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# A comparison of theory and practice in market intelligence gathering for Australian micro-businesses and SMEs

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# A comparison of theory and practice in market intelligence gathering for Australian micro-businesses and SMEs

## **Abstract**

Recent government sponsored research has demonstrated that there is a gap between the theory and practice of market intelligence gathering within the Australian micro, small and medium businesses (SMEs). Typically, there is a significant amount of information in literature about "what needs to be done", however, there is little insight in terms of how market intelligence gathering should occur. This paper provides a novel insight and a comparison between the theory and practices of market intelligence gathering of micro-business and SMEs in Australia and demonstrates an anomaly in so far as typically the literature does not match what actually occurs in practice. A model for market intelligence gathering for micro-businesses and SMEs is also discussed.

## **Keywords**

australian, gathering, intelligence, micro, market, businesses, practice, theory, comparison, smes

## **Disciplines**

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# A Comparison of Theory and Practice in Market Intelligence Gathering for Australian Micro-businesses and SMEs

Pauline Ross\*, Carol G. McGowan\*\* and Lee E J Styger\*\*\*

## Abstract

*Recent government sponsored research has demonstrated that there is a gap between the theory and practice of market intelligence gathering within the Australian micro, small and medium businesses (SMEs). Typically, there is a significant amount of information in literature about “what needs to be done”, however, there is little insight in terms of how market intelligence gathering should occur.*

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**Field of Research:** Management - Management of Small Business, Marketing - Marketing Data Analysis

## 1.0 Introduction

A government sponsored research program was undertaken during 2012 to investigate market intelligence gathering in Australian micro-businesses and small and medium enterprises (MB/SME). A literature search, face to face interviews and focus group discussions were conducted. There were a number of insights from the findings, including:

1. Overall the literature did not match the findings of the research of Australian MB/SMEs
2. MB/SMEs are typically unfamiliar with the academic term ‘Market Intelligence’
3. Information is mostly collected by MB/SMEs after the occurrence of a trigger or crisis
4. There are embedded processes within the MB/SMEs for information collection, however, they are not usually formally recognised as a business process by the MB/SME

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## **2.0 Literature Review**

In an attempt to understand the academic and MB/SME meaning for the term 'Market Intelligence' a literature research was undertaken during the first half of 2012. Whereas this literature search was not exhaustive, it is considered to be a representation of the topic.

During the literature review it was interesting to note that the term 'market intelligence' had many meanings, and each meaning was contextual or situational to the mode of its use or the source of the reference.

The body of literature review highlighted a number of marketing intelligence related words and phrases including:

- Market intelligence for SMEs and business
- Competitive intelligence for business
- Knowledge networks
- Opportunity identification
- Customer and supply mapping
- Data mining for market knowledge
- News gathering for business
- Social media

Only two of these related words and phrases failed to provide any content of relevance to the study these were, supplier mapping and news gathering for business. Key themes and terms discussed within the literature reviewed are detailed in Table 1.

### **Key Themes from the Market Intelligence Literature Review**

The information in Table 1 details the key themes identified through the literature review process. The information is listed by themes, reference sources and key findings.

Key Themes from Market Intelligence Literature Review		
Literature Theme	References	Findings
Market Intelligence/ Marketing Intelligence	Chen 2010 Chen and Das 2010 Chung et al 2011 Sivaramakrishnan et al 2010	<p>Market Intelligence and Marketing Intelligence are synonym terms and are used as such in the literature.</p> <p>Market/Marketing Intelligence is the umbrella term used within the literature reviewed to encompass the external and internal collection of intelligence information.</p> <p>A common theme in the literature is that MB/SMEs would have the capacity and capability to undertake market intelligence by using similar tools to larger organisations. There was an assumption that MB/SMEs would be able to easily integrate this activity with existing business processes. There was little recognition given to the difficulties experienced by MB/SMEs on a daily basis, to manage a rapidly increasing volume of information flowing into and out of their business.</p> <p>The literature recognised the importance of the collection of this information for effective business decision-making.</p>
Competitive Intelligence	Bose 2008 Franco et al 2011 Kahaner 1998 SCIP 2012 Wright 2012 Xinping et al 2011	<p>There was some variation in the use and explanation of this term in the literature. There were instances in the literature where related terms were used to describe competitive intelligence. Wright, 2012 describes it as encompassing market, competitor, strategic and social intelligence.</p> <p>Highlighted the volume of information MB/SMEs struggle with to collect and analyse data effectively and efficiently.</p> <p>Competitive Intelligence was frequently described as the external sourcing of information for decision-making. Refer Table 2.</p> <p>Two reasons were highlighted why MB/SMEs may avoid the collection of competitive intelligence information, these are:</p> <ul style="list-style-type: none"> <li>• Ignorance - do not know what they need to collect</li> <li>• Arrogance - feel they are serving their customers well, therefore do not need to collect this type of information</li> </ul> <p>Benefits of good competitive intelligence practices were identified as:</p> <ul style="list-style-type: none"> <li>• Assisting with benefitting from new growth opportunities</li> <li>• Improving the SMEs ability to avoid or minimise the impact of surprises</li> <li>• Improving the SMEs analytical capabilities</li> <li>• Enabling faster responses to changes in the market place</li> <li>• Improving the quality of strategic planning processes</li> <li>• Identifying potential vulnerabilities</li> <li>• Providing an early warning system for competitive threats</li> <li>• Increasing the knowledge base of the SME</li> </ul>

