

this area to date has relied primarily on subjective evaluations and perspectives of key executives. While informative, this approach clearly has its limitations.

A second area for future development is the design and deployment of enterprise solutions which provide companies with the competitive response capabilities they need to be successful.

Comprehensive solutions that address a company's organizational structure, systems, information management practices, and business processes are needed. End-to-end competitive response solutions will grow in importance, and may possibly rival investments that have been made in customer relationship management (CRM).

A third area of future development is to deploy the competitive response model in industries other than information technology and telecommunications. Financial services and pharmaceuticals, for example, are equally dynamic and fast-changing industries requiring companies to rapidly adjust to shifting circumstances on a continuous basis.

Companies are just now beginning to invest in developing the competitive response capabilities needed to respond competitively to market opportunities and threats in this new era of globalization. As made painfully clear by the events of 9/11, it is now unacceptable, even for a brief moment, to take your eyes off what is happening outside the company walls.

Companies are beginning to make up for their past preoccupation with what is going on inside their enterprises. As they shift their focus externally they will need to become as proficient in responding competitively to turbulent and risky environments as they are at

managing critical resources such as human resources and finance. Competitive response is the core capability that will determine the fate of many in the years ahead.

About the Authors

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Jeff Swartz is the President and Chief Executive Officer of Current Analysis, Inc. and a member of its board of directors. He joined Current Analysis as president and Chief Operating Officer shortly after its incorporation in January 1997 and was named CEO and president in January 2000. He brings more than 25 years of entrepreneurial and management experience in the market research, competitive intelligence, and consulting fields, including time spent in senior positions at Arthur D. Little Decision Resources, BIS Strategic Decisions, and Giga Information Group.

View from the Trenches

Joe Urbany , Marketing Professor, University of Notre Dame

University of Notre Dame marketing professor, Joe Urbany has been recognized by the Journal of Consumer Psychology as among the nation's most productive and leading authors of consumer marketing research. He holds a Bachelors, Masters, and Ph.D. from Ohio State University and has authored over 40 papers and publications related to buyer information, price perception, and competitive decision-making. We are very pleased and honored to feature an interview with Dr. Urbany in this month's *View from the Trenches*.

Q: Dr. Urbany, you have completed studies about marketing managers and their need to overcome decision uncertainty. How has this been received outside of academia?

A: With a great deal of interest. Senior managers recognize the need to open up the discussion. Yet there are so many endemic constraints on how to deal with uncertainty in decision-making. The



natural approach is to ignore it, i.e., to focus on the most certain dimensions of a problem. Folks outside of academia resonate with the message that the first issue in understanding uncertainty is to confront it.



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Q: In your studies, have you seen that managers tend to think about competitive reactions to their decisions, such as competitive reactions to their price changes?

A: Our research (conducted with David Montgomery of Stanford, now Dean at Singapore Management University and Marian Moore at the Darden School, University of Virginia) suggests that managers give far too little attention to competitive reactions. Across a variety of decisions—both ones actually made and future scenario judgments in a competitive simulation—we found just 6 percent of managers thinking about competitive reactions. The percentage is actually higher for pricing decisions, but still less than 20 percent. Because these results were so extreme (hard to believe), we presented them in survey form to a separate sample of executives, to assess their plausibility. The consensus of the latter group was that these results were plausible and the most common (although not the only) explanation was that decision-makers tend to avoid ambiguity or uncertainty in making decisions. Since predicting competitive reactions is an inherently uncertain exercise, it is a factor often ignored.

Q: Historically, marketing managers have justified their decisions based on internal factors that are easily measured and less ambiguous. How do you turn marketing manager's attention to less certain factors, like competitor behavior, in their decisions?

A: The challenge here is getting people to put themselves in a future context—to let go of current constraints, measures, and expectations and to try and think deeply about what happens after a decision is made. There are several standard approaches to dealing with this. Scenario analysis is an approach in which the planning or decision-making team is asked to assume different future scenarios and try to predict decision outcomes. Role-playing is another very simple, powerful tool. For example, in planning sessions, it can be helpful to have members of the team actually play the role of your competitor, plotting out their strategy taking into account their inside knowledge of your firm. This makes explicit our thinking about competitors' reaction patterns and whether they matter. Strategic gaming or simulation is another approach, though requiring greater expertise. This approach involves actually simulating competitive scenarios, building computer-based models to help predict results. This allows endless "what-if" analysis and can provide clearer boundaries on what financial outcomes are likely to be.

Q: You have developed a tool that marketing managers can use to help visualize all the implications of a decision. Can you describe the tool and its advantages?

