

**SAMPLE**

# GROWTH PROCESS TOOLKIT

Competitive Strategy

*Accelerating Growth through Principled and  
Informed Competitive Decision-Making*

## INTRODUCTION

### Growth through Competitive Strategy

A recent study of 100 of the largest U.S. corporations across 17 sectors provided near-conclusive evidence that top-line growth is vital for survival. It found that a company whose revenue increased more slowly than GDP was five times more likely to succumb, usually through acquisition, than a company that expanded more rapidly than GDP.<sup>1</sup> Furthermore, the study determined that many companies with strong revenue and growth and high shareholder returns compete in “favorable” growth environments. In short, to outperform competitors and succeed in the long term, companies must achieve top-line growth by competing in the right places, and at the right times.<sup>2</sup>

With this finding in mind, it is clear that any successful approach to achieving top-line growth must (1) take into account what your competitors are, and are not, doing, and (2) balance those insights with a detailed understanding of where promising market opportunities are to be found. Ignoring either of these activities puts top-line growth at risk. Companies must therefore invest heavily not only to keep pace with competitors, but also to render them irrelevant whenever possible, while simultaneously anticipating and preparing for the next threat or opportunity.<sup>3</sup>

### The Risks of Competitive Strategy

In many ways, the fight to gain – and sustain – competitive advantage in business is similar to the fight required to win a football game: much energy and many resources are required, often for only marginal advances. To the winner of the fight goes anything from market dominance to improved profit margins. However, great rewards come only with commensurate risk and with it the potential for disaster, rather than the hoped-for success. Consequences of misguided competitive decisions include lost profit margin and revenue, relinquished market share, and as noted above, acquisition by a competitor.

Traditionally, strategic and competitive planning is a slow process, which puts it fundamentally at odds with the rapidly moving and shifting needs of most companies today (especially those operating in crowded, highly contested markets).<sup>4</sup> It is perhaps for this reason that many companies admit to including only superficial analysis of competitive strategy in strategic planning, as outlined further below.

- A recent survey found that two-thirds of strategic planners believe that companies should consider expected competitor reactions when making decisions, and yet fewer than one in 10 recalled having done so, and fewer than one in five expected to do so in the future.<sup>5</sup>
- In another survey, 71 percent of U.S.-based companies claimed to use competitive intelligence to guide their decision making, but most admitted using it for operational or tactical reasons rather than strategic ones (e.g., sales purposes, new product launch planning, strategic alliance formation).<sup>6</sup>

In sum, most companies appreciate the need for incorporating competitive information into decision making, but few are adept at treating it as an integral component of a long-term growth strategy.

### Where Competitive Strategy Goes Wrong

To build a competitive strategy that can accurately direct growth strategy decisions, companies must accumulate a wealth of information and dedicate sufficient resources to analyzing and acting on that information. The path to successful execution of such objectives is fraught with numerous pitfalls, some of which are discussed below.

#### *Pitfall #1: Assessing Your Competitive Strengths in a Vacuum*<sup>7</sup>

At the heart of any effective competitive strategy is a firm understanding for your company’s unique capabilities or resources (i.e., the things you do best). A successful strategy will play to those strengths. Many executives make two primary mistakes when articulating their companies’ strengths:

- *They fail to assess them relative to competitors*—Core competence evaluation should not be an assessment of which activity, of all activities, your company performs best. It should be a realistic assessment of what it does *better* than competitors.
- *They fail to consider their sustainability*—If a competitor could imitate or substitute your company’s key strength, would you consider it less valuable or integral to your growth strategy? It is likely that in time any resource will decay in value – so the question is, how much of a head start does a key resource give you over your competitors? An honest answer to that question will help you avoid basing a competitive strategy on an unsustainable advantage.

