

ACTIVE MARKET INTELLIGENCE: THE MISSING PIECE IN BUSINESS PERFORMANCE MANAGEMENT

The Drive for Superior Performance

In auto racing, every car is fast and every driver skilled. But the drivers who win *consistently* do the little things just a bit better than their competition. Their pit crews are a little more efficient. Their reactions are a split-second faster. And they see the track more clearly, avoiding accidents by the slimmest of margins and making the most of opportunities that vanish in an instant. Certainly luck plays a part on occasion, but it's not to be counted on.

Consistently superior business performance requires the same degree of precision. It requires the ability to weather economic downturns, quantum leaps in technology, shifting customer preferences and changing regulatory expectations. A good idea, the momentum of a buoyant economy and a little luck may bring temporary success, but companies that rely only on these things inevitably fail.

The ability to "see the track" is as important in business as it is in racing. Race drivers have a dashboard of sophisticated instruments that monitor every aspect of their car's performance. But it's what they see beyond the dashboard that makes the difference. Likewise, as today's successful companies drive aggressively to achieve outstanding results, they must be able to see into all levels of their business and respond quickly to events as they occur.



Beyond the Dashboard - Active Market Intelligence

For the past decade, business intelligence solutions have given companies the ability to measure their business performance with a dashboard of top-line information. That's the good news. The bad news is that this information is not enough to help companies steer with the precision today's business climate demands.

Things happen outside the four walls of a company that influence its ability to succeed or fail. Competitors come and go daily. New legislation is passed. Products fail. The world's view of a company can change gradually or suddenly.

For example, the rising trend toward digital photography was slow but steady. As a result, Kodak misread it. They could have used their market power to extend the Kodak brand into this new category while smaller players scrambled for position. Instead, they ignored the trend and are now desperately trying to catch up. By contrast, almost overnight, the changes to regulations concerning investment firms and their in-house analysts have redefined unbiased research, creating a new class of influencers that companies must learn to communicate with effectively.

To keep pace, business leaders need an in-depth knowledge of market trends. They need to know what their competitors, suppliers, partners, customers and prospects think, and think about. They need to understand the impact of influencers and have a way to manage them that is relevant to corporate goals. And they need this information in real time, in order to plan and react effectively.

But this information can't be found in the company dashboard, because it's out on the track. And like the drivers who look through the windshield to see trouble ahead and avoid accidents, company executives need to look through their "windshield" to recognize opportunities, anticipate trends and minimize threats. For high-performing businesses that windshield is *active market intelligence* (AMI).

Imagine if executives at Intel began to see company sales fall dramatically. What caused the drop? Chat room buzz about a new Pentium bug? A boycott by environmental groups concerned with computer toxins? Or a celebrity endorsement for a major competitor? The answer lies beyond the dashboard.

Active Market Intelligence Fuels Business Performance Management

Active market intelligence is the ability to monitor, measure and analyze in real time any external influence that affects a company's reputation, brand, products, services or even its executives. It is complementary to traditional business intelligence (BI) solutions, which only provide an internal perspective on what is happening in the business. AMI is a window to the outside world that enables companies to look beyond the dashboard and make more informed decisions.

The need for real-time visibility and immediate response capabilities is putting pressure on traditional BI systems. While business intelligence has come a long way in terms of providing insight into various aspects of a business, it still presents a mostly historical view of what "has happened" rather than "what is happening." Also, it doesn't tie historical information to performance metrics or help companies manage day-to-day operations.

Business performance management (BPM) has emerged as a way to extend the use of BI from measuring business performance to managing it. BPM is a collection of software, business processes and business metrics that enables an organization to understand, act on and influence its business performance. BPM enables business users to compare BI analytics with actual business goals and forecasts, putting those analytics into a business context.

Unfortunately, this only provides part of the picture. *Active market intelligence* is the missing piece of BPM. AMI enables company executives to manage external factors in the same way they manage internal factors with business intelligence. It makes BPM more robust and comprehensive by providing companies with the ability to monitor, measure and analyze external market data.

By incorporating active market intelligence into their BPM framework, corporate executives and decision makers can

- Gain real-time visibility into the marketplace and competitive landscape
- Leverage emerging trends to increase revenue opportunities
- Improve targeting of media segments and influencers
- Align tactical execution with strategic goals
- Refine influencer-based outreach and manage the effect of influencers on corporate revenue
- Evaluate the impact of influencer-based outreach programs on business performance

As part of a BPM system, AMI makes it possible for companies to plan, execute and evaluate the business activities that impact corporate reputation or contribute to overall corporate goals. Active market intelligence empowers companies to affect the perceptions of corporate influencers, such as customers, partners, market and industry analysts and the media.

A good example of BPM fueled by active market intelligence is demonstrated by Harley-Davidson Motor Company, which is using AMI to proactively manage the perception of its brand. For years, the rumble of a Harley engine has been part of the motorcycle's legendary mystique. The sound of a Harley-Davidson is a prized brand attribute. Yet, that sound is sometimes associated with a certain type of rider—an "outlaw" who has little regard for the rights of others.

