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INTERNATIONAL COMPETITIVE INTELLIGENCE

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INTRODUCTION

The main aims of this paper are to present the role, importance and methodology of gathering competitive intelligence to prepare, implement and evaluate an enterprise's business activities in a foreign market. In particular, the research is intended to provide a background for international trade, compare environmental frameworks and clarify complexities of conceiving international competitive intelligence. This will be done by exploratory research and conclusive research.

Exploratory research provides insight into the nature, scope and conduct of competitive intelligence. It involves a critical assessment of the academic literature and comparative analysis. The critical assessment of the literature allows one to select the considerable contribution of theoretical deliberations and research findings to generalise an approach to organising and completing competitive intelligence. The comparative analysis enables the identification of competitive problems and to undertake to solve the points at issue.

Conclusive research assists decision-makers in determining, evaluating and selecting the best course of action to take in a given international business situation. Descriptive research delineates the basic concepts and competitive processes in a foreign market. Casual research is used to obtain evidence of cause-and-effect relationships. The following hypotheses are formulated:

– H1. Competitiveness in a foreign market is complicated by the unknown environment, the rivarly that exists between market participants and unpredictable financial risk.
– H2. An enterprise can streamline international intelligence by gathering data and selecting the best sources of information.

The hypotheses will be tested as the topic and issues of international competitive intelligence are systematically introduced and discussed. Before describing how competitive intelligence can potentially benefit every enterprise and affect international trade, it is essential to impart essential definitions.

Competitive intelligence (CI) is a specific form of marketing intelligence (MI). By standard definition, marketing intelligence is information relevant to an enterprise's markets, gathered and analysed specifically for the purpose of accurate and confident decision-making in determining strategy in areas including market opportunity, market penetration strategy, and development of commercial products [http://www.businessdictionary.com/definition/marketing-intelligence.html, accessed: 30.03.2016]. A marketing intelligence system includes a set of procedures and sources managers use to obtain everyday information about developments in the marketing environment. Marketing intelligence systems take data from disparate sources, like web analytics, call centers, sales data, stakeholders, customers, distributors, suppliers and social media [Kotler and Keller 2006]. Competitive intelligence is the process of discovering, analysing and using information to make an enterprise more competitive in the marketplace. This involves gathering information about competitors in order to determine their current and possible future actions and strategies to gain a competitive advantage. Information is mainly gathered about local and international competitors and their activities. Intelligence is also used to collect and monitor external data such as analyst reports, competitors' financial data and mass media monitoring. It can assist with more or less every marketing decision an enterprise faces [Michalski 2012].

The overriding purpose of most intelligence, however, is to help the enterprise grow – to increase revenue, profit and market share. Good intelligence can provide a huge return on investment when spent on knowledge and information, and can therefore generate extra revenue or help the enterprise avoid making poor trade decisions. The purposes of competitive intelligence are constantly evolving and often require information technology (IT) to put together and edit custom reports [Robbins et al. 2000].

Competitive intelligence is an ongoing process that involves gathering specific data about:
- competitors and their strategic intentions;
- technology, especially emerging trends and possible future developments;
- legal and regulatory changes;
- suppliers and changes to distribution systems;
- economy and market trends;
- political and social changes that affect the competitive environment.

Competitive intelligence refers to information about a particular enterprise's competitors, and is sometimes confused with stealing information from or spying on competitors. Although finding out about competitors' activities is an essential component of competitive intelligence, it does not involve covertly gathering information. Rather, it is the legal and ethical collection and analysis of information regarding the capabilities, vulnerabilities, and plans of an enterprise's competitor [Zeithamel et al. 2009]. In many countries, a good quality provider of marketing information should offer competitive intelligence as part of its range of services.