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## INTRODUCTION (CONTINUED)

## Where Competitive Strategy Goes Wrong (Continued)

*Pitfall #2: Assuming Your Competitors Will Respond Aggressively to Your Every Move*<sup>8</sup>

As noted previously, fewer than one in 10 companies admit to incorporating competitive responses into strategic decisions. One primary reason for this oversight is that traditional game theory – the standard framework for explaining rivals' behavior – often does not play out in the real world, for two primary reasons:

- *Game theory does not take into account the “human element”*—The numerous qualitative considerations that enter the prediction process – personal biases and hidden agendas, for example – risk rendering results suspect and make senior management more likely to reject counterintuitive results.
- *Game theory conditions us to assume aggressive responses*—By ignoring the possibility that a rival might choose *not* to respond to a strategic move, the strategist lowers his estimate of the expected value of his company's move. As strategists Kevin P. Coyne and John Horn recently wrote in *Harvard Business Review*, “The higher the perceived probability of counteraction by competitors, the lower the expected payoff. And with a lower expected payoff, the company is less likely to take bold action.”<sup>9</sup>

An assumption of aggressive response can force companies to move in ways that may not be in their best interest. Successful companies understand that sometimes they are better off coexisting with competitors than attempting to drive them out of business.

The tenuous relationship between Microsoft and Google serves as an apt case-in-point. Although Microsoft has a history of moving aggressively against competitors, and both of these companies have the ability to damage the other, they understand that each is better off if they do not. Microsoft and Google tend to take defensive, as opposed to aggressive, stances against one another; fear of loss, whether of profit or of market share, is greater than their hope of gains. Key takeaway: companies should think hard before assuming an aggressive response is a foregone conclusion and rethink their strategies accordingly.<sup>10</sup>

*Pitfall #3: Thinking “Small Picture” About the Competitive Landscape*

Executives put their companies at risk when they fail to consider the competitive landscape in broad terms. Aside from direct competitors, companies should assess threats from the following sources:

- *New entrants*—As Michael Porter has written, new entrants to an industry “bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete.”<sup>11</sup> The threat of entry, therefore, puts a cap on the profit potential of an industry, which in turn can jeopardize a company's long-term top-line growth potential.<sup>12</sup> The stakes are high: a lapse in attention can leave you vacating market space you previously controlled.

Compounding the difficulty of identifying and dealing with new entrants is the challenge of distinguishing genuine threats from insignificant players when they first appear. Because it's hard to tell signal from noise, real disruptions are usually not taken seriously until they become obvious – when often it is too late. Successful companies are adept at identifying emerging threats' disruptiveness and preparing responses proportionate to the level of the perceived threat.<sup>13</sup>

- *Complementary providers*—It is rare for a firm to invest heavily in understanding its complementors (i.e., products sold to mutual customers that increase the value of each separate offering). Given the generally friendly and symbiotic nature of relationships between complementors, companies often underestimate the potential for conflict in areas such as pricing, technology, or control of the market. The more you know about potential conflicts, the better you can anticipate them, build the resources necessary to manage them effectively, and resolve disputes before they jeopardize your profit margins or market position.<sup>14</sup>

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\* Game theory attempts to mathematically capture behavior in strategic situations, in which an individual's success in making choices depends on the choices of others. This research usually focuses on particular sets of strategies known as equilibria in games. Solutions are predicated on an expectation of rational behavior. The most famous of these is the [Nash equilibrium](#). A set of strategies is a Nash equilibrium if each represents a best response to the other strategies. For more information on game theory, click [here](#).

## INTRODUCTION (CONTINUED)

## Where Competitive Strategy Goes Wrong (Continued)

*Pitfall #4: Overvaluing Market Share (and Undervaluing Profitability)*<sup>15</sup>

Chasing revenue for growth's sake alone, at the expense of profitability, generally destroys shareholder value. Indeed, companies that place market share at the center of their growth strategies generally find themselves battling cultures and behaviors that destroy profit rather than boost it. Ultimately, pursuit of market share is often at odds with efforts to achieve sustainable top-line growth.

As an example, if a company is committed to increasing market share at any cost, executives may be willing to lower their prices to lure customers away from competitors. Such a response typically triggers a similar response from competitors, which serves only to level the playing field once again, but at lower margins for all. Further, such a response (a "price war") underscores the risk of a pitfall discussed on the previous page: namely, for a competitive strength to be genuine, it should be unique. If a competitor can easily replicate it, that strength does not deliver the sought-after advantage. The following case example illustrates how pursuit of market share, at the expense of profitability, can create an untenable competitive situation:<sup>16, 17</sup>

**Case-in-Point: When Did Frequent Flyer Programs Become a Right, Not a Privilege?***Pursuit of Market Share Gone Wrong*

**Situation:** Facing escalating competition in the early 1980s, Braniff Airways seeks to increase its market share by building a differentiated value proposition focused on increasing customer loyalty.