Key Themes from Market Intelligence Literature Review		
Literature Theme	References	Findings
Business Intelligence	Chen 2010 Chen and Das 2010 Pranjic 2010 Sivaramakrishnan et al 2010	<p>Considered to be related to the technology based data collection system used by a business to collect information. Web 2.0 platforms were described as being of great benefit in the information gathering process. The literature highlighted a growth in the desire to have business intelligence used as a term that solely refers to the collection of data through technology.</p> <p>Benefits of effective business intelligence practices were seen to be able to:</p> <ul style="list-style-type: none"> <li>• Prevent loss</li> <li>• Better control cycle times</li> <li>• Increase income</li> <li>• Retain clients</li> <li>• Better understand organisational capacities and capabilities</li> <li>• Provide an early warning system</li> </ul> <p>Business intelligence was frequently described as the internal sourcing of information for decision-making. Refer Table 2. It was emphasised that for these processes, to be of benefit, the information needs to be collected and collated in a purposeful manner.</p>
Knowledge Networks	Allen et al 2007 Hun Kim and Benbasat 2012	<p>Knowledge networks are recognised as an important source of market intelligence information. The body of literature reviewed identified that there are four types of knowledge networks that an organisation can use. These are:</p> <ul style="list-style-type: none"> <li>• Internal formal networks</li> <li>• Internal informal networks</li> <li>• External formal networks</li> <li>• External informal networks</li> </ul> <p>Each type of network provides access to different types of information. Formal networks are established to provide requested information in a consistent format and timeframe. Informal networks provide information in a more ad hoc fashion, however, this information is still of great value to the organisation. Informal networks can be used to tap into its tacit knowledge base, which is an important consideration for gaining competitive advantage.</p> <p>Recognition was given to the fact that, through the growth of internet technology, MB/SMEs have a much larger audience to access information from and provide information to.</p>
Knowledge Farming	Quan et al 2011	<p>This is a new term being used in the literature and refers to consideration of cultural and regional factors and the impact to be considered if these factors are moved to another culture or region. This is a common consideration for multinationals and is becoming a higher priority consideration for MB/SMEs due to globalisation.</p>

Key Themes from Market Intelligence Literature Review		
Literature Theme	References	Findings
Opportunity Identification	Angeli and Grimaldi 2010 Gruber et al 2010 Santos-Alvarez et al 2010 Wen 2010	This relates to a MB/SME being able to find the right opportunity or circumstance to provide benefit to the business and is considered closely aligned to the MB/SMEs entrepreneurial ability and mindset as opposed to simply possessing managerial capabilities.  Opportunity identification requires that the MB/SME be able to assimilate market intelligence information and translate it into beneficial actions for the business.
Customer Mapping	Greenberg 2010	The process used to investigate and understand how customers use your products and services. The primary emphasis appeared to be on providing information on customer behaviour through social media. Social media has enabled Customer Relationship Management to evolve to include customer interactions not just transactions and it recognises that customers are more empowered, with greater choice, and wanting instantaneous access to knowledge.
Customer Retention	Baines et al 2008 Verbeke et al 2012	Recognises the benefit of customer retention and why having good market intelligence is imperative to help facilitate maximum retention, as long term customers are less price sensitive, more likely to provide positive word of mouth referrals, can lead to increased sales and are less costly to serve.
Data Mining	Liu 2011	This relates to the acquisition and storage of data in readable and accessible formats of benefit to the MB/SME. The description provided presumes there are resources to devote to this activity as would be the case in a large organisation and less likely within a MB/SME.
Data Analysis	Bose 2008	The literature highlights the difficulties this can create for businesses. It states a number of different types of analysis that can occur which include: deduction, induction, pattern recognition, and trend analysis. Reference is also made to the availability of personnel to analyse data and relevant business models that can be used to assist with data analysis such as Porters Five Forces, SWOT, Value Chain Analysis, financial ratios etc.

