence in decision making: Why high performing companies are using market intelligence to support strategic planning and marketing.

Executive Summary

Making critical decisions without sufficient information is a typical problem companies face. While information is unlimited, time and budgets are not. Busy executives are accustomed to making difficult decisions based on imperfect information. However, in today's climate, executives are far more accountable to stakeholders than in the past—they cannot afford to be wrong about major decisions that put significant assets at risk.

Typical among these critical business decisions are those that deal with launching a new product line or entering a new market. Historically, companies have engaged market research to address these needs. However, for companies in the business to business (B2B) sector, fast moving trends require a dynamic rather than static view of the market—market intelligence rather than market research.

So what is market intelligence, exactly, and why should you care? This paper answers these questions in context of what it means for companies pursuing best-in-class business processes. We go beyond the “why” and explore the “what” and “how” of this evolving discipline.

Why Market Intelligence?

“The reality is this...if you're not doing it, you're in big trouble!”
~Principal, Strategy Consulting Firm

The pivotal issue that arises is how much quality market information and insight is sufficient to support strategic business decisions.

B2B company executives must not only generate winning ideas on how their organizations can grow by developing new products and markets, they are also accountable for performance once plans are put into place. One key success variable is refining growth plans on actual market realities.

Plans are usually based upon some combination of knowledge, data, gut instincts, and experience. Whatever formula or approach you use, one thing is clear: in today's business environment, you can't afford to be wrong about market assumptions. This need for higher confidence in critical business decisions and for specific market insight is the principal reason high performing companies use market intelligence to support their marketing strategies.

Business organizations vary widely in their sophistication in terms of assessing market factors. Obviously, universal constraints prevail: time and budgets are limited. Yet the pivotal issue that arises is how much quality market information and insight is sufficient to support strategic business decisions. It's worth reviewing commonly mentioned reasons of why activities that provide exceptional insight are neither given priority nor practiced in a large number of B2B companies. Among them:

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- Staff: Often not dedicated or available to manage these activities (considered interruptions)
- Skill set: Not geared to provide staff with the capability of knowing what to do and how to do it
- Focus: There is so much to know and too much available information; it's easy to get sidetracked with "nice-to-know" rather than "need-to-know"
- Insight: Key insights required to truly understand customers and competitors are difficult to get
- Culture: Good research requires not only objectivity, but devil's advocacy as well—requires corporate culture that supports constructive doubt provided by, perhaps, junior staff members

Market Intelligence vs. Market Research

"You really want to arrive at knowledge. Information is adequate, but, remember, data is just one level above noise." ~Marketing Consultant and Author

How does market intelligence differ from traditional market research? Overall, market intelligence is best thought of as an enhanced level of market research—a broader, more inclusive view of every aspect of the marketplace with market research as an important component. When used by marketing executives, market intelligence lends itself to strategic decision making where market research tends to provide tactical support for specific marketing goals and objectives.

Many disciplines that make up traditional market research process evolved out of consumer packaged goods industries and, therefore, fit imperfectly into the B2B world.

Simply stated, research is what you do (gather data and analyze); insight and knowledge is what you gain and actions result. Market intelligence is actionable insight used to drive successful decision making.

Traditionally, we think of market research as the vehicle that develops and delivers information and insight to the marketing process. Yet many disciplines that make up traditional market research processes evolved out of consumer packaged goods industries and, therefore, fit imperfectly into the B2B world. Consumer-oriented demographics linked to buyer behavior fall short in terms of decision support for B2Bs, especially where new technology is concerned. The question becomes, what specific processes best support formation of critical management insights that allow for confident and reliable decision making in the B2B world?

The Market Intelligence Concept: Defined

"The CEO may think he or she knows what the issues are, but the customer is saying something completely different." ~Principal, Business Advisory Firm

The term market intelligence is frequently used in relation to decision support for B2Bs. However, like a lot of jargon, it can mean a lot of things, depending on who is using it. A quick Internet search demonstrates the vagueness of its meaning: A Google search on "market intelligence" leads to vertical market or technology category coverage, industry news, database products, and financial market focus.

