

The added value of CI in times of recession

By Arent van 't Spijker

With victims in all industries and in all layers of the supply chain, the current economic recession offers both threats and opportunities to organizations. The companies with the best future prospects will not necessarily be the ones with the best product or the lowest price, but those that know how to position themselves during *and after* the recession. History has taught us that companies with good Competitive Intelligence have better chances of survival in times of hardship than their rivals. And more importantly, they are also more likely to take on a leading position after the recession.

'Competitive Intelligence' is more extensive than being informed about the market and competition. It implies a continuous understanding of how the recession impacts various target groups and economic developments and how opponents are positioning themselves with regard to the situation. The winners will also know each player's capacity and expertise, how the market's needs have been changed by the recession and how those needs must be met.

External factors are deciding factors

Most decisions influencing an organization are intangible, external decisions by third parties whose influence is increased in times of economic hardship. A unique proposition and branding strategy are no longer enough to win the heart and wallet of the customer. A clear picture of the external factors strongly influences the chances of survival and is imperative to arise strongly after the recession is over.

The recession offers opportunities

In order to determine ones opportunities, it is important to be aware of the consequences the recession has for all players in the field. Three distinct changes that happen in an economic crises are the key influencers of every companies external environment:

Decreased demand leads to overcapacity through a surplus of offers. Overwhelmed by the sudden drop in demand, most companies focus on cutting costs and meeting current demands. They seem less concerned with the market's or competition's capacities. However, capacity gives insight into the actual position of the competition and the strategic options of all players in the value chain. This insight is essential to making a strategic capacity plan and planning competitive actions. Targetting competitor's customers with bottom rates to push the competitor over the edge and keep ones own factories occupied may prove to be more (cost)effective than other strategies.

Secondly, in times of crisis consumers take more time to rationalize their decisions. Analyzing which values attracted clients to a specific supplier offers insight in how to bind them after the recession or to make the decision to only cater them during the recession. Many companies who (often barely) survive a crisis find themselves in a growing market stuck with a large customer base who is used to pay low prices for high service value. In difficult times it pays to target customers in a market segment that is most likely to grow fast after the crisis and that have enough 'upward potential' in Jay Curry's CRM pyramid.

Last but not least, in times of crisis clients are more focused on their basic needs . This directly influences the positioning of products and unique selling points. But again, simply making your cheaper is a short term, no win solution. For one, competition will do exactly the same. The trick is to fulfill the customers' needs and in the mean time provide added value compared to other vendors. It sounds easy, but the added value needs to be unique and perhaps even worth just a bit more money. A clear picture of market developments and competitors' responses to the crisis are required. In addition to this, a sound estimate of after-crisis demands and developments makes it possible to bring to market base products that are 'upgradable' after the crises, such as a cheaper basic kitchen tool with optional (and separately available) add on appliances or a simple laptop that can later be expanded using easily changeable hard drives and memory modules. Upgradable products serve as a launching platform for fast growth after the crisis, leaving price-fighting competitors behind with poor products and balance sheets.

Everything changes after a recession

Pressure from suppliers and the dynamics in *their* market also influence an organization. In a recession, competitor relations are changed by the bankruptcies of suppliers, price changes of raw materials suppliers and other indirect developments.

Each recession offers opportunities and is a changing point, leaving the world slightly or radically different from how it used to be. The question is which trend or development will be dominant after the recession. Although we are all threatened by an increase in substitute products and an improvement in the bargaining power of our customers, opportunities are seen where developing trends offer clients an alternative to existing products and solutions.

Now, at the onset of the recession, while trust is central a issue, it is not unthinkable that new trends such as co-creation, user generated content, united consumers and social networking will take a definite place as an alternative to existing products after the recession is over. Crisis pushes unlikely players to become the next generation competitors. In less than ten years time, Google, a startup search engine company, became the biggest threat to Microsoft. With governments investing tremendous amounts of money in new technology to boost economic activity, they may well be funding your upcoming substitute product competitors.

Competitive Intelligence allows organizations to structurally follow market developments and analyze where these coincide with client wishes and market offers. Of course, one can never determine things with absolute certainty, which is why Competitive Intelligence needs to be integrated and continuously applied within an organization. Not the work of one individual, but the *spirit* of an organization; the understanding that the world outside determines the reality of tomorrow.

Structural solution

Organizations with structural knowledge of the market do not necessarily have more information than the competition: they are able to quickly and effectively use their insight within the decision making process. They do not do research to determine if an innovative idea will appeal to the public, but have the right insight in the market that will lead them to innovative ideas and use structural, qualitative analysis to motivate their decisions. It is *this* long term vision that is imperative in times of recession.

CI is a combination of a targeted approach to the collection, structuring, analysis and reporting of information to employees within an organization. It is a discipline that combines information, technology and processes. The recession has made the need for structural market and competitive analysis apparent. CI makes these insights practically applicable.

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