Key Themes from Market Intelligence Literature Review		
Literature Theme	References	Findings
Social Media	Fournier and Avery 2011 Hanna et al 2011 Kaplan and Haenlein 2010 Kietzmann et al 2011 Michaelidou et al 2011	<p>Definitions of social media were commonly found in the literature reviewed. It refers to the use of web-based technologies to create interactive platforms to communicate and share, create, discuss and change participant generated content. It recognises that this medium needs to consider the emotional temperament and passions of those using it. This has become possible with the introduction of Web 2.0 platform.</p> <p>It is highlighted that social media provides conflicting forces when it comes to market intelligence in that it is seen as inexpensive, easy to access and use, however there is little literature on the human cost of effective social media management.</p> <p>This aspect seemed to be the most rapidly growing area of research ie: understanding the impacts of social media on market intelligence processes and practices.</p>

**Table 1. Key Themes from Market Intelligence Literature Review**

The body of literature reviewed market/marketing intelligence as well as the terms related to the processes and practices. The ability to gather and analysis data is critical to enable effective market intelligence for a business irrespective of its size. The literature also outlined the lack of clarity of definition related to what actually is market intelligence, for example, a process that works for a large organisation may not be scaleable for MB/SMEs, social media has substantially changed how market intelligence is gathered and perceived as a business process and that information is now available in a greater quantities than previously.

## 2.1 Market Intelligence

A search into the available literature on market intelligence collection for MB/SME, and the process undertaken, yielded two main themes.

1. Market intelligence is an ambiguous term and it is used interchangeably with a number of other data collection terms such as business intelligence and environmental scanning.
2. Processes for collection for market intelligence are predominantly technology based, designed for and tested on large corporations without any inbuilt processes for scaling down the tasks to suit MB/SMEs (Banham, 2010).

### 2.1.1 Defining the Term Market Intelligence

The term market intelligence is used to describe the holistic collection of internal and external business environmental data, by a business, that is to be used to make decisions on the viability of the current business market (Franco et al 2011). This definition is also reflected in Calof and Wright's (2008) definition of Competitive intelligence "...involves the collection of information, internal, external and from competitors, but also from customers, suppliers, technologies, environments, and potential business competitors, customer and



governments” thus demonstrating the confusion within the academic environment on the definition of terms.

Although market intelligence has a specific meaning, it is often interchanged with other terms of similar meaning within the literature. These terms include competitive intelligence, business intelligence, environmental intelligence, environmental scanning, economic intelligence, business research, and territorial intelligence (Franco et al 2011, Chen 2010, Kahaner 1998 and Bose 2008).

### 2.1.2 Sources of Market Intelligence

Market intelligence is collected from internal and external information sources to the business. The mechanisms for collecting these sources is called business intelligence (internal business data) and competitive intelligence (external business data). Figure 1. provides a diagrammatic overview of the sources of market intelligence.

