

---

# **Competitive Intelligence a Natural Value-Add to Investor Relations**

April 2009

By  
Dennis A. Sienko

# Agenda

---

**What Competitive Intelligence (CI) is**

**Why IR is Uniquely Situated in an Organization for CI**

**What CI is Not**

**How to Present CI information that is Value-Added**

# **What Is Competitive Intelligence?**

---

**A way to provide actionable intelligence either at a tactical or strategic level to people who need the information to make informed decisions.**

**The ultimate goal of each intelligence process is to facilitate decision-making that leads to action.**

**The process through which information from multiple sources is gathered, interpreted and communicated.**

# Why IR?

---



- **The CEO's key responsibility is growth strategy.**
- **IRO is probably the closest executive to the CEO in terms of knowing the company's strategy, messaging and competitive environment.**

# **Organizational Structure and Skills Necessary for an Effective CI Program**

---

## **Organization Structure:**

- **An executive sponsor.**
- **Part of the strategic planning team or at least acutely aware of the Company's strategic goals and objectives.**
- **Access so that “actionable intelligence” can reach key decision makers.**

## **Professional Skills:**

- **Financial expertise**
- **Abstract reasoning skills (i.e., good at connecting the dots)**
- **Forward-looking**
- **Good communicator**
- **Not afraid to take risks**

# IRO Is Already Monitoring Competitors

---

- **Performance:**
  - Revenue / EBIT / Capital Expenditures
  - Benchmarking studies / Preparation for conference calls
- **Speaking to Analysts:**
  - Regarding company's performance and/or new product launches
  - Technology innovations
- **Attending Investor Conferences and Trade Shows**
  - Listening to competitors' presentations
  - Walking the trade show floor

# Where Is Your CEO Currently Gathering His/Her Competitive Intelligence??

---

## CEO CORNER



**Most companies can not afford a separate or full-time competitive intelligence person, or even realize the value of such a person.**

## What CI is Not

---



**Please at least use  
the Internet!**



**No need to get nasty.  
Just remember –  
people love to talk**

# **CI – Must Add Value to be Effective**

---

**“Actionable Intelligence” -- Don’t Just Show, but Tell and Recommend**

**P.S. Don’t be afraid of being wrong**

# Raw Data Summarized into a Table

---

Okay

4Q08			
Co.	Market Share	Co.	Market Share
a	18%	h	2%
b	14%	i	2%
c	27%	j	1%
d	12%	k	1%
e	9%	l	1%
d	4%	m	1%
e	2%	n	1%
f	2%	o	1%
g	2%	p	1%
			100%

