

Applied COMPETITIVE

A BROADER APPROACH TO THE FIELD OF COMPETITIVE INTELLIGENCE

where market research is combined
with other data services, as well as the more

traditional aspects of the discipline,

IS PROVIDING DECISION MAKERS WITH BETTER INSIGHT INTO THE ENTIRE MARKET.



BART WEINER

**COMPETITIVE INTELLIGENCE ALLOWS FOR
BETTER WAR GAMING.** By looking at what the
competitors may do, a company can
anticipate, plan a response, and be proactive.

THE INTELLIGENCE GATHERERS

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INTELLIGENCE

In the pharmaceutical industry, competitive intelligence (CI) is coming together with market research, knowledge management, and strategic planning to drive better decision making, especially with regard to research and development plans and progress.

Over the last 12 months to 18 months, industry experts say funding for market research/business intelligence activities has increased. This is happening not just in the pharma industry, but throughout the business world. Companies are putting more resources toward finding and analyzing information about the competitive environment in which they do business.

Part of the reason for this surge in activity, industry leaders say, is that companies recognize that competitors can come from anywhere in the world. Another driver is an improving economy. The Internet is playing a role as well, lowering the cost of gathering and organizing secondary research.

Information is being integrated with primary research to track not just competitors' products but the science as well. In budgetary terms, a CI function — staffed with a small group of trained personnel — can thrive on an investment of less than 0.1% of the typical SG&A budget or R&D budget inside a top 10 pharmaceutical company, according to estimates from Covance.

The real pay off of such research is that companies are in a better position to respond to changes in the marketplace. Experts interviewed for this forum stressed that intelligence gathering is necessary for sound strategy development, better war gaming, and building competitive advantage.

Pharmaceutical company leaders recognize the value of CI, and pharma companies have been early adopters of CI as a formal discipline. About 40% of the membership of The Society of Competitive Intelligence Professionals (SCIP) comes from the pharma industry, and a recent past president of the organization was from Merck & Co.

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RICHARD DALY

Competitive intelligence is one of the three core parts of life-cycle management.

COMPETITIVE INTELLIGENCE IS PART AND PARCEL OF WHAT COMPANIES HAVE TO DO TO UNDERSTAND THE MARKETPLACE.

THE EXPANDING ROLE OF COMPETITIVE INTELLIGENCE

KALB. The competitive intelligence profession has evolved. The formal creation of the profession occurred in 1986 when the Society of Competitive Intelligence Professionals (SCIP) was formed. As it evolved over time, the organization reached out to a variety of other groups and has embraced some of its members from the strategic planning community, the knowledge management community, the business information community, and the military intelligence community.

WEINER. Competitive intelligence is now better integrated with other information resources that a company has at its disposal, such as primary market research, secondary data research, and epidemiological information. Through this integration, companies can achieve a more holistic view of the market and anticipate what might happen. The trend also is to track the science and not just a specific product, especially if several companies are developing products for a particular condition in the same time frame.

DALY. We see competitive intelligence as one of the three core parts of life-cycle management. The first element is message; what do we want to tell the markets? The second is the science that backs up that message. And the third part is competitive intelligence, which looks at what's happening in the marketplace and how we are positioning ourselves. Competitive intelligence is part and parcel of what we have to do to understand the marketplace.

KALB. If I were to predict where the profession will go in the future, I would suggest a new name, such as decision support. In other words,

this profession is not just about analyzing competitors. It's also about environmental scanning. It's about predicting the future with some degree of accuracy. It's about reducing uncertainty about the future and providing the best possible evidence to decision makers, which allows them to take actions that build or sustain a competitive advantage.

MACHTIGER. Understanding the clinical competitive scenarios and environment — which products are on the market and which products or modalities are under development — is critical. Companies need to know who the principal investigators are and where the centers of competence are. This can help companies find information on unmet needs, define the profile of existing compounds, understand development compounds, and identify where the treatment gaps are. In addition, these data can be used to understand a competing product's side effects, drug interactions, efficacy and tolerability, as well as what the experience of an existing compound is in a clinical setting. Companies can also learn what the principal investigators, clinicians, and key opinion leaders are hearing or their opinions/experiences about competitive products or trials.