**Action:** In 1980, Braniff Airways launches a loyalty program awarding airline miles in exchange for a passenger's air travel. Program architects Neal J. Robinson (Executive Vice President, Marketing) and Jeff Krida (Vice President, Sales) predict that the incentive to accrue miles will be so strong that customers will exclusively fly Braniff Airways.

**Result:** Within a year, American Airlines, United, Delta, and British Airways duplicate Braniff Airways' frequent flyer program, significantly undermining Braniff Airways' competitive advantage. Today, more than 130 airlines worldwide issue miles, and 163 million people globally collect miles of some sort. Furthermore, customers now *expect* to receive awards from frequent flyer programs even if they are not loyal customers – and will not fly with airlines that fail to offer miles (as US Airways learned in 2002 when it attempted to curtail its frequent flyer program, to widespread customer outrage).

Indeed, frequent flyer mile programs have taken on a life of their own, wholly apart from the airline industry. A 2005 study conducted by the *Economist* found that:

- The world's second-largest currency in circulation behind the U.S. dollar is the frequent flyer mile
- The total stock of unredeemed miles is worth more than all the dollar bills in circulation
- Two-thirds of travelers surveyed said they see frequent flyer miles as the next best thing to actual cash
- Almost half of travelers surveyed thought they should receive interest on their accounts

Perhaps most devastating for the airlines, however, is that more than half of all miles are earned on the ground, not in the air, since credit cards, hotels, rental cars, and other providers link to airlines' programs and translate purchases into yet more miles.

Partly due to the burden the frequent flyer mile has created on the airline industry, Braniff Airways filed for bankruptcy protection in 1989 and ceased operations fully in 1990. Other airlines, however, continue to struggle under the weight of the loyalty programs they themselves created.

Although frequent flyer loyalty programs began as an attempt to gain market share through differentiated service offerings, it became a cost of doing business in the industry. The short-term advantage gained by Braniff Airways ultimately altered the dynamics of the industry for every player – and at a less profitable threshold than existed before.

**Key takeaway:** Tactics to gain market share only work if those tactics do not undermine your company's potential for profitability. Programs designed to increase customer loyalty make sense only when competitors cannot easily duplicate them, which means they cannot provide the same benefits to the same degree.

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**INTRODUCTION (CONTINUED)****The Solution**

As the airline industry's struggle with frequent flyer programs demonstrates, successful competitive strategy is dependent upon differentiation, cost effectiveness, and sustainability.

Successful companies know how to focus time and resources where areas of opportunity overlap with their own best capabilities. They follow a specific process for assessing their own strengths, assessing the competitive situation, and formulating appropriate responses. Importantly, these companies also understand that a competitive strategy is ineffective if it fails to ultimately produce top-line growth. They manage their decision making with this understanding at the center of all they do.

As a counterpoint to the airline industry's cautionary tale, Harrah's customer loyalty strategy, detailed below, helped it build a unique competitive advantage during the late 1990s and early 2000s.<sup>18</sup>

**Case-in-Point: Harrah's Big Gamble***Competitive Advantage Gained through Differentiated and Sustainable Strategy*

**Situation:** In the late 1990s, Las Vegas and Atlantic City experience a renaissance, thanks to relaxed State and Federal gaming laws. Casino operators spend millions of dollars opening new and extravagant properties that feature a variety of attractions (e.g., shows, spas, shopping malls) to lure customers. Harrah's, an entertainment company with significant business interests in casinos, looks to differentiate itself from competitors while delivering a unique customer experience.

**Action:** Rather than following its competitors' leads by investing in costly upgrades to its venues, Harrah's invests instead in a customer relationship management (CRM) program aimed at capturing more share of wallet from its customers – in spite of its more straightforward, less showy casinos and hotels. At the heart of the CRM program is a loyalty program entitled Total Rewards. This program rewards customers with "comps" in order to stimulate loyalty. The program is also aimed at gathering information about customers and using it to customize the company's marketing programs for each customer. Customers who enroll in the Total Rewards program receive an electronic card, which they insert into the machines they play inside the casino (and it becomes almost impossible to do anything in a Harrah's casino without the card). This card allows Harrah's to track customer preferences and collect data about them.