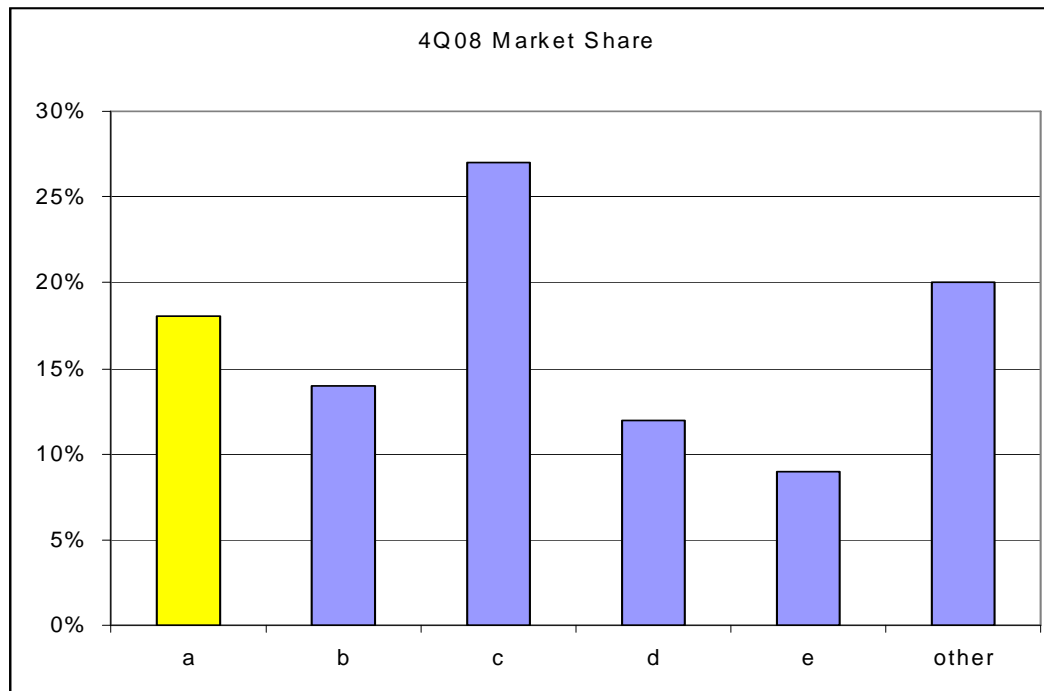


**Our Company held 18% of market in the 4Q and was #2 in market share.**

# Raw Data Summarized by Key Competitors

---

## Better



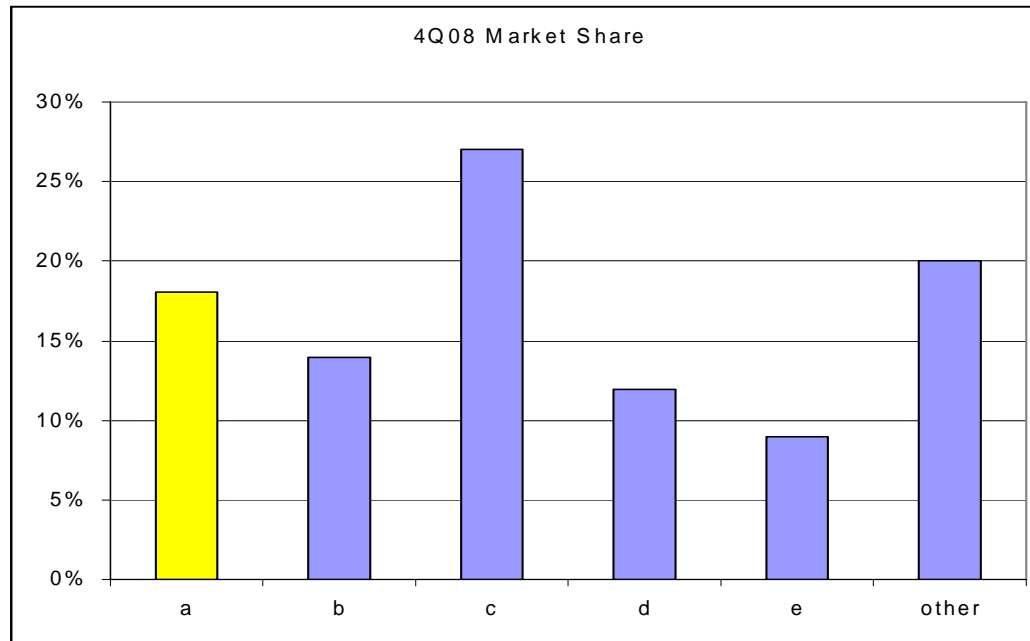
\*Other is comprised of 13 small competitors holding less than <5% share

**Our Company holds 18% share and ranks #2 in a highly fragmented market, with four major competitors holding 80% share of market, but no one with > 30% share.**