DALY. The competitive and market-research functions are tightly intertwined. We have a small, well-functioning, cross-functional team of people who get together on a regular basis to review scientific meetings, publication submissions, and the like to develop our story and make sure it holds up. We like to prove ourselves wrong and always challenge how we look at the competitive landscape.

CODE OF ETHICS FOR COMPETITIVE INTELLIGENCE PROFESSIONALS

TO CONTINUALLY STRIVE to increase the recognition and respect of the profession.

TO COMPLY with all applicable laws, domestic and international.

TO ACCURATELY DISCLOSE all relevant information, including one's identity and organization, before all interviews.

TO FULLY RESPECT all requests for confidentiality of information.

TO AVOID CONFLICTS of interest in fulfilling one's duties.

TO PROVIDE HONEST and realistic recommendations and conclusions in the execution of one's duties.

TO PROMOTE this code of ethics within one's company, with third-party contractors, and within the entire profession.

TO FAITHFULLY ADHERE to and abide by one's company policies, objectives, and guidelines.

Source: Society of Competitive Intelligence Professionals (SCIP), Alexandria, Va. For more information, visit scip.org.

CHRISTOPHER BOGAN

Market research is akin to listening, where customers tell companies something and the meaning is direct and clear. **COMPETITIVE INTELLIGENCE IS MORE LIKE THE SENSE OF SMELL, WHERE COMPANIES CAN EXTRAPOLATE IMPORTANT INFORMATION AND OUTCOMES.**



WILLIAM MACTIGER

UNDERSTANDING THE CLINICAL COMPETITIVE SCENARIOS AND ENVIRONMENT, which products are on the market and which products or modalities are under development, **IS CRITICAL.**



KALB. The proper role for competitive intelligence is to develop an evidence-based methodology for recommendations for action on either short-, medium-, or long-term business issues that management faces in building and sustaining competitive advantage. And those issues could range from short-term tactical moves regarding products in the field to licensing decisions, business development decisions, and ultimately large decisions, such as mergers and acquisitions or entering new geographies.

BOGAN. Big pharma has always had major competitive intelligence organizations. Market research is akin to listening, where customers tell companies something and that information is very direct. Competitive intelligence is more like the sense of smell where companies can extrapolate important information and outcomes. Competitive intelligence is referential but directionally very informative. The smell of smoke in your house, for example, tells you something is burning somewhere. That's directionally important but not necessarily precise.

WEINER. Competitive intelligence is becoming more important as a



KENT STEPHAN

DRUG COMPANIES ARE GETTING SO BIG, THEY HAVE TO BE VERY CAREFUL THAT THEY DON'T LOSE THEIR REACTION TIME.

Size gives companies resources to do a lot of things, but in a fluid environment they also have to be able to react and move.

discipline because the competition-free period that products enjoy has become shorter. In the past, if a product was first-in-class, a company had several years before the second product became available. Today, this time frame is more like months and sometimes weeks. The challenge for competitive intelligence is to gather information about not just a single competitor, but on multiple competitors that may arrive on the market in very close proximity to one another.

LIKOFF. Competitive intelligence is a subset of market research and market intelligence. What distinguishes competitive intelligence from traditional market research is the company's focus. Market research looks at whether the company's message is out there and whether physicians and other healthcare providers understand what the company is trying to do. Competitive intelligence tries to understand what a company's competitors are up to.

WEINER. Competitive intelligence is becoming more recognized as a professional discipline. The notion of it being spy work rather than a



PETE SIKORA

TO BE COMPETITIVE, COMPANIES

need to find ways to aggregate and access information more efficiently.

serious business discipline has changed. The value that it brings is critical. People are making more informed decisions as a result. They are making different development decisions for their product based upon data they gather through competitive intelligence. For example, a particular company may choose to go after a particular indication because it has learned that another compound, which will beat them to market by a few months, is going in that direction. And although the compa-

ny may not have initially thought that indication or market was important, for defensive reasons it may choose to go in that direction. Without competitive intelligence, the decision makers wouldn't have had that information to act upon. Competitive intelligence is about trying to assemble all the potential information that's out there; it's not about spying on a specific competitor company.