In so doing, Harrah's merges its unique internal strength (its best-in-class technology and analytical capability) with a perceived market opportunity (a high-growth segment in which it can capture increased share of wallet). This approach enables Harrah's to differentiate itself from the competition in a sustainable way. As Vice President of Marketing Richard Mriman explains, "We have an advantage in that we know who our customers are, what they're worth, and we can touch them in ways our competitors can't even think about."

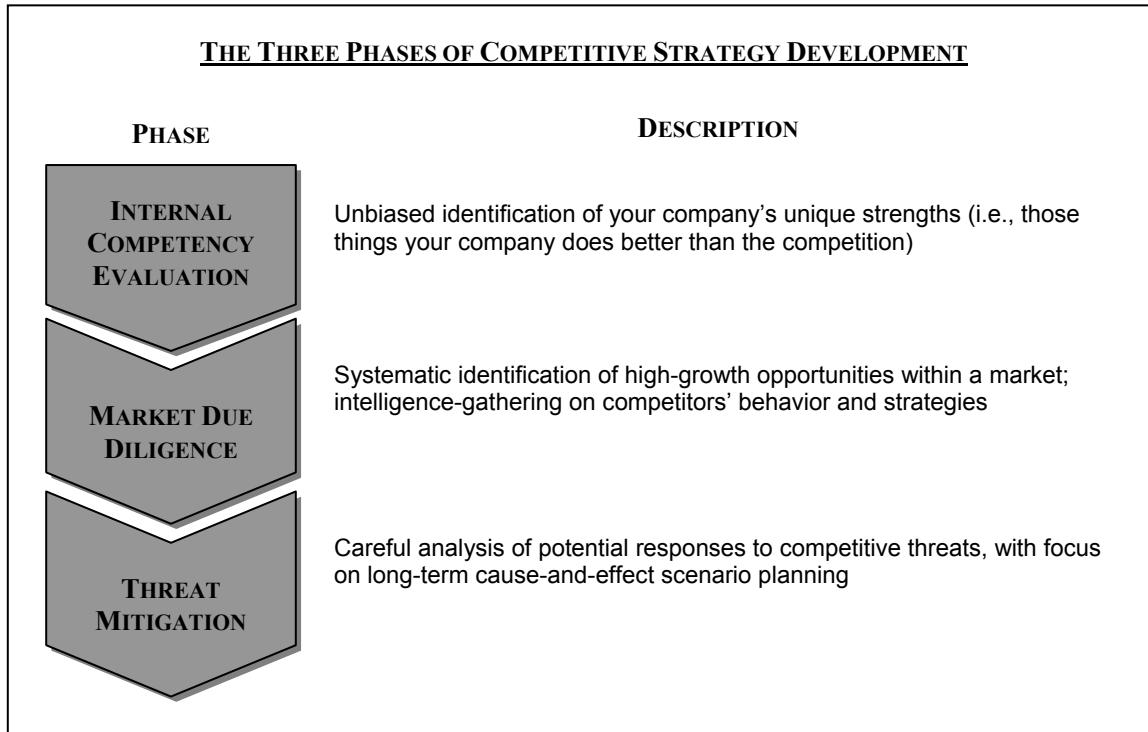
**Result:** Harrah's decision to build its competitive strategy around a differentiated strength led to immediate and measurable results for the company. When Harrah's launched its Total Rewards program in 2000, the company was able to capture 36 percent of its customers' gaming budget. By 2002, that number had increased to 43 percent. Furthermore, the company witnessed a 13 percent jump in profits in the first year of the Total Rewards initiative. The loyalty card program had 12 million enrollments in 1997. By 2003, the enrollment had reached 26 million.

**Key Takeaway:** By systematically assessing your company's unique strengths, market opportunity, and competitor behavior, you can formulate a strategy that will prove profitable, differentiated, and sustainable. The more closely you follow a proven process for exploiting this information, the greater your odds of success.

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**INTRODUCTION (CONTINUED)****How Should You Approach Competitive Strategy?**

Frost & Sullivan structures planning for competitive strategy around the phases listed below.



