



Building blocks of competitive intelligence - sales and customer intelligence

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Introduction

In the previous three columns, competitor, marketing and competitive technical intelligence were covered as building blocks in the larger field of competitive intelligence (CI). The building blocks will vary from company to company, depending on the focus of a particular CI operation and the particular industry a company operates in.

This final column for 2006 will cover the area of sales and customer intelligence. It is an area that is closely linked to marketing and market intelligence. The CI process applied to gain sales and customer intelligence will be the same but the focus will be different. Customer intelligence and customer relationship management (CRM) are closely linked.

The sales profession is getting more difficult as a result of increasing competitiveness, and new competitive offerings are constantly entering the market, resulting in a challenging environment that requires constant vigilance (Carfi 2005). Effective sales and customer intelligence can enhance a company's profitability.

Anticipating problem areas around relations with a customer could prevent a customer from leaving for the competitor. A decision to change suppliers of service providers from a customer point of view does not happen suddenly or without certain indicators arising over time. Instead, they progress – or fail to progress – through a series of decision points, based on interactions with the company (Weiler 2001).

Customer intelligence has the further advantage in that it could yield valuable competitor insights. Knowledge about competitor customer intelligence, competitor products and competitor image among customers is an invaluable byproduct, so to speak, of customer intelligence. It is important that there is close communication between CI and Sales for the purpose of the latter remaining informed on the focus areas of CI and the changing knowledge intelligence needs (KIN) while CI should remain informed on developments and events in the marketplace that could hint at a business threat or opportunity (Carfi 2005).

Defining sales and customer intelligence

Manasco (2006) defines customer intelligence as the 'process of gathering, analyzing and exploiting information of a company's customer base'. Rich (2002) defines customer intelligence as a 'systemic data orientated effort to familiarise a salesperson with specific

knowledge about a current or prospective customer'. She defines sales intelligence as having both strategic and tactical value and results from combining CI with customer intelligence.

Ben Gilad of the Academy of Competitive Intelligence states that customer intelligence is more than quantitative analysis or a fact sheet with a few statistics. Sales managers increasingly need to understand how a customer 'thinks' before the purchase decision is made, in other words qualitative information has become equally important. How customers think depends on their view of their market position and the future of their industry.

Customer knowledge is most important for any company and substantial resources are spent on monitoring customer behaviour, tracking customer buying trends, customer surveys and in-depth customer analyses. Customer intelligence is an essential input for CRM and provides clarity on a number of areas, including how to accurately combine products and services to best satisfy customer needs. Customer intelligence is also important to provide insight into the customer's business. Understanding the customer's business and its challenges will provide clues on how best to answer customer needs. Superior customer knowledge also provides business opportunities and insight into competitor behaviour, product offering and views of the market.

Customer intelligence process

The same principles and steps of the CI process apply to the customer intelligence process with the only difference being the focus of the effort. The four main steps of the CI cycle or process are planning and focus, collection of information, analysis and interpretation and the communication of the resultant intelligence.

Stage 1: Identifying intelligence needs (KIN)

Identifying your intelligence needs is the first stage in the CI cycle. This is an important activity and should be done as accurately and focused as possible because the end results will depend on the accuracy with which the KIN were identified or scoped. This is equally true for any intelligence process. The guiding principles for KIN emanate from the decisions that need to be made, who the users of the intelligence are and also when the intelligence is required.

Each company, by the nature of the products and services it sells, has a very specific customer set. The products and services a company offers to the market should be in tune with what the market needs and wants. Customer intelligence is a tool to guide a company in offering the best products and services to its customers.

Weiler (2001) formulated a few focus areas that can be used to make sense of customers. As regards customer intelligence, although it might sound like common knowledge, companies first need to determine who their customers really are. This involves segmenting the market, understanding the various segments and then delivering the right product at the right price and through the right delivery channel to each segment. Some of the measures one can apply include LSMs, FSMs, lifestyle, geographical distribution, income and spending patterns and the company's characteristics and factors such as financial health and growth.

Another important KIN is determining the loyalty level of customers, including how prone they are to switch to the competitor as a supplier and how sensitive they are to cost, service and quality. Similar to prioritizing competitors and paying attention to the most important ones (especially when resources to track and analyse competitors are scarce), customers also need to be prioritized according to the most valuable customers and what companies can do to retain them. According to Weiler (2001), customer value can often be assessed by tracking

discount rates, product profitability, customer acquisition costs and the cost of service.

Customer satisfaction assessment is another important KIN for customer intelligence. This way companies can obtain early warning of potential problem areas before they become serious and can take remedial action to prevent potentially alienating the customer. It is also a way of tracking customer expectations and their challenges. These then provide an opportunity for the business.

Added to the previously mentioned KIN are the following fairly generic ones:

- Which customers should be retained at all cost and which are less damaging if lost to a competitor
- The buying patterns of people in a specific income bracket
- How sales patterns change as people migrate from one age group to another
- The characteristics of customers who buy certain products
- Who the other customers are who share these characteristics yet do not buy these products
- The degree to which a company understands and responds to critical customer events
- Testing the efficacy of customer acquisition and retention strategies
- Customer existing and future needs, customer decision making processes, customer behaviour and trends
- Data about the competition, conditions in the industry, and general economic, technological and cultural trends.