KALB. The first challenge is to properly define the field of competitive intelligence and identify its value in helping senior managers make important business decisions. Sometimes the impression is that there is a link between competitive intelligence and spying, which of course is not the case. I have an issue with the overuse of the word intelligence because it is often linked to the military. Business intelligence and military intelligence have two completely different agendas. There is a general link between the word intelligence and cloak-and-dagger activities, which in my view is completely inappropriate.

NORRIS. Business intelligence is the collection, analysis, and synthesis of information useful for creating and revising strategies to perpetuate and

sustain a current business or create a new business. It is about creating situational awareness for management grounded in reality. Another important aspect of business intelligence is identifying what competitors may do in the future. Business intelligence helps companies answer fundamental business questions, such as where they are going, where their competitors are going, what are the market trends, and where are consumers likely to move in the future. Taking all of that information and anticipating the future leads to solid strategic business planning.

ASSESSING THE EFFECTIVENESS OF CI

DALY. There always is a tendency to try to measure return on investment, which is a great academic exercise, but wastes a lot of value and a lot of time. Not everything that's important can be measured.

SIKORA. ROI can be difficult to measure. Because the value of competitive intelligence isn't easily quantifiable, some companies mistakenly believe that it is not worthwhile.

NORRIS. Many senior executives believe in the value of competitive intelligence, but are forced to focus on more tactical issues while strategic initiatives take a backseat when it comes to resource and financial allocation. A research or business intelligence firm must work with the client to build a case to convince executives to fund competitive intelligence programs.

LITTLE. There is always the challenge of evaluating the effectiveness of competitive intelligence. I've never heard anyone incessantly question whether the research library or market research was worth the money. I

RATING COMPETITIVE INTELLIGENCE EFFECTIVENESS IN SUPPORT OF MARKETING

Decision support	67.4%
Market monitoring	66.7
Identifying market opportunities	66.3
Market-plan development	63.0
Market-plan input	57.4
Investigating market rumors	51.9
New product development	50.3
Anticipating competitor initiatives	48.1
Identifying alliance partners	36.9
Anticipating technology changes	35.6
Investment prioritization	33.6
Identifying competitor intangibles	33.1
Understanding competitor costs	27.4
Promotion/advertising changes	26.4
Anticipating changes in distribution	15.1
Anticipating supplier changes	6.4

Note: % Rating CI Extremely or Very Effective

Source: Society of Competitive Intelligence Professionals (SCIP), Alexandria, Va. For more information, visit scip.org.

RATING COMPETITIVE INTELLIGENCE EFFECTIVENESS IN SUPPORT OF SALES

Competitor capabilities	68.9%
Competitor products/services	66.9
Competitor pricing	49.3
Understanding customer demand	43.6
Features/function changes	39.2
Specific customer requirements	38.0
Competitor sales approaches	37.6
Specific bid support	34.9
Account qualification	17.0
Customer churn	16.2

Note: % Rating CI Extremely or Very Effective

Source: Society of Competitive Intelligence Professionals (SCIP), Alexandria, Va. For more information, visit scip.org.

RATING COMPETITIVE INTELLIGENCE IN SUPPORT OF SALES AND MARKETING

Developing marketing strategies	76.2%
Anticipating change/market monitoring	74.5
Identifying new opportunities	67.2
Identifying new sources of advantage	64.8
Helping sales win business	58.4
Developing marketing programs	43.0
Prioritizing R&D spending	23.5

Note: % Rating CI Extremely or Very Effective

Source: Society of Competitive Intelligence Professionals (SCIP), Alexandria, Va. For more information, visit scip.org.

think intelligence sits at the top of the pyramid. Managers are tackling some of the most difficult problems that the company faces and they're using a process to reach a conclusion and then give recommendations. But what would happen if managers didn't go through this process? Some have tried to address the issue of ROI *a priori*, but I've never seen any broadly applicable proven metrics.