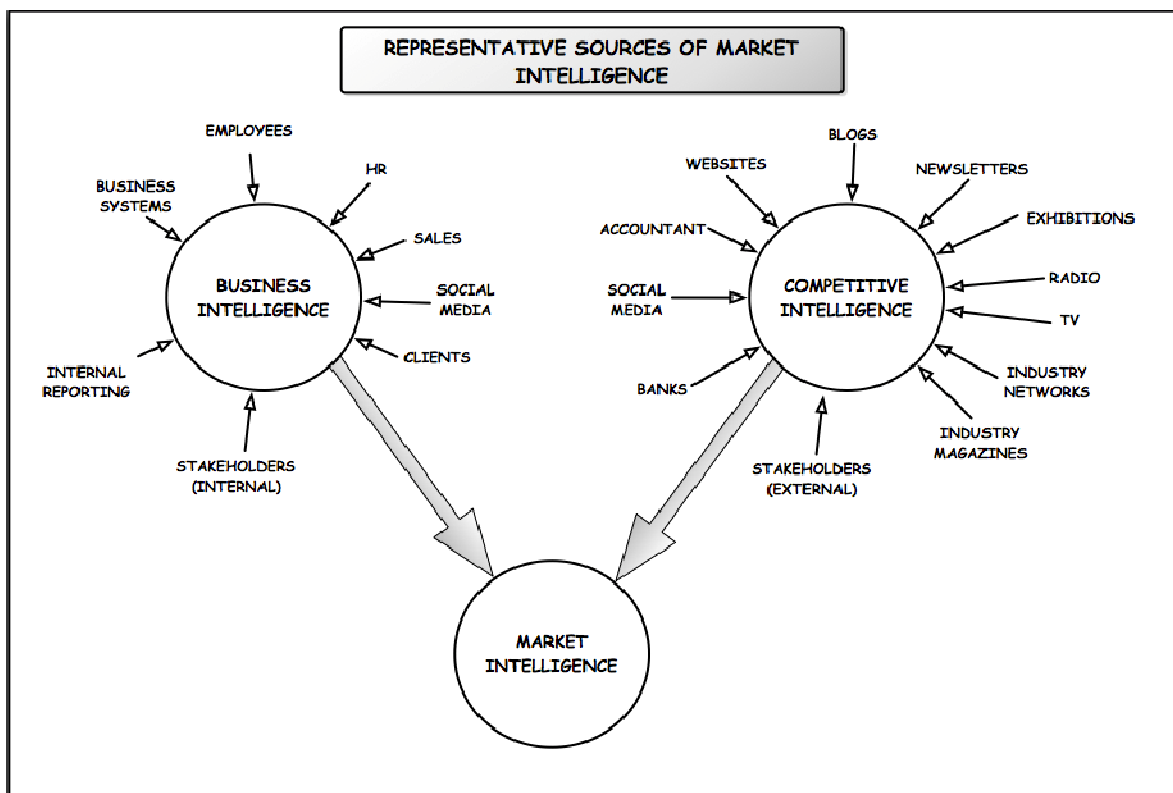


Figure 1. Representative Sources of Market Intelligence

#### 2.1.2.1 Internal Market Intelligence

Information for business intelligence can be sourced internally from sales and client records, human resource records, staff and owner/manager interaction with clients as well as their interaction with other stakeholders such as friends, family and acquaintances. The information can be sourced electronically, through internal business reports or by conversations and interviews.

### 2.1.2.2 External Market Intelligence

External data is sourced from the macro market and includes information on product and business trends, competitor actions, financial market activity and social trends. The literature shows there is a bias towards the collection of external data in electronic data such as websites, visual media, social media, electronic newsletters and commercially available database resources. However, the literature provides little information about personal collection of this data through, for instance, personal networking and industry event participation (Chen 2010, Bose 2008). Table 1. outlines a detailed list of the sources of information for both business intelligence and competitive intelligence to formulate what is considered to be the more holistic term of market intelligence.

The body of literature typically describes a series of ‘essential processes’ for a MB/SME to undertake market intelligence and how the MB/SME undertakes the process to understand their internal and external environment. However, the literature that does exist, typically focuses on large corporates who are much better resourced to undertake broad market intelligence initiatives and have different structures compared to the MB/SME.

Sources of Data for Market Intelligence			
Competitive Intelligence (external)		Business Intelligence (internal)	
Internet	Customer, Supplier, Industry and Competitor Websites Blogs E-Newsletters Social Media Platforms	Internal Business Systems	Client purchase trend reports Accounts system Sales Reports Customer logs Human resources Company Website feedback
Industry and Business Networks	Newsletters Expos and Training Events Magazines	Internal Stakeholders	Staff - meetings, project reports, problem solving sessions, their online and offline networks Friends Family
Media	TV Radio Documentaries		
Government	Standards Newsletters Policy changes		
External Stakeholders	Clients Community - Local Community - Regional Community - Global Suppliers Investors		
Financial	Banks Accountant and advisors Stock market		

**Table 2. Sources of Internal and External Market Intelligence Data**

## 2.3 Market Intelligence Sourcing

When sourcing where and how MB/SME's collect, collate, analyse and disseminate market intelligence for their business it should be understood that information is now available on a greater scale and in more formats than ever before (Chen 2010, Chen and Das 2010 and Sivaramakrishnan et al 2010). This leads to a potential overload of information, firstly, in relation to choosing a path of information gathering from the numerous available sources, and secondly ensuring that the information is sourced in a format and volume that can be easily and effectively analysed by the MB/SME.