Making Sense of Market Intelligence

According to a First Resource survey of 16 marketing executives across industries, market intelligence is best defined as:

- A process, not a product
- Both quantitative and qualitative
- Dynamic, not static
- An ongoing activity, not a one-time snapshot
- Multifaceted—considers customers, influencers, industry watchers, and channel players
- Cross-functional—it brings together perspectives often siloed by different groups (sales and marketing)
- A subset of Business Intelligence (BI) that focuses on external market data

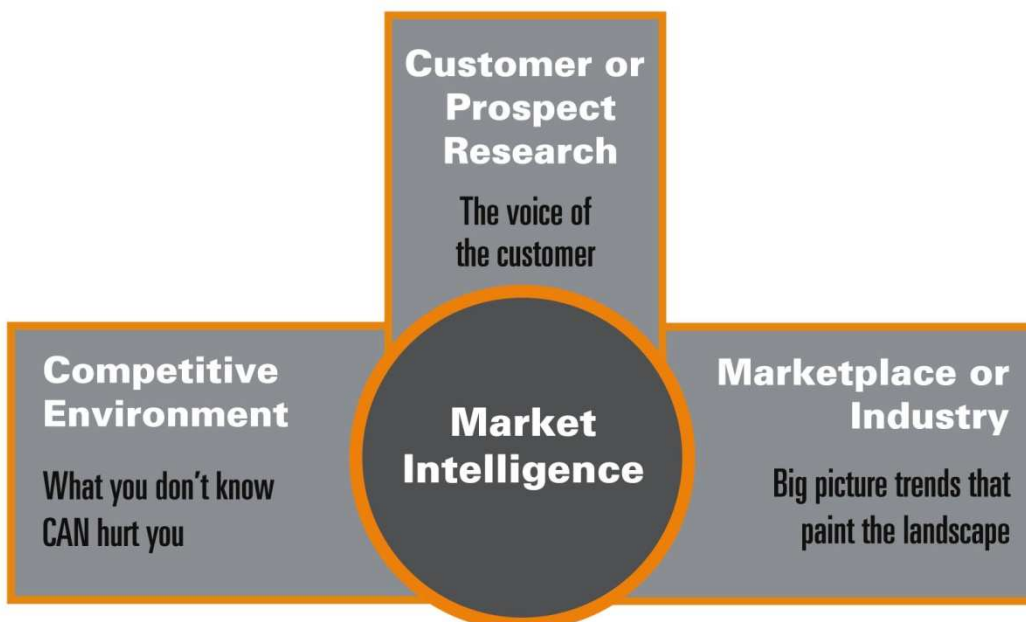
Market intelligence is decision-centric: gathering relevant information from a wide variety of strategically chosen sources. The key benefit? A reliable and all-encompassing backdrop for confident decision making and answers to these fundamental questions:

- What do we need to know?
- What do we want to know?
- What decisions will we be able to confidently make as a result?
- Can we afford not to know?

While the body of knowledge that comes from this process may in fact confirm initial assumptions and gut level instincts, the ongoing practice of using market intelligence provides value in its objectivity, while truly allowing for surprising results that can alter the company's critical marketing strategies and tactics. At the very least, initial assumptions may be confirmed, disputed, or simply refined by the weight of the analysis that stems from the process.

Focus Areas: The Three Pillars of Market Intelligence

Typically, market intelligence information is required in three primary areas of focus:



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Each focus provides a different perspective and insight that supports decision making. Synergistically, it's best to have all three. The whole is greater than the sum of the parts in that, when considered collectively, decision making encompasses a far greater understanding of all aspects of the market.

Ongoing Activity vs. Ad-hoc Analysis

Unlike "rifle-shot" market research efforts, market intelligence spins a web of understanding that goes beyond mere data points; rather, it lends itself to support a comprehensive analysis of a specific decision or business case. Usually, market intelligence defines a series of topics to be monitored continuously as the market evolves and unfolds. Specific processes, which only occur once or provide a static, snapshot view, may be implemented by using an ad hoc analysis. However, the very heart and soul of market intelligence is a dynamic, or an ongoing effort to better understand customers' needs and requirements *and their perceptions of your organization's offerings and brand strength relative to those needs.*

<i>The ongoing monitoring approach requires...</i>	<i>While the ad hoc approach is...</i>
<ul style="list-style-type: none"> ▪ Commitment to the process—belief in its strategic importance ▪ Leadership—a willingness to be surprised by the facts ▪ Resource allocation (tools and budgets); like any program, it needs support to be successful ▪ An internal distribution method—leverage the value by sharing results ▪ An intelligence culture—one that encourages paying attention and taking risks (of possibly being wrong) 	<ul style="list-style-type: none"> ▪ Event driven ▪ Decision focused ▪ Of lower-level rigor ▪ Frequently designed to support projects already in process

All approaches must translate into actionable insights and knowledge used to feed the planning process and deliver value through measurable results. According to a First Resource survey of marketing executives, market intelligence best practice calls for an ongoing process supplemented by the use of specific ad hoc projects as needed.