Developing competitive intelligence includes perpetually monitoring all factors in the competitive environment, not just competitors. In competitive intelligence, all information is gathered from publicly available and non-proprietary sources. The information is analysed constantly to answer the questions raised by an enterprise's objectives and strategic planning. Competitive intelligence keeps an enterprise informed about critical issues that might influence its profitability and ability to compete in the marketplace.

An enterprise needs to develop competitive intelligence as well as marketing intelligence because doing so enables it to be more profitable and avoid losses. Marketing intelligence might indicate that customers in a new market desire a certain new product [Solomon et al. 2011]. New product ideas and design considerations might be uncovered or an enterprise might gain advance warning of new product introductions. Other monitoring activities might reveal competitors' prices, which can help in making decisions about one's own cost structure. An enterprise might avoid investing considerable time and financial resources into developing that product and preparing a marketing plan, only to see that a competitor also develops the same product and releases it first.

Competitive intelligence enables an enterprise to make better decisions regarding short- and long-term planning, research and development programmes, and to focus on the company's marketing mix. It also allows an enterprise to react quickly to legislative and regulatory changes in the competitive environment. The intelligence that is developed can be used to aid in decisions about whether entering certain product markets is worthwhile. It can also be used to help the company decide how to go about entering a market and to assess potential profitability.

THE SCOPE OF INTERNATIONAL COMPETITIVE INTELLIGENCE

Competitive intelligence works best when clear, concise questions are formulated after an enterprise conducts a needs assessment. This method will identify knowledge gaps and facilitate questions to be developed. With international trade, competitive intelligence becomes even more important. There are ten phases involved in the formation of international competitive intelligence:
- carry out a needs assessment;
- formulate questions;
- organise the process of investigation;
- gather the data;
- organise the data into information;
- assess the accuracy of the information and fill the information gaps;
- analyse information to create competitive intelligence;
- disseminate intelligence to decision makers;
- formulate a strategy and implement it;
- evaluate action effectiveness and adjust the needs assessment as required.

The rules of conduct are cyclical and continually build on and refine the competitive intelligence that has been obtained from earlier prospecting.

Developing an understanding of the competitive set of circumstances prevailing in a foreign environment is invaluable for making a decision about whether to enter a market. Marketing research might show that the target market is dominated by a few large and powerful corporations, which might make securing an initial market foothold prohibitively expensive. If this is the case, an enterprise might decide that it would be a strategic move to develop a partnership with one of the large corporations already present in the market. Competitive intelligence can contribute to an enterprise's international activities in many ways. An enterprise might be able to find out why competitors have succeeded or failed in a new market and learn from their mistakes.

The competitor profile can be tailor-made for a foreign market. Porter's forces, illustrated in Figure 1, can be used as the basis for a high-level assessment of the international competitive environment in any international market. It can be seen that each of the competing enterprises are perceived as being quite distinct from each other, although none has really possesses a particular attribute. The forward-thinking enterprise would invest in resources and marketing efforts that associated it with an attribute that was distinctive, important, and in which it has already demonstrated some aptitude.

For an international marketer, the competition forces assessment that might lead to answers to these questions:
- What is the financial strength of a competing enterprise in the target market?
- What are the critical success factors in the market leader's promotional campaigns?
- What are the competitor's strategic intentions?
- Who are the competitor's partners?
- What markets is the competitor targeting?