The literature also outlines many processes developed for, and tested on, large organisations (Chen and Das 2010), as well as an expectation that MB/SMEs will be able to utilise similar analytical tools, developed for larger organisations, and be able to embed them into the MB/SME. An example of this is the development of a commercially available intelligence collection systems that are typically promoted as a "one size fits all", however, these systems are typically only tested on multinational organisations. The literature rarely discuss the availability of resources, especially the resource of people, to collect and collate the market intelligence data and that this human resource differs greatly between larger and smaller organisations in terms of volume and skill base.

## 2.4 Analysis of the Literature Review

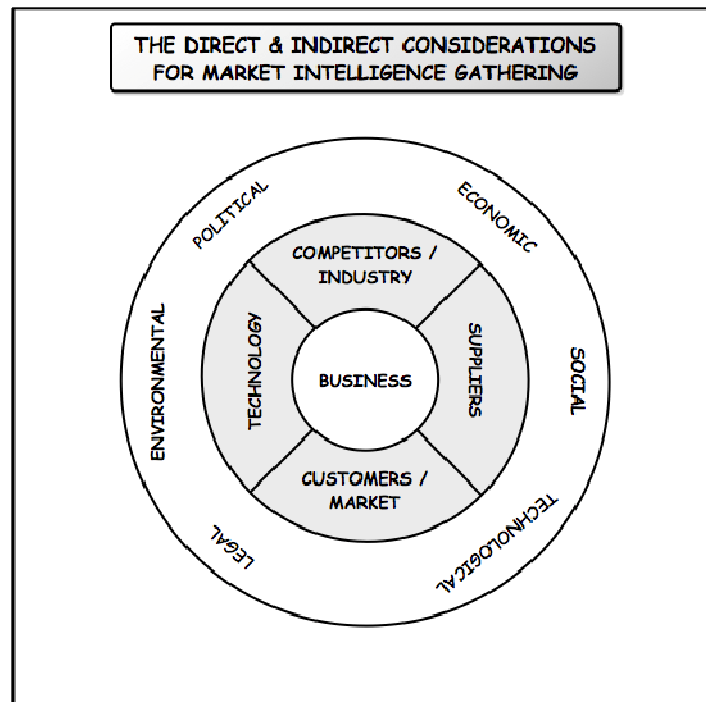
One of the most apparent discoveries found in the literature review was the high number of terms used to describe 'market intelligence'. There were many phrases that were used interchangeably within the literature to describe the process of 'market intelligence', these included business intelligence, competitive intelligence, environmental scanning, economic intelligence, territorial intelligence and market research (Franco et al 2011, Chen 2010, Kahaner 1998 and Bose 2008).

The literature provided significant discussion about the processes used to collect market intelligence, however, rather than enhancing the understanding of the term, most literature typically created a distraction from the marketing intelligence collection activity's purpose and intent. The key areas discussed, within the literature, as being relevant to Market Intelligence are represented in Figure 2. There are 4 direct considerations which are:

- Competitors/industry
- Customers/market
- Technology
- Suppliers

As well as a number of indirect factors which can be aligned with the considerations contained within the classic PESTEL model (McGee & Sawyerr, 2003; Johnson et al, 2009). These are:

- Political
- Economic
- Social
- Technological
- Environmental
- Legal



**Figure 2. Direct & Indirect Factors of Market Intelligence**  
(Adapted from McGee & Sawyerr, 2003)

The literature discussed the need for a business to implement a system for collecting, analysing and disseminating the information within an organisation. The literature typically advocated that a one size fits all intelligence collection system was adequate for all businesses (Banham, 2010) and little evidence that systems should be tailored to meet the individual cultures of the businesses and business owners.