This toolkit will focus exclusively on achieving growth through successful competitive strategy. That said, many factors determine a company's competitive advantage, such as M&A, global footprint, new product development or launch capability, and the reach and effectiveness of distribution partners, which are not covered comprehensively in this toolkit. For this reason, we provide a wealth of resources focused on these activities in companion Growth Process Toolkits, which you can access by clicking on the links below.

- [Mergers & Acquisitions: Accelerating M&A Growth through Early-Stage Planning and Evaluation](#)
- [Geographic Expansion: Accelerating Growth through Principled and Repeatable Entry Strategy](#)
- [New Product Development: Accelerating Growth through Unbiased and Rigorous Early-Stage Product Evaluation](#)
- [New Product Launch: Accelerating Growth through Rigorous Planning, Principled Execution, and Continuous Monitoring](#)
- The Growth Process Toolkit for Distribution Channel Optimization will be released in December 2009.

**HOW TO USE THIS TOOLKIT**

*The Growth Process Toolkit for Competitive Strategy*

**What it is:** This toolkit will help you structure your competitive strategy around assessing your unique strengths, identifying growth opportunities, collecting competitive intelligence, and responding to competitive threats. It will show you how to support your company's top-line growth objectives by helping you develop a differentiated and sustainable competitive position.

On a more technical level, this Growth Process Toolkit presents Frost & Sullivan's best work on competitive strategy in a step-by-step implementation format. This resource gives Growth Team Membership (GTM) members proven processes, tools, and templates to help them successfully manage the risks and pitfalls encountered in this key growth process.

**How it will help you:** This toolkit will help you and your team cost-effectively develop a successful and enduring competitive strategy. As noted previously, we recognize that your competitive strategy will be determined by a variety of factors, such as M&A or innovation capability. These and other topics are explored in companion growth process toolkits. This toolkit focuses more specifically on issues core to competitive strategy, such as capability assessments and intelligence-gathering.

**How to use it:** This book is divided into three sections: [Internal Competency Evaluation](#), [Market Due Diligence](#), and [Threat Mitigation](#). Within each section, we have outlined a variety of steps that you should complete. For each of those steps, you are provided with the tools, templates, scorecards, or checklists that you need to complete that activity to a Frost & Sullivan standard. You can read this toolkit cover-to-cover, or you can reference the clickable table of contents to access specific sections.

Be on the look-out for helpful reminders throughout this toolkit. We will alert you at key stages when you should involve certain stakeholders, or when it might be a good idea to use additional GTM (or other) resources to aid your implementation.

We encourage you to bookmark this toolkit, save particularly helpful tools to your desktop, and share it with your colleagues. We also encourage you to contact your Account Executive if at any point in your research you require assistance.

*The Growth Process Toolkit's Organization and Layout*

For ease of navigation, the majority of activities and tools featured in this toolkit adhere to the following template:

**SAMPLE PAGE LAYOUT**

**Phase 2: Market Due Diligence**

Step	Industry Analysis	Customer Analysis	Competitor Analysis
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**STEP THREE: COMPETITOR ANALYSIS - ACTIVITY 1: OFFER COMPARISON (CONTINUED)**

**Tool #3: Offer Comparison Chart**

**Overview**

What's It? As an easy-to-use template illustrating the differences between your company's offering and that of competitors. It clearly illustrates which features your product offers are unique to your organization. Ideally, you can align those features with value-drivers you captured through your customer analysis in Step 2. This information will help your sales team manage customer conversations regarding competitor alternatives and present your new product in the most favorable light possible. It can also help you standardize communications regarding your product's core features and benefits across the sales force, and it will work equally well for internal sales reps and channel partners.

**Competitor Comparison Chart (Sample)**

**Product: Financial Services Product A**

Feature	Competitor 1	Your Company	Competitor 2
Unlimited service	✓	✓	
Choice of payment options		✓	✓
Choice of investment accounts	✓	✓	
Tax deferral options	✓	✓	
Minimum rate of return guarantee		✓	✓

**Reminder!** This chart will work most effectively with a comprehensive list of product features. The more you can make the case for your product's strengths and competitors' weaknesses, the easier you make it for the sales force to consistently and easily answer questions regarding your product's core strengths.