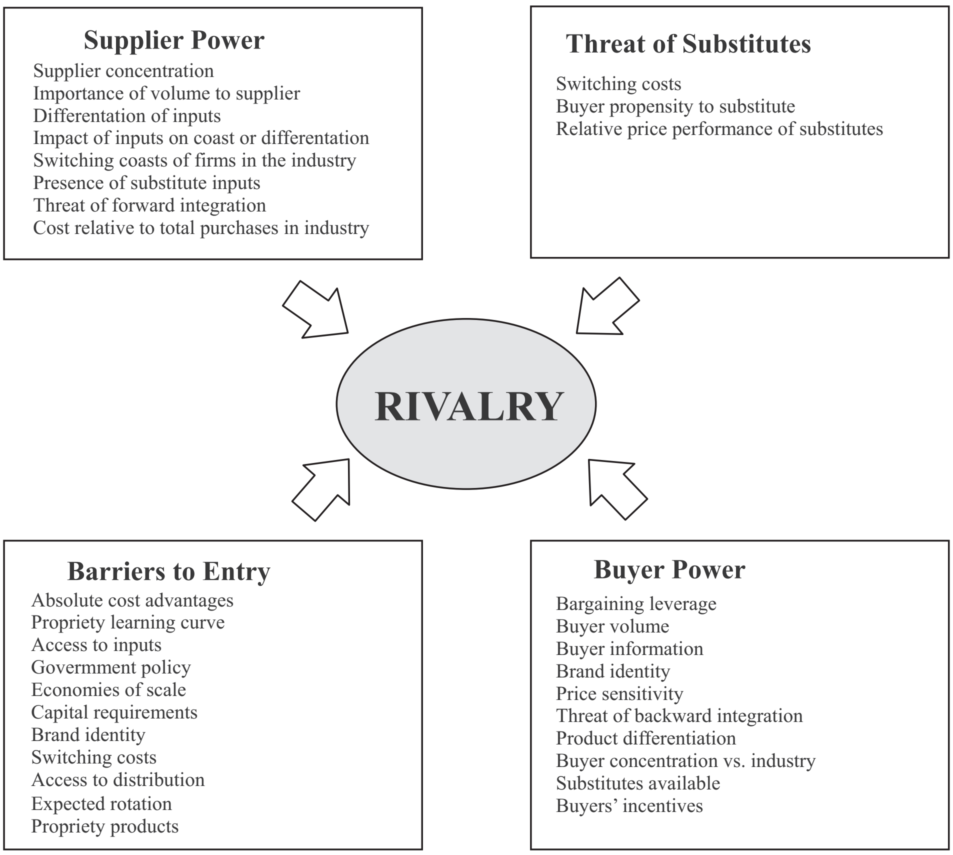

FIG. 1. Porter's model of international competition forces

Source: the author, based on Jones et al. [2008].

Competitive insight studies provide diverse, rich information which enables a comprehensive overview of the competitive environment as well as a detailed profile on competitors covering topics such as enterprise characteristics, needs, views on supplier performance, investment plans, marketing strategies, financial data, expansion record and plans.

To regain some of their power to influence events, policymakers have sought to restrict the impact of international trade and financial flows by erecting barriers, charging tariffs, designing quotas, and implementing other import regulations. To help a country remain a player in the world economy, governments, enterprises, and individuals need to respond aggressively with innovation, process improvements, and creativity. By communicating a clear and distinctive message and delivering goods and services that accord with that message, the enterprise can increase customer loyalty, sales revenue, prices and ultimately profitability [Roy 2015].

A wide variety of information sources is used in competitive intelligence, including information about market positioning and market messages, core clients and contracts, the size and structure of the business and issues like pricing or typical deal structures. Intelligence might be oriented towards collecting price-check information, details of promotional and advertising campaigns, or monitoring news channels for information about new products or new technologies.

An enterprise also gathers data by studying competitors' websites as well as sales and corporate brochures. Doing so can help the enterprise compare its strengths and weaknesses against those of key competitors to develop various pricing strategies. It is often important to verify how competitors rank on quality, service and value through marketing research. One way to accomplish this is by conducting phone surveys among customers, who rank the enterprise and its competitors on quality, service and value, using, for example, a five- or ten-point scale, with five or ten being the highest rating.

Competition in international markets is intense and widespread. Along with common sense, an enterprise will need to bring to the market something different or innovative that allows it to compete and beat competitors. Here are a few business tips regarding competition:

- select markets to enter carefully. It is better to succeed in one or two markets than fail in many;
- find a partner in the local market. In the beginning it will be much easier to succeed with local market knowledge and an established network;
- learn about the local business culture, environment and politics. The way business is conducted in other countries is not the same as in one's home market, where it is always easier to sell.

