



## **CI: the strategic edge for corporate Asia in times of economic turmoil.**

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When sales are down and margins shrink, one of the first things CEOs and senior executives usually do is to cut down overhead costs and prices. This is a short-term survival tool kit with substantial long-term consequences: how do you bring up your prices later on?

Before cutting-down prices and margins, it is always wise to double-check what the competition is planning. Are competitors retrenching, reshuffling pricing strategy, shifting manufacturing bases? Or are they after your business, increasing their marketing budgets, recruiting, and keeping their margins intact?

A typical example is Nokia, which increased its marketing and promotion budgets in the Asia Pacific region, right in the midst of the Asian economic crisis in 1997. Motorola, on the other hand, reduced its advertising budgets to avoid over-exposure to the economic slowdown. Nokia, its closest competitor, spotted this. In several Asian markets Nokia had a 15-20% market share, it can now claim up to 50% market share in most South East Asian markets.

Wise and informed-decision or wild-bet? History could repeat itself in different industries now that the SARS virus outbreak and the ongoing Middle East affairs have placed most of Asia's businesses in a "wait and see" mode.

### **CI scarcity in Asia**

Although Competitive Intelligence (CI) is certainly not new to Asia (refer to Sun Tzu's ancient "Art of War" for some fine Competitive Intelligence basics) too many strategic decisions are often based on rather dubious statistics, when they should be based on rational market and economic needs. Too often they are influenced by internal politics, external shareholders or plain hype pressure.

In the past, many large players have failed in Asia because the apparently "huge opportunities" have overshadowed the need for exhaustive intelligence. In the 90's many multi-national companies made substantial investment decisions in Asia without a clear picture of the environment, the market size or the competition.

In *Big in Asia: 25 Strategies for Business Success* (Palgrave Macmillan Dec. 2002), Michael Backman and Charlotte Butler explain that Market and CI information is scarce in Asia because:

- Regulations that facilitate information flow (such as adequate corporate disclosure) either do not exist or are poorly enforced.
- Government agencies charged with producing information either do not exist or are under-resourced and the quality of what is produced is often suspect.
- Most of the media lacks independence and is poorly resourced.
- The environment is a low trust one and there is not a culture of openness and transparency,
- Large opaque families still dominate most of the corporate sector.

To counter this trend and improve business decisions, CI can help by gathering and analyzing information about competitors' activities and strategies by using both desk research (Internet, library, specialized press) and discussions with the all market players involved in a specific industry's spectrum. Some of these players usually include: competitors, retailers, distributors, wholesalers, suppliers, service providers, partners, and end-users, as well as industry experts.

In Asia, this gathered data and information needs to be cross-checked several times, filtered, distilled and analyzed. Since desk research information is still relatively scarce and not often reliable, the bulk of the intelligence comes from marketplace interviews sources. Here, CI know-how and interviewers' experience and expertise can make a significant difference.

Although Competitive Intelligence will not exactly predict future activities of competitors it is a powerful fact-based strategic tool to:

- Detect competitive threats
- Eliminate or lessen bad surprises
- Enhance competitive advantage
- Find new product or market opportunities

Most Fortune 500 have been using Competitive Intelligence to anticipate marketplace changes, predict competitor moves, discover new or potential customers and benchmark others' success. Jack Welsh even previously mentioned: "We brag about learning from HP, Allied, Wal-Mart. We learned quick intelligence from them. We've designed a culture that gets people to look outside the company". (John Huey, "The Jack and Herb show," January 1999.

### **CI success in Asia**

In Asia, most of the large Japanese companies have been actively conducting CI research on their domestic, regional and international markets, and thorough competitive landscape reviews are undertaken before any major corporate decisions are made. Although the CI community in Japan remains small and closed to most foreigners, the Japanese have developed the most advanced CI processes in Asia.

On the other hand, the overseas Chinese have also built very powerful family, ethnic and sometimes clan-like networks where information on new business opportunities, success and failure of competitors, and insider intelligence are being shared and exchanged. To the "foreign" eye these networks might be more associated to small-town gossiping. However in an environment where information costs are high, the Chinese have access to better information than anyone else and access it cheaply.

In both Singapore and Hong Kong, Asia Pacific MNC headquarters are now very keen users of Competitive Intelligence.

### **CI questions to ask**

To summarize, CI in Asia

1. Is a strategic decision-making tool that gives management a more comprehensive and accurate picture of the competitive environment:

- Who are my current and upcoming competitors in China?
- Is my market leadership threatened, how, where and why?
- Where are my competitive blindspots?

2. Forewarns decision-makers about impending threats as well as prompts them about emerging opportunities:

- Are my South East Asia competitors reducing their advertisement budget?
- Are they now motivating their sales staff with extra commissions?
- Is my direct competitor exiting one India, why?
- Why did my competitor choose this new partner in Thailand?

3. Can be used for strategic, long-term decision-making:

- Where are my Japanese competitors sourcing their components?
- Who are their OEMs?
- Why did two of my fiercest competitors recently relocate their factories to an Export Processing Zone in Malaysia?
- Should we do the same?

4. Can be used for tactical, immediate decision-making:

- Should we approach our competitor's wholesalers in China?
- Can we increase our prices next quarter?
- Should we boost our R&D facility in Singapore?
- Should we launch an e-supply chain operation like our competitor?

After all, which Asian executive wouldn't want to know more about its competitors' next moves?

## **Background**

Damien Duhamel is the Asia Pacific Director of Synovate Business Consulting ([www.synovate.com/bc](http://www.synovate.com/bc)), the Intelligence unit of global research player Synovate. The company provides competitive intelligence and strategy solutions services through its unique infrastructure: a team of 55 specialists based in Synovate offices in Singapore, Tokyo, Seoul, Hong Kong, Beijing, Shanghai, Bangkok, Jakarta, and Kuala Lumpur, working with a wide network of highly-qualified consultants across 18 Asian countries. Since 1994, Synovate Business Consulting leads Competitive Intelligence in Asia and has completed over a thousands assignments for MNCs and Government organizations covering numerous industries. For more information contact [bc@synovate.com](mailto:bc@synovate.com)

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