Competitive Intelligence Case Study

Case Study 5
Risk Analysis - Anticipating Competitor Actions

What our client needed

Our client had heard three rumours about a competitor:

1. that their competitor was planning to change the name of one of their products (a beverage) to bring it into line with the European name.
2. that the competitor planned to change the formulation of the sweeteners used.
3. that the product with the new name and formulation was being test-marketed in another country market, where the original name had previously been used.

Background

1) In the UK, many low-sugar or sugar-free soft-drinks use the name "Diet" to signify low sugar. In Europe "Light" (or "Lite") is often used instead.
2) Sugar-free beverages use a number of artificial sweeteners. The sweetener used in this product was Aspartame (also known as Nutrasweet – produced by Monsanto). Aspartame has a slightly bitter, metallic aftertaste – and many soft-drink producers now use a mixture with a second sweetener known as Acesulfame K.

How did we get it?

The first exercise was a literature search of the test-market country press. Unfortunately, our subscription online news services had very few press sources for this country. Instead, we resorted to an Internet search – and found some of the country's business sources online, with an archive. This gave us a press report discussing the proposed change. Rumour 3 was thus confirmed.

We also did a check of comparative products to find out how many used aspartame alone, and how many the aspartame / acesulfame K mixture. We quickly found that most sugar-free drinks used the new mixture.

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As well as the above, we did a brief literature search to find out whether there were any concerns expressed about either sweetener, and general attitudes to sugar-free drinks. We found that there were concerns about artificial sweeteners, including aspartame. We also found that the use of the word *Diet* had certain connotations that were not present with products with *Light* in the name. (Essentially, *Diet* drinks were more attractive to women. Men were less likely to purchase a drink with diet in the name – and that this bias did not apply to *Light* drinks.)

We now started our primary research. We called a number of sources. These included other competitors, and trade literature journalists in case they knew more about the rumours; the competitor beverage supplier's PR agency, bottling company, etc.; the competitor themselves.

Unfortunately, from all the sources interviewed we found little to confirm or deny the two remaining rumours. The competitor actually said that both changes had been discussed – but that no decision had been made, on whether to change the name, formulation or both together. Suppliers indicated that a change was likely – but did not know which or when. From all sources, we could tell was that there would be a change, but did not know what it would be.

The next stage was to anticipate what the most likely change would be – to second-guess the competitor. It was here that our initial literature search proved useful. Effectively there were four options:

1) Name and formulation would change
2) Name would change
3) Formulation would change
4) There would be no change

From what we had uncovered, we knew that doing nothing (option 4) was a risky strategy – as most other competitors had changed to using acesulfame K, overcoming the problem of the aspartame aftertaste. Furthermore, it appeared that the competitor was losing market share for the particular drink – suggesting that there were problems that would prompt a change. In addition, as already mentioned, our primary research had confirmed that a change was likely.

The choice between the other three options was not so easy. Each had plus and minus points. Using a game-theory approach, we modelled the risk-factors. The results can be summarised as follows:

- Changing name & formulation was the highest-risk strategy. This approach involves a need to convince current customers about both a new name and taste (as a result of the change in sweeteners) as well as enticing new customers to try the drink. There was a risk that existing customers could defect if they failed to recognise the new product name, or if they disliked the new taste. This would mean that the company would need to spend extensively on advertising to keep current customers and attract new ones.

- Changing only the name was also high-risk strategy. It still involved re-educating the current customer base on the new name. In addition, there was the risk that existing customers would defect while potential new customers who did not like the taste of the drink under the old name would not remain customers after trying the drink under the new name.

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- Changing the formulation involves enticing new customers with the changed taste, and convincing existing customers that the taste is better. The overall financial outlay for promotions is less than required for a name change, and leaves open the option to change name at a later stage or backtrack if customers do not like the new taste. Thus this strategy was viewed as the lowest risk.

These options can be shown diagrammatically:

Formulation

Name	No Change	Change
No Change	Medium Risk (High Risk long-term)	Lowest Risk
Change	High Risk	Highest Risk

How was the information used?

We suggested to our client that all that would happen would be a change in formulation – as the other options were too risky – with a name change sometime later after the taste change was accepted. This is in fact what actually happened – enabling our client to anticipate the competitor move, and resulting promotional campaign, promoting the "new" taste.

Lessons to be learned

1) An objective for competitive intelligence studies should be to anticipate competitors' next steps. Sometimes information will not be available. Part of the analysis process is to use all available information, from both primary and literature research to create a "most-likely" scenario. This scenario can then be used for future planning – with contingency plans drawn up in case one of the less likely scenario's turns out to be true.

2) Although online information sources hold a vast amount of information, with publications from all over the world it is important to note that they do not hold all publications. There are over 100,000 different publications globally. Often key information will not be held online. However, increasingly, information is being put onto the Internet. Thus a targeted Internet search is always worth considering as part of a literature search. Such searches require a knowledge of search engines, portal sites, and techniques for finding "hidden" information that is not indexed by any of the major search tools. In this case example, some of the relevant information was found in such a manner.

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