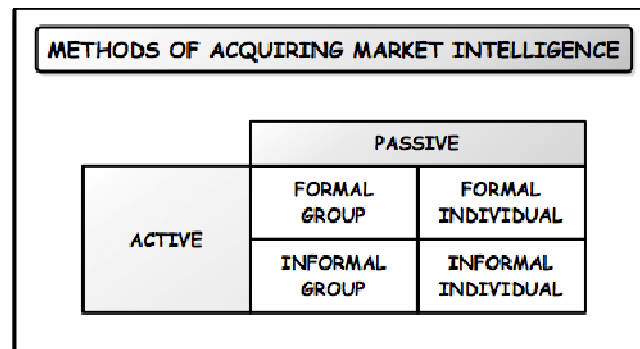
Furthermore, the literature provided a number of formats that can be used to acquire information within a business environment. The formats are:

- Written
- Spoken
- Electronic
- Visual
- Experiential

These formats are outlined in Table 2 and for each of these formats it is possible to acquire the information through a variety of processes, such as:

- *Formally* - through business reports, investigations, seminars and meetings
- *Informally* - through staff, stakeholder or public conversations
- *Actively* - by seeking or researching the information in publications and reports
- *Passively* - by information freely available either within the business, in the media or the community
- *Groups* - meetings, customers or demographic data
- *Individuals* - staff, individual customers or general public

These approaches can be mixed and matched to suit the specific requirement. Figure 3 demonstrates the interrelationship between the various methods.



**Figure 3. Methods of Acquiring Market Intelligence**  
(Adapted from Bose, 2008)

### 3.0 Description of Field Research - Interviews and Focus Groups

The research involved facilitating a series of individual interviews and group discussions with Australian MB/SMEs to collect real-time opinions on the current processes and perceptions of market intelligence.

The study used four focus groups containing a range of industry professionals from manufacturing, hospitality and education industries. The focus groups were convened as face-to-face discussions with all parties in the individual groups known to each other, however not from the same industries. The focus groups were voluntarily grouped and this sample was considered a random selection for this study.

The study also undertook a series of face-to-face interviews with industry leaders and business owners using an Appreciative Inquiry approach (Kinni, 2003), which was deemed the best approach for gathering a more in-depth understanding of the business owners' formal or informal processes. The industry leaders and business owners were sourced from engineering component manufacturing, hospitality, logistics, bespoke high value consumer manufacturing and educational services, with half of the respondents in business for over 15 years, a third of the respondents in business between 5 to 14 years and the balance had been in business for less than 5 years.

Whereas, there is no suggestion that the information is statistically relevant it does show some interesting trends.

### 4.0 Findings from the Interviews and Focus Groups

The results from the research highlight differences between the literature and the actual practices of the MB/SMEs. The differences are:

1. Literature outcomes do not match the findings of the research
2. MB/SMEs are typically unfamiliar with the term 'market intelligence'
3. MB/SMEs mostly collect market information as a result of a crisis
4. MB/SMEs do not usually recognise the process of market intelligence collection as a formal business process

## **4.1 Literature outcomes do not match the findings of the research**

On the whole the body of literature outlined a rigid, planned and calculated approach to market intelligence gathering that requires a predominantly technology based process for data collection. When MB/SME's were questioned about their processes it was discovered that the MB/SMEs typically did not have any formal processes for market intelligence collection and it was not generally considered a formal business process.

## **4.2 MB/SME's are Typically Unfamiliar with the Academic Term 'Market Intelligence'**

The term 'market intelligence', is not formally imbedded within most individual business cultures and the discussions with the businesses showed a number of names for the process of market information collection such as 'knowing your market' and 'understanding your competitors'. The research also discovered that, early in the discussions there was confusion about the definition and process of 'market intelligence collection'. However, when the term and process of 'market intelligence' was elaborated on by the facilitator it was discovered that the process was often undertaken naturally within the business as part of their daily activities and the business did not formally name the process or the activity.

## **4.3 Triggers for Market Intelligence Information Collection by MB/SME**

The collection of Market Intelligence within MB/SMEs is typically reactive, with business managers only taking action when there is a need to respond to a crisis or a change in the market. The changes can be internally generated such as staff changes or externally generated events such as a new competitor in the market or a recession. The research revealed a list of triggers that would initiate the collection of market intelligence for a small or medium business, these were:

- A reduction in sales turnover
- A new opportunity for the business
- A change in the customer demographic resulting in a change in demand
- Market driven changes to demand
- Recession
- Sale or change of management of the business
- New or exiting competitors
- Government or legislative changes

## **4.4 Embedded Processes Within the MB/SME Culture for Market Intelligence Collection**

The research revealed that MB/SMEs used a number of methods for collecting market intelligence and these methods depended on the existing skills and culture within the business as well as each individuals personal preference for collecting information. The methods used by the MB/SME included:

- A culture of staff feedback to the business about events and opinions within the marketplace
- Attending and participating in business networks
- Using personal networks to provide opinion, feedback and potential new product/service ideas
- Internet search, including sales, information and social media sites to enable an understanding of customer needs/wants, competitor movements, and market trends
- Taking the time to look at the marketplace and understand the dynamics that are shaping it. This also included a personal reflection on where the business was positioned within the market
- Reading industry magazines and newsletters

## **4.5 Findings from the Research**

The research showed that, although the practice of market intelligence was not formally undertaken by MB/SMEs, there was a culture of collection within the businesses and that this collection is reactive to a change or crisis within the business or marketplace.