MACHTIGER. What is the value of a decision? What is the value of being able to leverage facts in support of making that decision? Where the intelligence is specific and actionable, it provides competitive advantage. There is obvious value to this type of information, but it's hard to assign a metric to such reports. The valuation of competitive

intelligence is a constant source of discussion within companies and the industry. Competitive intelligence that supports the decision-making process or a company's actions and

plans is most useful. When this information cannot be translated into understanding the intent and likely actions of the competition the value is not there.



COORDINATING COMPETITIVE INTELLIGENCE AND MARKET RESEARCH

According to Cutting Edge Information, communication between market research, competitive intelligence, and other organizational functions is critical to optimizing the impact each has throughout a company. Market researchers often don't realize that whenever they collect competitor information, they are in fact collecting competitive intelligence. The same is true in reverse, competitive intelligence teams often collect information that is very useful to market research project teams.

Innovative organizations encourage the interaction between market research and competitive intelligence to reinforce sales and marketing's role in collecting valuable business intelligence.

Cutting Edge Information's data show that 38% of companies involve multiple functional units as early as three years before product launch to collect market-research information. Some companies' market research managers conduct training for functional teams to recognize and analyze competitor information.

While competitive intelligence is still a relatively new function in most industries, companies typically tie it to business intelligence and market research, although the functions act separately.

As a first basic step in any competitive intelligence investigation, companies must coordinate with in-house teams to understand what information the company already has on hand. The in-house interviews are identical to primary-research interviews in any market-research study.

Companies frequently use competitive intelligence tools and resources to spot market changes in the near and distant future. Companies also use these tools to approximate competitor reactions to industry events.

According to Cutting Edge Information, companies also use competitive intelligence to write competitive marketing plans. Product managers put themselves in their competitors' shoes and try to estimate how events that affect the entire industry might specifically affect a particular product or company.

The market research team compiles data on competitor products toward the end of product development. Once analyzed, the data help product managers understand their product's market dynamics.

Competitive intelligence allows the company to keep pace with industry leaders.

JULIE NORRIS

THE GOAL OF BUSINESS INTELLIGENCE IS TO ASSIMILATE INFORMATION FROM KEY CONSTITUENTS

to answer fundamental business questions that lead to a grounded strategic plan.



DALY. Competitive intelligence provides confidence. At one point in my career, a company was about to launch a competitive product, but because we were so well-prepared and knew this ahead of time, our messages and our counter messages were out before that company's messages reached the street. Our reps were trained and ready to go. This gave us a great deal of confidence that the marketing team was on top of the marketplace. That is the ultimate ROI for a marketing department. It may not always be good news when reps get competitive intelligence information, but as long as they are prepared, this is the best measure of the investment.

WEINER. The budgets for competitive intelligence activities have increased during the last several years because competition is greater and the stakes are higher. Companies are dedicating more resources toward these activities because there is a payoff.

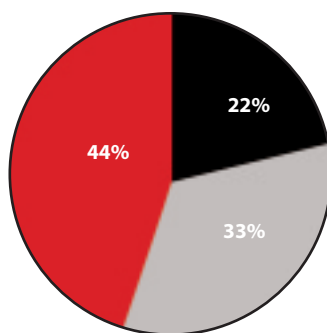
BOGAN. Competitive intelligence is most effective when it is forward-looking, and that requires the competitive intelligence person or the market researcher to interpret the information, relate it to the company and the brand in the competitive marketplace, and make recommendations and interpretations to engage the company or the brand leader. When competitive intelligence and market research do that, they are providing a greater service and greater value to the company. The truth is that most companies don't do that well.

GATHERING, PROCESSING, ORGANIZING, AND MAINTAINING DATA

MACHTIGER. There is a broad funnel of potential data inputs, so it is

COMPETITIVE ANALYSIS

According to survey data, 77% of pharmaceutical companies conduct competitor analysis at least seven or eight years before product launch.



■ 8 years ■ 7 years ■ 5 years

Source: Cutting Edge Information, Durham, N.C.
For more information, visit cuttingedgeinfo.com.

essential that companies set up disciplined, well-communicated, and well-understood processes for gathering, sorting, assessing, and evaluating the information being received.