Understanding this makes a good case and requires better preparation. However, no matter how well a marketer understands the foreign country and its culture, there will always be something missing. So, he should listen and learn from local partners. Building and developing local networks is time-consuming and can be expensive but it provides great benefits. One key point is that for legal and ethical reasons, competitive intelligence should not be carried out in an underhanded way and should rely only on openly available information sources. Competitive intelligence can also use primary sources of data, such as feedback from sales teams, suppliers or distribution channels or feedback based on direct win–loss business research.

Every enterprise must monitor the diverse range of competitors' activities. Competitive intelligence contains research, analysis and the formulation of data and information from the entire competitive environment on other enterprises. Such research can be done by purchasing competitors' products, studying their advertising campaigns and press media coverage, and reading their published reports. An enterprise can set up customer panels [Kotler and Keller 2006], which can be enterprise's the largest or the most outspoken customers or customer representatives.

Publicly available information such as headline financial figures, changes of key personnel and senior management statements can be of great interest. Most enterprises conduct such research on a regular basis. Publicity is conducted by external marketing research and intelligence agencies as apart of the analysis of competitors. Press analysis can also be used to look into competitors' marketing strategy by assessing the messages behind the adverts. Examining employment advertisements can yield valuable intelligence can be gathered on wage rates.

Needs assessment, customer satisfaction, enterprise positioning and segmentation studies are based on two key sources of information – customers and potential customers. Indeed, the topic areas covered by each are similar, but each refers, with different levels of detail, to decision-making and buying, process work, customer requirements and views on customers. However, the studies vary greatly in terms of output, with enterprise positioning and segmentation studies being the most complex in terms of methods. Enterprise positioning studies are designed to establish the essence of a brand, and make recommendations in terms of how to invent the brand values as clearly and positively as possible, and how to increase a market's awareness of the brand. A key output of many branding studies is a competitive brand map, which uses satisfaction and perception scores provided by customers to statistically plot the relative strengths and weaknesses of competing enterprises against each other.

COMMERCIAL RISK INTELLIGENCE

Commercial risk is one of the most serious financial risks facing exporters and importers alike [Hill and McKaig 2012]. Foreign trade usually is financed on credit in descending order in terms of security. The basic methods of payment for exporters are: cash in advance, letters of credit, documentary collection or draft, open account and other payment forms including consignment sales or countertrade. A letter of credit obliges the importer's bank to accept a draft and pay the exporter. If payment is to be made by documentary collection or drafts, the exporter instructs the importer to transfer the face amount on the bill of exchange at a given time. An exporter sells under open account only if it has successfully conducted trade with the importer for an extended time. These are the following major risks covered by insurance companies:

- the inability to convert into convertible currency a local currency received by an investor as profit, earnings or return on the original investment;
- loss due to expropriation, nationalisation or confiscation by a foreign government;
- loss due to political violence such as war, revolution, insurrection and/or civil strife.

These risks relate primarily to foreign investment. However, insurance also covers exposure to loss on cash flows arising from contractual arrangements. Countertrade refers to any one of several different arrangements by which goods and services are traded for each other. Countertrade is significant today because of credit shortages and lack of hard currency in many countries. An enterprise faces several pricing problems when selling products abroad. It must deal with price escalation, transfer price, dumping charges and gray markets. Because cost escalation varies from country to country, the question is how to set prices in different countries. An enterprise has three choices:

– set a uniform price everywhere – in which case the enterprise will earn quite different profit rates in different countries;
– set a market-based price in each country – here the enterprise charge prices each country can afford. This situation ignores differences in actual costs from country to country;
– set a cost-based price in each country – an enterprise uses a standard markup of its costs everywhere. This may lead it to exit or avoid a market in countries where costs are high.