# What Makes CI Valuable is “Actionable Recommendations and/or Conclusions”

---

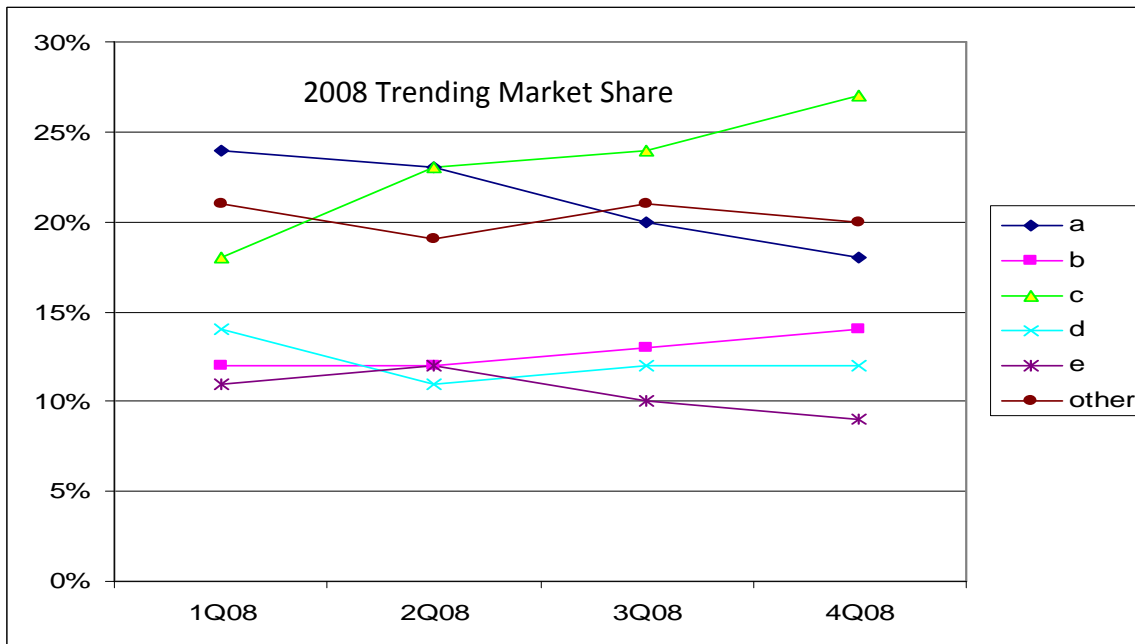
Best



**Our Company holds 18% share and ranked #2 in a highly fragmented market, with four major competitors holding 80% share of market, but no one with >30% share – anticipate Company C will look to acquire Company d or e.**

# What Makes CI Valuable is “Actionable Recommendations and/or Conclusions” (Cont.)

Best



Don't be afraid to recommend

Our Company was #1 in market share but is now #2, due to launch of Company C's new product in 2Q08 – **recommend a similar customer retention strategy employed by Company B.**

# How Do You Find Information about Your Competitor?

---



- **Public sources (e.g., Internet, websites)**
- **Listen to conference calls**
- **View conference presentations**
- **Attend trade shows**
- **Talk to analysts**
- **Apply a little intuitive thinking**

# IRO Is Already Performing CI

---

- Listen to competitors' conference calls / investor presentations:  
Revenue / EBIT / Capital Expenditures + Internal sales forces  
= Company ABC will have difficulty completing build out plans  
**Recommendation: Conserve own company's capital**
- Speak to Analysts:  
Use and performance of competitors' technology  
= Company XYZ does not have the capacity to deliver product to urban areas  
**Recommendation: Slow down of marketing promotions**
- Monitor Successes / Disappointments of peers vs. competitors
  - Buyback programs**Recommendation: Reduce buyback from \$400 to \$200.**

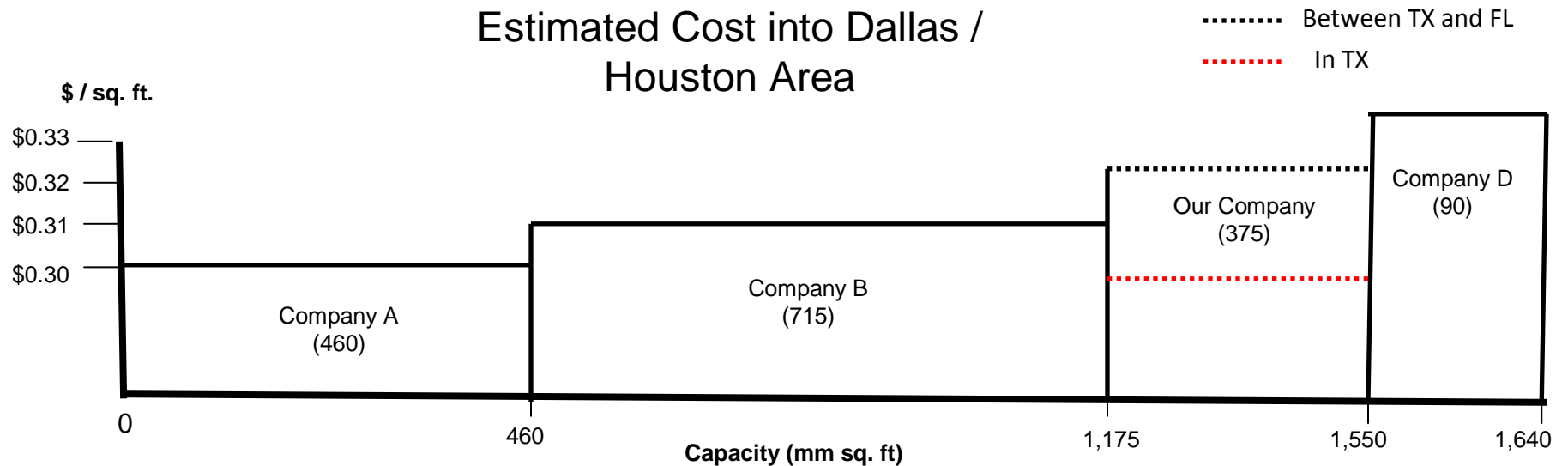
# Attend Trade Shows

---



1. Walk the floor
2. Talk to Suppliers and Vendors
3. Listen to competitors' demonstrations
4. Prepare questions for Phd's talks
5. Take CEO out for snack break.