BOGAN. Companies have to make sure somebody is dedicated to competitive intelligence. Some people try to do it as a percentage of their time. But then all they really tend to do is monitor news sources. Companies also need to understand the approach they are taking. Different competitive intelligence organizations have different shapes and forms; some are oriented toward brand activities and some are focused on technologies and capabilities. Still others are geared to watch corporate moves and activities. Next, companies need to understand skills and resources. There is a much broader set of sources of competitive intelligence available than some people acknowledge or recognize. Companies can gather information from customers, suppliers, public records, observations, trade shows, the Internet, secondary research, former employees, incoming employees, and salesforces, to name a few fertile areas. Companies have to build a listening network to capture and harvest information from all of those sources, which is a network-development function.

KALB. There are two steps to the collection process of competitive intelligence. The first is to completely mine whatever is in the public domain and that can range from trade press, newspapers, publications within each field of medicine, journals, medical literature, and even trade shows or medical meetings. The second step is to corroborate the information from two or three sources.

LIKOFF. Companies need to have a mix of sources to understand what's happening in the marketplace. I wouldn't necessarily trust any one source. There are a lot of good sources of

information to give companies a good idea of what's going on.

SIKORA. Pharma companies specialize in mak-





CLIFFORD KALB

COMPETITIVE INTELLIGENCE IS NOT JUST ABOUT THE ANALYSIS OF COMPETITORS. It's also about reducing uncertainty about the future and providing the best possible evidence to decision makers to allow them to take actions that build or sustain competitive advantage.



ROBERT LIKOFF

Market research can sometimes be used as a crutch. **PEOPLE MAY BE AFRAID TO MAKE DECISIONS OR THEY JUST WANT TO KEEP ANALYZING THE DATA.** There is no substitute for using good judgment.

ing and developing therapeutics. They need information to do this, but they aren't necessarily in the best position to go out and effectively gather and track all the competitive intelligence that is available. There is just too much to do. They need to look to technology solutions and third parties to help them gather and, in some instances, even analyze the information.

LIKOFF. Primary market research is good, but it's only as good as the research itself. If companies ask the wrong question or ask the question in a biased way, physicians may feel they need to say what the company wants to hear. Or doctors may censor themselves in face-to-face situations because they don't want to offend the product team or are afraid they won't be invited back. When speaking to doctors, companies have to make the experience — whether this happens one on one or in a group — enjoyable and interactive. In addition, companies need to ensure privacy and confidentiality.

STEPHAN. One of the biggest challenges is gathering the intelligence and then knowing what the information means to a company or business. Even if companies have good intelligence they often fall short because they don't have the means to evaluate how the competitor is going to hurt them and what they should do in response.

BOGAN. The Internet offers tremendous opportunities for gathering information. Companies can listen and watch local market activities in a way they never previously could. For example, if there is a key competitor that has a facility in Minneapolis, a competitive intelligence official can set news alerts and review coverage in the local newspapers.

MACHTIGER. The Internet can provide published and secondary source information. But there has to be a level of expertise to mine this infor-

mation. Also, there are all types of information available from syndicated sources. For example, analyst groups track companies and product pipelines. They not only cover company announcements but also analyze what the information means supported by their independent analysis and sources.

SIKORA. There has always been, and always will be, a need to know what the competition is doing. There are various sources that provide bits and pieces of ongoing clinical-trial information. The challenge is to effectively gather this information, but, like any business, pharma companies face resource constraints. Theoretically, a company could have a whole team of people working full time to try to keep up to speed on everything relative to ongoing clinical trials. Companies need to identify ways to aggregate and get access to the information more efficiently to keep their competitive advantage.

STEPHAN. A company's reaction to competitive intelligence no longer has to be a matter of judgment and opinion. Scenarios can be simulated and executives can see what is going to happen. Judgment is incredibly important, but judgment becomes the input to simulation. Rather than testing out one's judgment by expending million of dollars in the real world, for hundreds or even thousands of dollars executives can see how options would play out through simulation. If companies can see what's going to happen under different circumstances beforehand, they will always make more money. ♦

PharmaVoice welcomes comments about this article. E-mail us at feedback@pharmavoices.com.