An enterprise can set a transfer price for goods it ships to its foreign subsidiaries. If the price is too high, the subsidiary may pay higher tariff duties, although it may at the same time pay lower income taxes. If the enterprise takes too low a price, it can be charged with dumping – that is, pricing exports below cost or below the price it takes at home in order to enter or win a foreign market [Stiglitz 2002].

Many enterprises are plagued by gray markets, where goods are handled through unofficial distributors. For example, dealers in a low-price country find ways to sell some products in higher-price countries, thus earning more. Product pricing risks include the following:

– quality perception of the product as conveyed through price;
– price of competitive products;
– distinguishing prices for different market segments;
– extensive discounts and allowances.

A major consideration is how prices account for exchange rates. If the exporter bills in the home country's currency, the importer absorbs the foreign risk and must decide whether to pass on any exchange-rate differences to the customer. If the exporter bills in the currency of the importer's country, the foreign-exchange risk falls on the exporter. Price variability results from transportation costs, duties and distribution channels in the importing countries. The price may depend on dumping laws in the foreign country. An enterprise must not only be aware of the dumping laws but also the degree to which they are enforced.

Competitive pricing intelligence is difficult, valuable and expensive. There are a number of different types of pricing research. Statistical techniques such as conjoint analysis are pure marketing research techniques used to calculate what prices the market would bear for different types of offerings. Competitor pricing research is easier to explain but arguably no easier to carry out. This painstaking work involves trawling websites, price lists and other sources of information for the prices of competitors' goods and services. The information is then benchmarked against one's own prices.

The complexity of pricing models make competitive pricing intelligence difficult. Definitions of product in most markets have broadened to encompass service benefits and intangible brand benefits. The services associated with a good are sometimes priced separately as add-ons, and sometimes included as part of one price. For example, it is hard to maintain competitive pricing of cars. A manufacturer has a host of options ranging from metallic paint of leather seats, sun-roofs and satellite navigation are available for extra incremental fees. However, not only does the price of each of the options from vehicle to vehicle, but so too do the options themselves. Add to this running costs, fuel efficiency and other factors one must consider in owning a car, as well as the fact that prices of all packages, options and benefits constantly change over time, and it is clear that price benchmarking is an extremely difficult and resource-intensive task.

There are a number of good sources of information on commercial risk that enterprises looking to go international can use to make their decisions. Such enterprises have to know how to assess a potential customer before doing business with them [Holton et al. 2009]. So they consult their international contacts and representative staff who sell to competitors about the customer's reputation, and listen to industry views and opinions before granting a client credit. However, enterprises that trade internationally don't always have ready access to firsthand knowledge on potential importers or exporters.

Figure 2 shows a source of risk intelligence. If the potential client is located in an industrialised country, the reports of credit bureaus are likely to be similar, providing detailed financial information. In developing countries, much of the usual financial information may be missing and the credit report may look more like a reference. Using the banking information of the prospective client or business partner, a local bank can ask the client's financial institution for a credit reference. However, this will only show how the enterprise operates its bank account; it will not show how efficiently the prospective trad-