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## Phase One: Internal Competency Evaluation

Step	Company Performance Analysis	Company Resource Analysis
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### STEP TWO: COMPANY RESOURCE ANALYSIS

#### Tool #1: Resource Evaluation Guidelines<sup>xix</sup>

##### Overview

##### What is it?

A list of considerations to guide your identification and management of resources that offer your company a unique competitive advantage. Ideally, your organization's competitive strategy will take advantage of those strengths you surface through this exercise.

##### Why should you use it?

It will help you evaluate your strengths without bias and with reference to where your competitors are also successful. Furthermore, your Phase Two evaluation of industry growth opportunities will be informed by your perspective of where you offer a unique value to the marketplace.

#### Resource Evaluation and Management Guidelines

*The questions listed below will help you determine the value of your company's key resources (e.g., manufacturing plant, valuable brand, talented employees).*

- **Can competitors copy it?**
  - The more inimitable your resource, the more you limit the potential for competition.
  - If your resource is a desirable location, or perhaps a relationship with your customers that you have cultivated over time, it may prove more difficult for your competitors to replicate – and therefore more valuable to your organization.
- **Does the resource depreciate slowly over time?**
  - The longer-lasting a resource is, the more valuable it will be.
  - If the resource is a well-established and highly recognizable brand, for example, competitors will struggle to threaten its position without assuming significant cost and risk.
- **Does your organization control the value provided by the resource?**
  - Not all profits derived from a resource flow directly to the company that technically owns the resource.
  - In some instances, a resource is only as valuable as the employees who manage it (consider the close relationship between Steve Jobs and Apple's reputation for innovation). The more an organization controls the resource, regardless of employee turnover, the more valuable that resource becomes.
- **Can the resource be easily substituted?**
  - Even if competitors cannot easily duplicate your resource, they may still be able to marginalize it by offering an alternative that customers may ultimately prefer.
  - Phase Two competitive intelligence-gathering will help you identify potential substitutes that could undermine the value of a key resource.
- **Is your resource better than similar ones controlled by your competitors?**
  - You must not only consider which resources your company finds most valuable internally, but which compare most favorably with competitors' resources. If your best is not better than a competitor's best, that resource will be of marginal value to your competitive strategy.
  - Consider the possibility that a *combination* of resources may offer a strategic advantage that each resource viewed in isolation does not deliver.

## Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis
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## STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

## Tool #3: Customer Preferences Interview Template

## Overview

**What is it?**

A survey template that you can use to understand purchase behavior among potential customers within your highest-value segments.

**Why should you use it?**

It will help you articulate customers' needs, challenges, and desired outcomes. In turn, this information will help you consider how you can alter your value proposition to better resonate with these customers. Ideally, improved customer understanding will lead to improved customer targeting and greater share of wallet (taken directly from your competitors).

**Customer Preferences Interview Template (Sample)**

*Incorporate these questions into your surveys of high-value prospective customers.*

**Product:** *Medical Device A*

**Customer Group:** *Medium-Sized Hospitals*

**A. Overview Questions**

1. When did you first purchase [Product], whether from our company or from another provider?
2. What motivated your organization to purchase [Product]?
3. Which product (i.e., from which provider) do you currently acquire [Product]?
4. What other providers are you aware of?
5. How often do you or your team use [Product]?
6. Who controls purchase decisions at your organization?
7. How do you approve the purchase of [Product]?
8. Do you issue Requests for Proposals?
9. Do you require product demonstrations?
10. Overall, how satisfied are you with the product you currently use? (Rate on a scale of 1 to 5; 5 is "extremely satisfied")

**B. Product-Specific Questions**

1. What are the primary reasons you use [Product]?
2. What are the primary challenges you face when attempting to use [Product]?
3. What do you like best about [Product]?
  - a. Its price
  - b. Its design (intuitive, easy to use)
  - c. Its service and support staff
  - d. Nothing
4. How much do you currently pay for [Product]?

## Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis
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## STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

## Tool #3: Customer Preferences Interview Template (Continued)

## Customer Preferences Interview Template (Sample)

## B. Product-Specific Questions (Continued)

5. What does that price include?
6. What do you acquire at additional, incremental cost?
7. What other services would you like to acquire to assist with product use?