# Cost / Capacity Curve (Texas) Data Obtained from Trade Show



Company A has lower cost due to closer manufacturing location

Company B's costs are lower due to volume purchases

**Strategic Question: Should Our Company Build its new plant in Texas or in between TX and Florida?**

# Develop Competitor Playbooks

---



- 1. Keep simple**
- 2. Lead role plays**
- 3. Formulate strategy**

# Portfolio Assessment

## Specific Product Portfolio Assessment

Attractiveness	High	<p><b><u>Growth</u></b> Accessories</p>	<p><b><u>High Growth</u></b> TPO Metal</p>
	Low	<p><b><u>Harvest</u></b> BUR APP /SBS PVC - Exiting</p>	<p><b><u>Cash</u></b> EPDM ISO</p>
		Low	High

**Competitive Position**

## SWOT Analysis

<p><b><u>Strength</u></b> Contactor base Experienced Firestone management team</p>	<p><b><u>Weakness</u></b> Too few distributors Conservative outlook Not innovative</p>
<p><b><u>Opportunities</u></b> TPO expansion China - EPDM market</p>	<p><b><u>Threats</u></b> Rising raw material prices Competitor ISO / TPO expansion Poss. low cost EPDM technology</p>

+

## Competitive Advantages

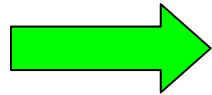
Products:

- EPD: High market share
- TP: Adding additional capacity in 2008
- ABC: Largest plant capacity (8 plants)

**Well-positioned to  
maintain market share and  
continue to grow**

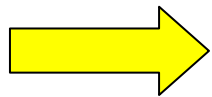
# Growth Options

---



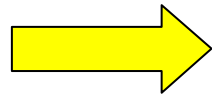
**Leverage Existing Base**

- High market share in EP – can weaken competition
  - Remain 100% sufficient in ISO
  - Grow stronger in TP
  - Hold bituminous market share
  - Expand into EP
- 



**Residential**

- Entrenched players (e.g., OC, GF CT)
- Agents not trained to sell
- Contractor base commercial
- Expand presence in high-end metal market



**China**

- Recently opened a steel belt plant
  - Expand in EP market slowly
- 



**BR**

- No growth market
- Keep status quo to satisfy contractor base



**Europe**

- Have not expanded in Europe since early 90's
- Europe a low-growth market

# CONTEXT: Manufacturing Company ABC

---

## **Background:**

- Phased out Product C in 08
  - Converted its former share to Product A
  - Private labeled from Company X
- Product AB is king:
  - Comprises 1/3 of revenue
  - Only one of two manufacturers of product
  - Ended supply agreement with Company W
  - Supplies Company B with product AB
- Sells asphalt products as well as insulation
  - Largest number of supplementary plants
  - Manufactures XPP and XSB
  - Obtains Product Y from Company Z

## **Strategy:**

- Focused on system sales with good profitability
- Builds a loyal contractor base by bypassing the distributor
- Only one of two manufacturers helps keep contractor base loyal
- Vertical integration
- Tends to acquire an existing business then expand into that market segment
- Fast follower – not innovative

# Situation and Key Strategic Question(s)

---

## Quotes from the field:

- *“I heard that your company is going to begin using a Canadian company to manufacture your product.”*
  - Customer to company sales representative
- *“I heard a rumor that your company may decide to build its own manufacturing plant in the US”*
  - Contractor to company representative
- *“I saw a tech person inspecting a roof that I know wasn’t installed by your company”*
  - Building owner to company sales rep

## Ancillary issues:

- Company A claims it doesn’t have capacity to fulfill our needs.

## **Key questions to answer:**

- What is your response to our company switching its supply source from current supplier to Canadian supplier?
- What is your response to us announcing our intention to build our own plant?
- What is your response to us acquiring Company A?
- What is your response to JM building our own plant in U.S.?

# Conclusions

---

- 1. CI is a Natural Value-Add for IR**
- 2. IR is already Practically Performing CI**
- 3. Add Value by:**
  - 1. Providing actionable intelligence**
  - 2. Getting more out of trade shows**
  - 3. Leading competitive role plays**
- 4. Have Fun**