Situational Drivers for Market Intelligence

“Usually, it’s desperation that triggers the need.”

~VP-Marketing, Healthcare Industry

Often, pain points or major impending events fuel initial thrusts to launch some form of research or intelligence-gathering process, such as a perceived external threat or a sense of desperation in meeting an objective. A competitive surprise or a sudden, unexplained gap in sales performance are common examples. Additionally, specific event-driven needs born from an internal decision to pursue initiatives also drive the need for market intelligence:

- Re-branding efforts
- New product or line extensions
- Territory expansions
- Transactions (M & A)
- New applications for existing products and services

Irrespective of whether initial market intelligence processes are based on external threats or perceptions of new opportunities, a solid first step in data gathering and knowledge building can lead to a broader adoption of these practices. The result? A strong value proposition for ongoing analyses.

Hurdles and Impediments to Adopting a Comprehensive Market Intelligence Process

“Some organizations may not be able to digest the data, even if it is available.”

~Principal, Strategy Firm

“We know what to do; we just need to do it better...”

Many companies struggle to incorporate knowledge gained from market facts into a high-level marketing strategy. Frequently, the impediment is rooted in the belief that management already has the answers. The prevailing view is that “execution” is the only thing holding back better performance.

Inertia

Many mid-market companies struggle to take action at all—and may be mired in a status-quo mentality. Managers in enterprise level companies are often cautious about unsettling implications; they simply don’t want to “rock the boat.” In any size company resource constraints make the creation of a strong market intelligence program appear as a luxury.

Sacred Cows

Company culture must support constructive doubt—sacred cows are not conducive to the market intelligence process. Success trumps all impediments—like admitting you are on the wrong track. A collaborative culture where information, insight, and resources emerge from the silos is the best fit for market intelligence.

Status Quo

Strong top leadership willing to question, rethink, and base decisions on knowledge rather than conjecture—willing to rock the boat while providing the ability to stay the course—is a success driver in a comprehensive market intelligence process.

Tactically Oriented

Market-driven and strategically oriented companies see the value of market intelligence in making decisions to keep them ahead of the pack. This is particularly true in technology industries, where product cycles have shrunk and the competition is fierce. Securing a leg up through market intelligence can make a difference between gaining or losing marketshare by anticipating rather than reacting to competitor moves.

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Methods and the Need for a “Dashboard”

“They think they know, but they just don’t have the metrics to support it.”

~Vice President-Marketing, Public Company

Metrics *are* important. While a comprehensive discussion of quantitative methods is not warranted here, it is important to apply accepted market research standards such as addressing statistical significance and good sampling technique. When using published reports, note their research methodology and dates of publication, and recognize built-in bias by asking: Why was the study conducted and who financed it? Published industry size and trend data are often biased and oblique to the data sought, even if produced by reputable sources, such as the government or an industry trade group.

A full-time staff managing these functions can help contain costs and provide immediacy for on-demand reporting. It can also monitor, screen, and disseminate relevant news feeds on competitors or regulatory trends and oversee customer feedback programs.

Business intelligence processes such as data mining complement market intelligence processes. The overall idea is to define key intelligence requirements then determine which internal and external data sources feed each one.

Outsourced research should fill gaps, seek answers to questions unavailable from internal data gathering methods, and provide these advantages:

- Objectivity
- Better access to competitors
- Ability to discuss sensitive topics with customers (of the company and competitors)
- Professionalism
- Ability to meet aggressive deadlines

Reporting format should provide executives with an intelligence “dashboard” for viewing market variables in a dynamic environment. Off-the-shelf or customized software solutions support the need to aggregate data and insight for custom, real-time reports. Whatever method is used, the benefit of being able to easily access data and analysis across the organization cannot be overstated.

Market Intelligence Components: The Three Pillars of Market Intelligence

Customer Focus: The “Holy Grail” of Market Intelligence

Zeroing in on what customers truly want and need is the most important purpose of any market intelligence undertaking. How customers behave can drive all facets of the organization’s marketing planning process.