## C. Outcomes-Based Questions

1. What task, activity, or job are you trying to complete with [Product]?
2. What is the *ideal* output or outcome that you want to achieve?
3. How do you know when the outcome has been successfully achieved?
4. How do you measure success?
6. Do you consider your current product efficient or effective? Why/why not?
7. How would you alter the way you currently achieve your desired outcome, if at all?
8. How *willing* would you be to alter the way you currently achieve your desired outcome?
9. To adopt [alternative provider's product], you might have to give up the one you currently use. How do you feel about this trade-off?
  - a. If you feel resistant to the trade-off: would this resistance prevent you from switching providers, even if an alternative were more effective than the one you currently use?
  - b. If you do not feel resistant to the trade-off: what incentive would you need to make a voluntary switch to a new provider's product (i.e., is improved functionality sufficient, or would you make the decision entirely based off price)?
9. When you consider our organization's product relative to the one you currently use, do you think:
  - a. It could fully replace your current product
  - b. It could partly replace your current product
  - c. It could be used in addition to your current product
  - d. It could not replace your current product

**Phase 2: Market Due Diligence**

<b>Step</b>	<b>Industry Analysis</b>	<b>Customer Analysis</b>	<b>Competitor Analysis</b>
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**STEP THREE: COMPETITOR ANALYSIS – ACTIVITY 2: INTELLIGENCE COLLECTION**

**Tool #1: Intelligence Collection Checklist<sup>20,21</sup>**

**Overview**

**What is it?**  
A list of resources and guidelines to help structure your efforts to monitor competitors’ activities.

**Why should you use it?**  
When it comes to your competition, the more you know about what they’re doing now and what they plan to do in the future, the better decisions you can make about your own strategy. This checklist will help ensure you take a “no stone unturned” approach to competitive intelligence.

**Intelligence Collection Checklist**

<b>A. Key Sources of Competitive Intelligence</b>		
<b>Source</b>	<b>Examples</b>	
<b>Open-Source (written)</b>	<ul style="list-style-type: none"> <li>• Newspapers</li> <li>• Specialized publications</li> <li>• White papers</li> <li>• Books</li> </ul>	<ul style="list-style-type: none"> <li>• Industry databases</li> <li>• Patents</li> <li>• Market Research/Consulting services</li> <li>• Web browsing</li> </ul>
<b>Closed (verbal)</b>	<ul style="list-style-type: none"> <li>• Suppliers and sub-contractors</li> <li>• Business trips</li> <li>• Conferences, seminars</li> <li>• Trade shows</li> </ul>	<ul style="list-style-type: none"> <li>• Students, interns</li> <li>• Job candidates</li> <li>• Internal network</li> <li>• External network</li> </ul>
<b>Internal</b>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Channel partners or distributors</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers</li> <li>• Customers</li> </ul>
<b>External</b>	<ul style="list-style-type: none"> <li>• Conferences</li> <li>• Seminars or industry meetings</li> <li>• 10K admissions to the SEC</li> <li>• Press releases</li> <li>• News web sites</li> </ul>	<ul style="list-style-type: none"> <li>• Trade shows</li> <li>• Annual reports</li> <li>• Quarterly reports</li> <li>• Competitors’ web sites</li> </ul>
<b>Public</b>	<ul style="list-style-type: none"> <li>• General media</li> <li>• Common databases</li> <li>• Syndicated research</li> </ul>	
True Public	<ul style="list-style-type: none"> <li>• Google</li> <li>• SEC filings</li> </ul>	
Hidden Public	<ul style="list-style-type: none"> <li>• Obscure databases</li> <li>• “Offline” publications</li> <li>• Government filings</li> <li>• White papers</li> </ul>	
Industry Observers	<ul style="list-style-type: none"> <li>• Journalists</li> <li>• Academics</li> <li>• Associations</li> <li>• Industry analysts</li> </ul>	
<b>Hidden</b>	<ul style="list-style-type: none"> <li>• Academics</li> <li>• Customers</li> <li>• Securities analysts</li> <li>• Current and former employees of targeted companies</li> <li>• Partners</li> <li>• Suppliers</li> <li>• Clinical investigators</li> </ul>	
<b>Unobtainable</b>	<ul style="list-style-type: none"> <li>• Information universally recognized as proprietary and actively protected</li> </ul>	