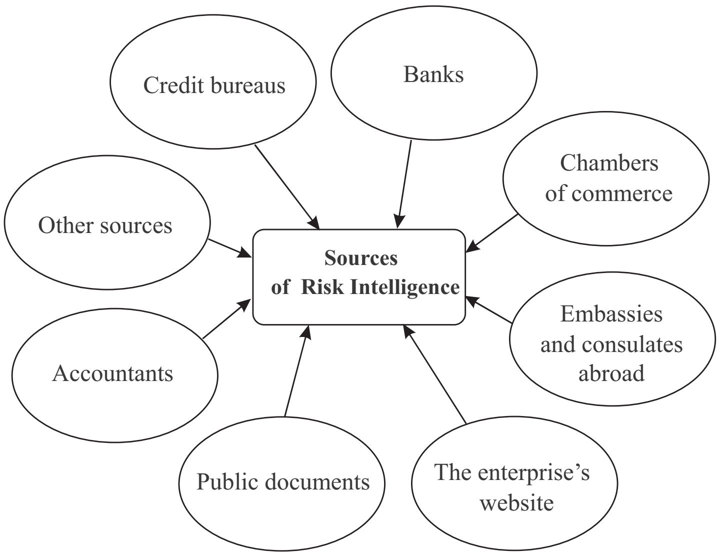

FIG. 2. The source of commercial risk intelligence

Source: the author, based on Carter [2014].

ing partner pays invoices and meets financial obligations. Moreover, privacy legislation in many countries will restrict the information a bank may pass on about their clients.

In many countries, businesses must be members of their local chamber, which may be able to help traders investigate a potential client or exporter. If the potential client or exporter has previously done business with enterprises based in a given country, the commercial sections of the embassy or consulate in the trading partner's country may have a file on that enterprise, particularly if the previous experience was negative. An exporter, for example, can inquire through their own country's diplomatic missions, whether a potential buyer is known to the mission in the buyer's home country, and may even be able to enlist commercial specialists in the mission to conduct some preliminary due diligence on the prospective buyer.

One of the best sources of intelligence about any enterprise is its website. Sites are often rich sources of information that the importer or exporter can later verify. Various search devices on the Internet may also provide useful information on the potential exporter or importer. If the enterprise is public, its financial statements are official knowledge and anyone can access them through various sources, such as libraries and the Internet. Filings with regulatory authorities in the enterprise's home country, as well as in other jurisdictions where it operates, are excellent sources of information.

Many large accounting firms have offices worldwide. As well as providing information on potential clients, they may be able to help entrepreneurs learn about issues in other countries. These sources will collectively enable an importer or exporter to assess the creditworthiness of a potential supplier or importer. It is of the utmost importance that they be able to identify the company's ability to produce the quality of required goods or services, or their ability and track record in paying for shipments as agreed in order to operate a profitable and successful business. International intelligence costs money and an enterprise should be prepared to incur budget expenses they do not normally face at home. These include also, at a minimum, travel and business development expenses.

FACTORS SHAPING THE COMPETITIVE ENVIRONMENT

Because culture plays an integral role in international business relationships, the enterprise needs to know what cultural differences will impact the business [Michalski 2015]. The nuances of language and culture can lead to misunderstandings. It is therefore of paramount importance that an exporter understand the importance of the communication process and how it relates to the enterprise's promotional activities in mass markets abroad. Linguistic and cultural diversity have a direct influence on the form and content of the promotional message. Some confusion may be overcome by developing advertisements that use pantomime or voice-overs, as in some television commercials. However, this is more than just a matter of translation. In some cases, underlying symbols have completely different meanings. For example, people in Europe associate lemons with cleanliness and freshness, whereas in the Philippines, they connote illness. Marketers should examine the various legal, cultural and linguistic factors that could prevent them communicating their message to new markets with the same clarity as their existing customers. Their efforts can serve to build a strong brand relationship and win over a whole new segment of customers to their products.

A simple method of understanding the cultural norms for advertising and promotion is to review magazines, television commercials or other mass marketing tools from the local market, such as billboards or newspaper advertisements. In some cultures, what is socially acceptable is immediately apparent. Logos, packaging and advertising that some countries find acceptable – and indeed sometimes appealing – can unwittingly cause offence in other countries. It is not uncommon that an agent or distributor recommends packaging changes. The agent can provide information about the uses and limitations of the enterprise's symbol.

Copyrights, patents, trademarks and registrations do not automatically leap across national borders. Many countries have taken drastic measures to co-operate with international enterprises and authorities to counteract illegal practices. The marketer must also take into account the possibility of piracy, depending on the nature of the product and the target market.