MB/SMEs were more likely to undertake personally interactive forms of information collection, such as networking and staff discussions, than data collection through online sources. However, MB/SMEs were moving towards using online services to collect data and interact with their customers while at the same time struggling with the ability to manage and collate the vast amounts of data available through this media. This is often due to 'industry experts' or in some cases 'armchair experts' providing commentary on 'what the MB/SME should do' without also providing the data on how to balance this within the business.

The research also showed that most MB/SMEs do not have a formal plan or system for collecting data either inter-personally or electronically and this further exacerbates the information overload that is currently reported.

## **5.0 A Comparison Between the Literature and the Practitioners**

There are a number of points that can be highlighted where different perspectives exist between the literature and MB/SMEs. These are:

- Use of terminology to describe the process
- How formalised the process of market intelligence collection needs to be
- The scope or coverage necessary for effective market intelligence
- That there is no right or wrong way to collect market intelligence
- Whether market intelligence information collection is a normal business routine or an extra curricula activity

The information in Table 3 highlights that careful consideration needs to be given to the requirement for the information being sourced. Capturing information just for the sake of it is not constructive or helpful. Then there is the need to determine how to manage the

information obtained. This is crucial because as the literature highlights the information is typically used to facilitate decision-making.

Market Intelligence Comparison Table	
Literature	MB/SME
The literature is somewhat confusing as different authors use different terms for the same thing eg: market intelligence, business intelligence, competitive intelligence and environmental scanning	MB/SMEs are far more simplistic and do not typically name the process they just do it as a normal part of how they operate
The literature emphasises the importance of technology in the collection of market intelligence information	MB/SMEs see market intelligence collection being a more normal everyday personal activity through effective discussions and interactions with people.
The literature implies that the collection of market intelligence information needs to be a formalised process	With MB/SMEs there was little or no realisation of the need to use formalised processes for the collection of market intelligence information
The literature says that it is important to cover a diverse range of information from a variety of sources to obtain the most benefit from market intelligence information	MB/SMEs are struggling to understand all the potential sources of information and how to effectively collect and use it. This leads to feelings of guilt and failure as there is a sense of not living up to expectations
The literature does not advocate the business choosing the most beneficial sources for data collection, rather it recommends businesses use all sources of information for data collection	MB/SMEs typically instinctively choose the most effective method of data collection to suit their business need at a particular point
Literature implies all businesses should conduct market intelligence activities as a formal regular business process	MB/SMEs are most likely to seek out market intelligence information when there is a trigger to do so eg: changes in the market place, change in customer preferences etc.

**Table 3. Comparison Table Literature vs. MB/SME Perspective on Market Intelligence Gathering**

## 6.0 Conclusions

Knowledge (specifically in this case market intelligence) has become a critical business transaction exchange tool. All of the discussion in the literature has not really provided sufficient insight on how MB/SMEs can effectively acquire, assimilate, transform and utilise market intelligence information. There is a noticeable gap between the theoretical understanding and use of market intelligence information and how to obtain it and what happens in practice. With the explosion in technological capability one of the main consequences is overload of information into a MB/SME and a tool, such as the internet, that was considered as an aid in the process, may have only made the process more complex and confusing.

Continuing to believe or act as if one size fits all is not going to provide the requisite insight to facilitate the more effective use of Market Intelligence to enhance MB/SME operational capability and ability to respond to changing market conditions, customer requirements and competitor's actions.



## 7.0 Recommendations for Further Work

The recommendations for further work include:

- Developing a more in depth understanding of triggers for the need for Market Intelligence information in MB/SMEs
- Priority of information collection to best support MB/SMEs
- Ability for MB/SME to access and use the information available in a more effective fashion
- How MB/SMEs can be more proactive than reactive in the collection of Market Intelligence information

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