*(Continued on the following page)*

**Phase 2: Market Due Diligence**

Step	Industry Analysis	Customer Analysis	Competitor Analysis
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**STEP THREE: COMPETITOR ANALYSIS – ACTIVITY 2: INTELLIGENCE COLLECTION (CONTINUED)**

**Tool #1: Intelligence Collection Checklist (Continued)**

**B. Competitor Monitoring Tip Sheet\***

- Local newspapers may mention competitors’ news: check them to learn about hiring, personnel changes, facility growth, etc.
- Web-based finance forums, such as YAHOO Finance, may provide fruitful discussions on competitor activity.
- Permit applications (e.g., building, emissions, zoning) can tip you off to competitors’ plans.
- The blogosphere can provide a wealth of information, so routinely check in with credible industry bloggers.
- Patent and trademark applications can tip you off to competitors’ plans to develop or launch a new product.
- Your human resources group may be able to help you pull information on competitors’ organization structure and job responsibilities aggregated from recent hires coming from competitor firms..
- Competitors’ home and division pages will feature public announcements and presentations, so check them regularly.
- Anticipate competitors’ new product development or launch plans by tracking the activities of key suppliers.
- Identify opportunities to poach profitable customers by monitoring their satisfaction levels.
- While your view of competitors is important, so too is their view of you. Be sure to track competitors’ perceptions of your organization and its decision making – these findings will give you a holistic picture of your environment.
- Google alerts can notify you of any web-based news regarding your competitors.

**\*Note**

*While this list is by no means comprehensive, it does represent a good start to building an effective competitive intelligence program within your company. Once your program begins to demonstrate returns, you will need to distribute the information to internal stakeholders. The tools featured on the following pages will help you with this critical step.*

Reminder! The best intelligence may be inside your company. It’s a good idea to meet routinely to discuss competitors’ activities and theorize on their future actions. Tools featured in Phase 3 will help you assess competitive threats, determine appropriate responses, and plan for the future.

**Phase Three: Threat Mitigation**

<b>Step</b>	<b>Threat Response Analysis</b>	<b>Threat Response Planning</b>
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**STEP TWO: THREAT RESPONSE PLANNING**

**Tool #1: Competitive Response Taxonomy (EXCERPTED)**

**Overview**

**What is it?**  
A list of typical competitive moves that could undermine your company’s market positioning and/or strategy. For each move, we have listed potential responses your company could take, as well as potential consequences (both good and bad) for each of those options.

**Why should you use it?**  
It will help you consider potential responses to any move deemed a legitimate threat by the [Threat Assessment Scorecard](#). By using this taxonomy as a workshop or meeting outline, you can also help ensure team discussions around competitive threats remain structured, organized, and comprehensive.

**Competitive Response Taxonomy**

Competitive Threat	Potential Responses	What Could Go Right?	What Could Go Wrong?
<b>Lowers prices</b>	Match or go below the new price	You undercut your competitor’s goal; your customers don’t switch to a lower-cost provider	Competitor responds to your cut with another cut; ultimately destroys profitability for every player
	Keep your prices the same	Only your most price-sensitive customers (and therefore less profitable) customers defect to your competitor; overall profitability may even rise slightly	High-value customers respond similarly to low-value ones, viewing your and your competitor’s offering equally and seeing no incentive to pay more to purchase from your company
<b>Increases prices</b>	Match or raise your prices	You reset the market at a higher profit level; everybody “wins”	A new market entrant provides a low-cost alternative; customers flock to that provider
	Lower your prices	You steal market share from your competitor; your revenues increase	While market share or revenue may increase, profitability may go down (perhaps lower than you can afford); you may have trouble resetting customer discussions around value
	Keep your prices the same	Your prices compare more favorably to the competition; you acquire new customers as a result	It is possible that your prices are currently too low, and that you have missed an opportunity to adjust your prices (with long-term implications for profitability)

**NOTE: Full toolkit contains complete version of taxonomy**

## END NOTES

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- <sup>10</sup> Jenkins, Holman W., "Techdom's Two Cold Wars," *wsj.com*, <http://online.wsj.com/article/SB10001424052970203946904574302324157763970.html> (22 July 2009).
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- <sup>21</sup> "Competitive Intelligence Report," *Fletcher/CSI* (March 2008: Volume II, Issue I).