Making Sense of Market Intelligence

The often smaller number of customers in B2B, whose issues and values may vary significantly, suggests using a methodology that skews toward qualitative vs. quantitative techniques. As in any good research effort, one must match the technique to the answers sought.

Customer Focus: Voice of the Customer

Customer interviews can tell how customers perceive you, their needs, and receptivity to your solution(s):

- Current pain points—bothersome issues ideally addressed with seamless solutions
- Trust in your organization and general attitudes toward your policies, products, and services
- Legacy solutions you are replacing and experiences of your conversion process
- Belief in your brand and whether you are stretching it too far beyond your existing reputation
- How your solution will be used and whether it dovetails with existing products and systems
- The complexity of their decision-making processes; how do decisions *really* get made?
- Willingness to champion your solution in their organization

Key Value Elements

- Measuring customer satisfaction real-time helps to avoid painful loss of loyalty
- Win-loss input can feed competitor analysis
- Ongoing customer “panels” can be a great source of innovative ideas and a quick reality check on company-driven product notions

Customer interviews can also help answer questions about market segmentation:

- Determine which customers have similar needs, wants, and characteristics
- What it will take to have continued success in various segments
- What customer changes have occurred that may devalue a targeted segment
- What specific competitors are doing to capture market share and which ones are showing weakness that can be exploited

Every customer entity is different, but in-depth interviews with a relatively small number of buying influences help discern patterns to extrapolate and plan an appropriate sales and marketing strategy. In the end, you develop a small number of archetypes for how various players influence a decision, such as:

- Financial
- Technical
- Legal
- Operations
- Marketing and Sales
- Engineering and Product Development

Competitive Environment Focus: What You Don't Know CAN hurt you!

It is impossible to thoroughly develop a differentiation strategy without understanding the competitive landscape and customer perceptions toward your competitors. You must know what they are:

- Doing and planning now
- Capable of doing now and inclined to do in the future

You must also know the affinity your customers have for loyalty, switching to another vendor, or doing business with multiple vendors. Here, the same elements that are important to know about your *own* customers must be part of your *competitive* market intelligence analysis. How well does the competition stack up and, more importantly, what are the best opportunities for greater differentiation? Finally, how can you instill loyalty to defend against customer attrition?

Key Value Elements

- Avoid being "blindsided" by a sudden competitive move
- Provide frontline sales force with solid tools to sell head-to-head against competitors
- Feed critical insight to the strategic planning function

It is also useful to distinguish between competitor intelligence and product intelligence. Competitor intelligence assesses company-level elements such as service delivery, sales and marketing capabilities, corporate messaging, branding, finances, etc. Comparing yourself at this level drives your competitive strategy and differentiation for being the low cost producer, best service provider, etc.; and feeds strategy and planning, such as a SWOT analysis. Comparing yourself at the product level, by contrast, drives differentiation in product line benefits (features): pricing, positioning, product line extensions, etc.

Market or Industry Focus: Big Picture Trends that Shape the Landscape

Here is where you answer the question: "If a thorough effort to understand the customer is in place, what other market information do we need?" Customers rarely have a forward view of technology trends or any of the macro forces that impact any particular industry category. So, moving beyond your customers' perspectives, here is a list of sources for other perspectives that will allow you to monitor overall market or industry activity:

Key Value Elements

- Greatest strategic value occurs when intelligence is mined from all three arenas
- When artfully mined, company can get great analyst insight without significant cost

- Regulators and watchdog agencies
- Professional groups and societies
- Standards setting entities
- Public opinion
- Pundit services (Gartner, IDC, etc.)
- Distributors
- Reps
- Integrators and VARs
- OEM
- Trade Press
 - Bias brand attitude
 - Open to
 - Inclined toward
 - Relationship with

Feeding the Planning Cycle

“What good is the map if you don’t know WHERE you want to go?”

~Principal, Strategy Firm

Creating interval market snapshots provides a fully integrated and compelling view of all three components —customer, competitor, and market—that allows for higher level insight to feed the planning process.

In reality, strategic planning often starts with current-year planning templates that often lead to tweaking. Building the plan with updated market assumptions helps avoid compromise to the resulting strategic plan. Minimally, the plan should explicitly state underlying market assumptions. Ideally, it should include evidence that assumptions have been validated, along with their source and confidence levels.