The results of intelligence will provide the evidence it needs to include or exclude countries from a given strategy, to know where it stands relative to competitors, and to know which are the best ways into the markets it may target. It is essential to focus on building credibility with international business partners by:

– setting the right expectations, so an enterprise can always follow-through;
– listening to international customers and adapting the offerings accordingly;
– sharing any knowledge that will help partnerships succeed;
– establishing and developing long-term international business relationships.

Enterprises are credible if they are honest and transparent. To maintain credibility, corrective action should be taken and all proposals can be modified. This will naturally make its way into product sales. The enterprise should offer guidance on the differentiating factors and the benefits of representing original products. Nobody likes it when expectations are not met. The enterprise can send high-quality posters for use. However, this will require a complete review of all materials to ensure that proper expectations are always set and followed through on. Marketers have to learn from every transaction and use what they learn to perfect the next one.

Temporary importation is the process of bringing items over borders into a new country for a limited time. It exists to help facilitate international business by reducing the costs and extensive customs procedures of bringing goods over the border. This type of importation is used to demonstrate products to potential customers through commercial samples or to display at trade shows, conventions, and business fairs. A customs licence authorises the temporary importation of a product and allows the importer to avoid duties and value-added taxes. It is valid for a period of one year and minimises customs procedures, time and paperwork.

Trademarks may also consist of drawings, symbols, three-dimensional features, such as the shape and packaging of goods, non-visible signs, such as sounds or fragrances, or colours used as distinguishing features. The possibilities are almost limitless. In the past, smaller enterprises tended to focus on domestic markets. Moreover, when protectionism was rampant, those enterprises tended to be insulated from international markets. Distances, unique cultural characteristics, politics, tariffs and regulations all combined to protect them from international business competition. With the emergence of the global economy, little of this traditional business environment remains. As distance has been overcome and barriers have been overturned, enterprises are now exposed to the full force of international competition, even if they don't venture beyond their own country's borders [Hill and McKaig 2012].

The final stage of intelligence on a foreign country should be well-structured and supported by various visuals to represent the data. It usually contains relevant information about the relevant political, economic, social and technological environments, as well as market size, customer segments, distribution channels and competition.

CONCLUSION

The research carried out has looked at knowledge, understanding and the usefulness of international trade. The research findings showed the factors that shape the entry into foreign markets and indicated how an enterprise can thrive internationally. The importance of competitive intelligence relies on pointing out the successive stages of entering a foreign market. Intelligence bridges an enterprise to the unknown foreign environment, and gives it the confidence and power to do international business. It also provides a comprehensive picture of the economic and technological development of a foreign country.

Effective communication establishes a strong relationship between the enterprise and existing and new potential agents and customers. The main aspects and comprehensiveness of international trade must be analysed by placing particular emphasis on forces of competitiveness and commercial risk factors. Needs and preference of customers for goods and services assessment studies make it possible for them to meet better their needs and therefore increase foreign market loyalty and extend market share. This issue is particularly important in a foreign country because of the geographic and psychological distances that separate an enterprise from its intermediaries and customers.

Competitive intelligence studies are in increasingly high demand, as enterprises seek an inside view of a competitor's strategy, weaknesses and modus operandi. International intelligence costs money and an enterprise should be prepared to budget for expenses that it does not normally incur domestically. However, money spent here goes beyond being a mere cost – it's a worthwhile investment.

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Summary. Creating international competitive intelligence is the foundation of an enterprise's entry and existence in a foreign market. Good preparation for international trade and the exchange of goods and services requires intelligence to be collected and examined. An enterprise needs to determine sources of competitive intelligence as well as set up foreign market entry strategies and activities under the existing conditions. For that, it must know the nature and scope of international competitive intelligence. To understand the factors shaping business activities, it should also study the competition between local and foreign enterprises in a foreign country, commercial organisations and risk in price fluctuations.

Key words: international trade, market, competition, commercial risk, price risk, international environment

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