

Want Business Success? Get Intelligence!

By Jon Kenton August 2007

Decisions are a fact of life; we all make many each and every day. What to wear, eat or watch on TV. Business decision making tackles more heavyweight topics but none the less must follow the same process. Making a decision requires us to assemble all the facts available, assess the situation, develop alternatives and then choose one of them. One of the key elements in building and managing a successful business is making good decisions. The ability to consistently make good decisions is based significantly on the availability and accuracy of the data and information you have – the facts. Intelligence disciplines can help you build a solid fact base and keep it up to date providing you with the data required to make sound decisions in a timely manner.

Business and competitive intelligence are two of the primary strands required by most businesses. Whether you have the staff and resources to have a permanent function or outsource to specialists as required, the benefits from gathering intelligence can not be underestimated.

Business intelligence

Business intelligence is all about understanding as much as possible about ones target markets and the business and economic environments in which they operate.

Before starting a new business or expanding into new markets the creation of a business and marketing plan should be a prerequisite. A vital part of such a plan, business intelligence, helps to paint the opportunity picture. It also enables a model to be constructed that can evaluate business outcomes based on potential changes in the environment. There are two main elements.

Target Markets – The definition, size and growth of the market your products will serve. Segmentation is required to sub divide the total market into logical sub segments. In this way it is possible to identify which segment or sub segment may be most attractive to your business. For example, think of the market for cars. It is subdivided into categories e.g. compact, midsize, SUV, truck, sports etc. it also has other attributes such as economy, luxury etc. Each category or segment has its own specific attributes e.g. 2WD/4WD, Petrol./Diesel/Hybrid, Manual/Auto. The list goes on, however, for each combination it is possible to identify how many units will be sold in a given period. Multiplying this by a price factor leads to the market size in dollars. No matter what your business you can identify divisions and segments relevant to you and associate unit and \$ volume estimates.

Environment - Every business is affected by environmental factors that it can not necessarily control. These factors may positively or negatively impact potential

revenues and profits. The key here is to identify which elements affect your business and how they interact with each other and internal factors that you can control. For example if demand is less should you lower prices to stimulate sales?

The environmental factors will be different for every business, some may be obvious others less so. Here are some simple examples. Consider your environment and write down the factors that affect your business. Keeping a watch on them will let you plan better.

- **Interest rates** – Lower rates means cheaper lending and more cash in your customers pockets as well as cheaper borrowing costs for your business. The inverse is usually not as positive.
- **Exchange rates** - Foreign exchange rates can lead to a more or less health tourist trade. Important for businesses such as Hotels, restaurants or anybody catering to visitors.
- **Weather** – Rain is great for roofers not so good for golf courses. Extreme heat tends to be good for AC companies or ice cream and cold drink sales.
- **Regulations** – How might tax changes impact your business?

One of the most crucial environmental factors is the existence and activity of ones competition. This leads us to our next topic.

Competitive intelligence

Simply put competitive intelligence focuses on identifying and tracking all the other companies that offer the same or similar products and services as you do. When considering the competition it is important to not ignore the “similar” category as these represent valid alternatives (even if you don’t think so) that a potential customer of yours may choose. It is the information that is gathered from competitive intelligence that allows you to make decisions about positioning your product in the eyes of your customers to highlight why they should buy from your rather than one of the many alternatives.

There are many questions that competitive intelligence aims to answer, here are a few. Develop a list of your own and go find the answers.

- How many competitors are there in the same geography as you?
- What products do they have?
- How do they compare to yours – features, prices, quality, services?
- Does your market have seasonal dynamic pricing? If so when do your competitors change their prices? How much do they change?

When it comes to the bottom line, revenue and profits are generated based on a sound strategy and plan along with the many decisions that are made along the way. Good decisions mean good business. If you want to make good decisions you need all the facts so get Intelligence!