A: The decision-mapping framework was designed by Tom Reynolds, a psychologist and marketing professor emeritus at the University of Texas, Dallas. Tom was one of the inventors of means-ends analysis, and laddering, techniques used widely in the advertising industry to explore deeply why and how people decide as they do. The decision-mapping framework came out of development of a curriculum for teaching decision-making. We

have simply applied it (with some adaptation) to competitive decision-making.

Decision-mapping is based upon the (well-established) assumption that every decision is a trade-off between a person's (or a firm's) values. We also know that there are many natural biases in decision-making, one of which is confirmation. We tend to look at the sunny side of the decision alternative to which we are predisposed. We are less likely to consider potential negative outcomes.

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Coupled with the uncertainty already mentioned, it is clear why competitive reactions may not be considered or may be discounted in decision-making.

The framework is fairly straightforward, and is best illustrated with a dichotomous choice ... say, should we lower price or redesign the product? Applying the model, the decision-maker envisions the positive and negative short-term consequences of each choice option, and then, follows a second stage in considering longer term outcomes conditional upon these consequences (on both positive and negative poles). Finally, the model prompts one to consider the values or goals that would be achieved, if the previously considered outcomes and consequences occur. In the end, decision-mapping does nothing more than help a decision-maker dig deeply into a decision, in a balanced way, considering both positive and negative dimensions of each alternative, as well as the link between short-term consequences and longer-term outcomes, which are especially important in dynamic competitive situations.

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Q: Why do you think that executives don't use competitive research effectively?

A: The broader issue is probably why don't executives and organizations generally use research more effectively. It is in part due to a lack of openness to new information, especially in a complex and fast-moving environment. That lack of openness is caused by a natural tendency to form impressions quickly based upon limited data and intuition. In such circumstances, decision-makers may not want more information to muddy the waters, and / or may interpret information in such a way as to support the decision they've made. Changing this tendency is very difficult because it is essentially hard-wired; that is, it is an evolutionary trait that helps us to navigate complex waters. It is also a function of whether or not the research group is gathering the right information. At times there are challenges with how best to gather competitive intelligence and even then to determine how to interpret it to help predict competitive behavior.

Q: What do you think could be done to make intelligence a more powerful resource for decision-making?

A: There are two ways to think about this. The first is what we tend to call "market-driven" in product development: begin with managements' decision-making and help identify perceived information needs. Help them sort through, prioritize, and assess the value of information, as they currently see their decisions. Deliver that information reliably and over time demonstrate how it leads to superior decisions. But there's also a second approach – a "market-driving" approach. There may be some information for which there is a latent need—that is, which the internal customer has not realized is important, but might if given the right context. Competitive intelligence (and specifically, competitive reactions) at times falls into this category. And decision-mapping is one approach to help folks understand the context into which that new information fits. The term market-driving means that the research group can shape demand for the information, i.e., "drive" customer attention to particular insights. But that requires that the research team become experts in strategic and tactical decision-making

Q: From your viewpoint, what do you see as some of the big issues facing marketing these days?

A: The most significant challenges focus on how to allocate resources across so many alternative uses, and then how to measure the return from those expenditures. New technology and splintering demographic and lifestyle segments have created a whole new environment for understanding customer needs and different ways that firms might allocate resources. According to Business Week, the average U.S. household receives 100 television channels today, as opposed to 27 in 1994. There are 6,200 magazines published in the U.S. today, and only 10 percent are would be classified as general interest (e.g., Time). Yet, even Time has done as many as 20,000 versions of a weekly issue, targeted to "micro" seg-

ments. And the discipline of marketing still is challenged by finding good metrics for measuring return on investment.

Q: What one topic is on your mind daily when thinking about and teaching future marketers?

A: With the younger (traditional) MBAs, the focus is engaging them to figure out for themselves the complexities of marketing, in some sense "untraining" them, and getting them to open up to new frameworks to replace what can be naïve conceptions of marketing. In contrast, executives we work with already understand those complexities. So, the real issue with that group is in ensuring that everything we discuss will spark question and debate and in the end be useful to them in their daily decision-making. For both groups, however, it is critical to regularly reinforce their understanding of the rate of change and the need to continually monitor markets to keep up.

Q: How would you say your definition of decision-making is related to the *Photizo Group's* definition of Marketing Intelligence? The *Photizo Group's* definition of Marketing Intelligence is the ability to fully understand, analyze, and assess the internal and external environment related to a company's customers, competitors, markets and industry in order to enhance the tactical and strategic decision-making process. Creating this ability requires the integration of competitive intelligence, marketing research, market analysis, and business/financial analysis information. This is a process as opposed to a one-time event.

A: Very much the same, I think *Photizo* is ahead of the game in recognizing that this is an enormous process. I would actually extend the definition beyond process to suggest that in most organizations, improving the integration of customer / competitor information is a change in organizational culture, most effective if it is led by senior management.