Sales forecasts by product line, rep, and territory based upon hunches are problematic if they are simply an arbitrary percentage change from the current year’s number. If you can determine net new sales—the amount of sales or market share being taken from each competitor—and explain why and how they came to be, with the support of customer and market intelligence, sales forecasting becomes more reliable.

The use of a SWOT analysis tool combined with a solid market snapshot can feed the planning cycle prior to allocation of budgets and directives. The essential components for meaningful and action-oriented planning must factor intelligence gained from all three phases of research. The following table summarizes market intelligence practices and might serve as a checklist or scorecard as you seek best practice in this discipline.

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Market Intelligence (MI) Performance Levels		
<i>Best Practice: Well Supported, Ongoing MI Program</i>		
<input type="checkbox"/> Ongoing monitoring of key intelligence topics	<input type="checkbox"/> Broad internal awareness of MI goals, values, and strategic importance	<input type="checkbox"/> Customer insight fuels product innovation and refinement
<i>Enhanced Level: Routine Use of Ad Hoc MI Projects</i>		
<input type="checkbox"/> Impending events trigger quest for intelligence	<input type="checkbox"/> Value added approach that blends staff and outsource providers appropriately	<input type="checkbox"/> Results are shared broadly throughout the organization
<i>Base Level: Company Culture and Values</i>		
<input type="checkbox"/> Base level ethic: "winning trumps being right"	<input type="checkbox"/> Management willing to listen to, accept, and act on well-supported analysis that may be counterintuitive	<input type="checkbox"/> Management supportive of staff intelligence collection and a "devil's advocate" culture

In its highest form, market intelligence embraces an ongoing and carefully scheduled effort to meet planning process needs, supplemented with additional ad hoc efforts as the need arises. Best practice allows for both as represented in the checklist on the following page.

Key Recommended Activities: Checklist
<i>Customer Insight</i>
<input type="checkbox"/> Mine insight from active customer-touch programs using either an ad hoc or ongoing approach <input type="checkbox"/> Mine insight from failed prospects—would-be customers who, after careful consideration, chose to do business with a competitor (sometimes referred to as "Win-Loss Analysis") <input type="checkbox"/> Provide frontline employees with easy methods to direct customer feedback to management for immediate analysis
<i>Competitive Focus</i>
<input type="checkbox"/> Maintain an up-to-date grid that compares product and service offerings with that of key competitors <input type="checkbox"/> Conduct forward-looking analysis to update theories or predictions on how each customer might be planning to change and grow in ways that could mean loss of market share to your company
<i>Market Perspective</i>
<input type="checkbox"/> Track major trends that can impact your business <input type="checkbox"/> Stay current with analysis by professional industry watchers <input type="checkbox"/> Maintain a constant relationship with independent market influencers (analysts, trade press, trade associations, watchdogs, regulators)

Summary and Conclusion

“I wish it were ongoing ...usually it’s not.”

~VP - Marketing, Software Firm

Market intelligence is simple in concept but powerful in effect: it helps B2B enterprises keep a leg up on the competition. Although challenging to implement at the best practice levels, even base-level implementation has measurable value in that it leads to a more robust decision-making process.

At its base level, market intelligence is comprised of data collection activity, analytical tools, and the discipline to integrate resulting knowledge gained into the planning cycle. At the best practice level, its practice enjoys a corporate culture where unbiased and honest assessment of customer perceptions, competitive offerings, and market trends allow for actionable insights that drive critical business decisions. In all, market intelligence practices provide these benefits:

- Increased confidence in decision making
- A planning cycle fed with actionable knowledge
- Top-down value of marketing insights derived from the process
- A cultural shift to an organization that truly “listens”
- A focus on customer insight and market trends that allow you to be more responsive
- A marketing strategy reliant on actual intelligence, not speculation
- Measurable outcomes that help sell the resulting strategy to other stakeholders
- An actual method that assigns accountability

For companies that make the commitment to both the practices and supporting culture, results will lead to greater confidence in decisions and bolster the firm’s competitive edge.

First Resource provides practical and actionable market analysis that professionals want and need before implementing strategic plans. The perspective, insight, and analysis provided by First Resource is critical to the development of successful growth strategies. Whether the result is to consider, confirm, or refine developing action plans, First Resource provides the confidence needed to move forward—because companies simply cannot afford to be wrong about market assumptions.



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