Information needs that are often overlooked and difficult to track are the attitudes and emotions of customers. Often companies only pay attention once complaints are received. Some tools for gaining such data would be mystery shopping and customer surveys. Areas that can be tested include price, service satisfaction, quality and questions around what can be improved.

Stage 2: Collecting customer information: types and sources of information

There are numerous sources of customer information and techniques with which companies can collect both internal and external information. Sources could include company profiles, sales data, financial statements, analyst reports and the numerous articles that are published in the media.

Other good sources of external information are strategic partners, people working in subsidiaries and the people you come into contact with.

Loftus, Geiger and Imhoff (2004) add customer information to this list of sources. The majority of valuable information is probably available within the company in various files, documents, call centres and management and sales reports. Although most important, these sources however fail to report on customer knowledge external to a company or on other companies' customers.

Customer information should be enhanced and made more complete by also consulting external sources of information. Information gained as such will shed light on broader customer trends, provide information on customer attitudes toward competitive products on the market and also give valuable insight into customer buying patterns and preferences. Sources of external information include demographic data, for example household spending, debt, home ownership, income groups and family set-up. Often this type of information is inexpensive or readily available from various public sources.

Armed with more complete data sourced internally and externally about customers and prospects, companies can perform a more comprehensive customer analysis and can be much more effective in their marketing efforts.

Perhaps the best source of such customer information is a company's own sales force. However, in order to obtain optimal results, they would have to know what the CI in your company entails, what the focus areas are and exactly what the information is that they should be gathering. Also, they should find it easy to communicate that information to the person responsible for developing customer intelligence. The marketing and sales team is in constant contact with customers and is thus one of the best sources of customer information. These are typically people that are sensitive to customer changes and are anxious that companies react to take remedial action if there is danger that a customer might switch alliances. Contact with the sales force must be current and continuous and the communication means must be simple and easy to use.

Two other types of important sources are representatives and the customer itself. Customers make the call on who will supply them and therefore knowledge about the customers, their spending habits and their level of satisfaction is important in order to keep their business, predict their needs and attract new customers. As important are surveys to gauge customer satisfaction and gather suggestions for improved customer service and informal feedback in the form of casual discussions.

Another technique is the tracking and scanning of documents from key legal proceedings. In South Africa, the publications of proceedings at the Competition Commission often provide valuable information about market shares, alliances and customer base. Also, actions by customers against a competitor can present a rich stream of information that can be mined from a CI perspective. This information can also give sales key insights into a customer pricing, policies, organizational structure, and the like.

Stage 3: Analysis

Once the information has been gathered, the next step is to answer the 'so what?' question, in other words, to put the information into a framework and determine the impact on the company. Information, through a process of analysis and interpretation, is thus turned into intelligence. Analysis is the most critical stage in the intelligence cycle, the stage that turns random pieces of information into actionable intelligence.

Pollock (2006) suggests the following basic steps for analysis:

- Carefully read all the information gathered and select the useful from the less important information
- Eliminate the useless and unreliable data and concentrate only on the useful, reliable data
- Pay attention to the qualitative nature of the information – the so-called softer issues that are not clearly visible from the data and numbers
- Look for patterns and variables in the information
- Organize and integrate information in a logical fashion
- Develop a number of possible scenarios
- Develop future possible responses to each of the possible scenarios.

The most accurate and detailed information in the world will mean little unless it is organized and integrated and subjected to a process of analysis. By applying business and industry knowledge to the information, valuable insights that will lead to informed decisions and actions can be delivered.

Stage 4: Presenting customer intelligence

As with any message, the manner in which it is packaged determines the degree of impact and efficacy it would have.

Companies should employ the use of regional or channel-specific marketing representatives whose roles are to support the services sales process. These individuals can become a vital source of input into the services portfolio development process. There should also be a process in place whereby they can query those front-line services personnel who actually come in contact with customers on a daily basis. Too many valuable insights are lost because the communication of intelligence has become too difficult or companies do not harness the capability and opportunity to gather it. Field service, repair, or technical support personnel can channel this information routinely to services marketing.

Companies also need to push aggressively to make sure that the information they require is routinely being captured in the call tracking and field service management applications used by their organizations. They must be involved in the process of selecting the services management applications, and must lobby to ensure that the information logged in these systems is complete and accurate enough to be used for market analysis purposes. There are many business intelligence tools specifically developed for customer management on the market that could simplify the focused gathering, analysis and dissemination of information (Goldman 2006).

Conclusion

To develop innovative and competitive services and to exercise leadership, services marketing groups need to master the way they acquire and distribute information.

The result should be a deliberate mix of relevant information streaming into the marketing group on a continuous basis from a variety of sources, including the sales channel, services personnel who are close to customers, direct customer input and feedback, industry research and targeted information services.

Customer intelligence is too important an action to not optimize for intelligence value. It does however require continuity, focus, control and a simple process of determining KIN, gathering the right information and performing analysis on the information. The outcomes of the customer intelligence process have both strategic and tactical value including value for the company sales force and for strategic and marketing decisions.

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