The company understands the need to balance promotion of the Harley-Davidson rumble as a unique brand signature with the recognition that in some circumstances it may offend the public. In one instance, the company noticed an article in a local paper about bikers rewiring their engines in the downtown tourist area. After receiving complaints from tourists, residents and business owners, the city council called a special meeting to ban motorcycles in that area of town. Continuing to follow the story, the company also saw the meeting announcement and was able to influence local bikers to change their behavior. As a result, the ban was prevented and Harley-Davidson strengthened its relationship with the local riding club, which influences motorcycle purchases in the area.

"Active" Makes All the Difference

The concept of market intelligence is not new, but in the past, gathering it has been a costly and time-consuming manual process. With hundreds of thousands of information units generated each day, just performing analysis for one company—let alone for its competitors, individual products and industry issues—can take weeks or even months, not to mention a significant financial investment.

Outsourcing intelligence gathering to a market research firm is an option, but it doesn't solve the basic problem. The process is still labor intensive and the end results are monthly or quarterly reports that offer only historical views of the market. It's a view of the outside world that is comparable to using the rear-view mirror to drive.

Market research firms also require clients to set specific analysis parameters in advance, which eliminates the opportunity to change focus in midstream and learn through trial and error. Static reports from a consulting firm provide no mechanism for asking questions in different ways while the research is in progress or for slicing and dicing initial results to test alternative outcomes.

Recently, Web search technology has emerged as a potential "quick fix" for the limitations of historically-focused market intelligence. While Web search and other methods of content aggregation may prove useful for identifying relevant materials and performing some basic categorization, they fail to reveal the complex issues hidden in unstructured data or add meaningful context to the content. In addition, no one content aggregator has it all. To access all of the print, broadcast and Web content that is relevant to just a single market and necessary for a thorough analysis requires multiple subscriptions to content aggregation services. Not only is this expensive, it still only solves the aggregation issue, not the manual analysis problem.

"If it's good, an aggregation service tells you what people are saying about you," explains Tom Galvin, vice president of public affairs at VeriSign, Inc. "But it doesn't help you understand what it means. Or tell you what you're missing. It also doesn't help you put results in a context that can be easily communicated to executives who want a top-line view."

By contrast, AMI solutions monitor and aggregate external data and provide real-time, interactive analytics that generate actionable intelligence. They aggregate all relevant content, make this content directly available to users and deliver precise analytical tools that turn data into insight. That's the difference between market intelligence and active market intelligence.

Active Market Intelligence Delivers ROI

Functions that perform and manage influencer-based outreach, such as marketing, analyst relations and public relations, have been the first to take advantage of active market intelligence. Key applications include tracking awareness and message accuracy, discerning the relationship between media mindshare and market share and tracking the ROI of influencer-based communications efforts.

Sun Microsystems uses AMI every day for continuous and immediate insight into market information that affects business performance. Andy Lark, vice president of global communications at Sun Microsystems comments, "Sun saves more than \$100,000 per year with active market intelligence compared with what we would normally spend on traditional methods of media measurement."

But the need for AMI spans the enterprise. The CEO needs to be able to monitor the company's image and reputation, and might need high-impact market insight in times of company crisis. According to a recent survey by ORC International of North American, Asian and European chief executives, 65% believe that the CEO is most responsible for a company's reputation.

"Active market intelligence has been instrumental in improving our communications strategy and increasing positive coverage to help drive sales," says Zach Nelson, president and chief executive officer of NetSuite, Inc. "I use it everyday to keep my finger on the pulse of the competitive landscape and ensure that NetSuite is taking a leadership position in emerging trends that affect our industry."

Other internal customers for active market intelligence include the CFO, who will want to know how the financial analyst community views the company and its competitors, what's being said by investors in stock chat rooms and how the company's stock is affected by its reputation. The sales team is concerned with how the company's marketplace perception drives incremental sales and increases renewal rates. Meanwhile, product management and product marketing must understand the true needs of their target audience so they can refine products and services, monitor and analyze competitor positioning and deftly communicate product benefits.

AMI - A Vertical Market Perspective

While AMI is important for companies in almost any industry, it is absolutely critical for organizations in a highly competitive market or for those who operate in a complex or changing legal and regulatory environment. The following chart describes four vertical industries that have been among the first to adopt active market intelligence as part of BPM.

Key Vertical Market Applications	
<p>Life Sciences</p> <p>Shaping public perception, communicating effectively with financial analysts and the business press, and maintaining the trust of physicians and consumers are critical matters for any life sciences company. Active market intelligence enables life sciences companies to</p> <ul style="list-style-type: none"> ▪ Educate Wall Street ▪ Prepare the market for products ▪ Manage a crisis ▪ Monitor industry topics 	<p>Technology</p> <p>In the technology industry where buzz is everywhere, high tech communicators need to prove that buzz actually contributes to the bottom line while keeping a close eye on the competition's every move. Active market intelligence makes it possible for technology companies to</p> <ul style="list-style-type: none"> ▪ Prove value ▪ Launch new products ▪ Track the competition ▪ Manage global brands
<p>Financial Services</p> <p>The consolidation of the financial services sector has required an increasing reliance on sophisticated media relations to constantly bolster corporate reputation and support business goals. Active market intelligence provides financial organizations with continuous, reliable metrics that allow them to</p> <ul style="list-style-type: none"> ▪ Protect corporate reputation ▪ Respond to and manage crises ▪ Support product and service promotions 	<p>Insurance</p> <p>Insurance companies have found that a low-key media presence suits the nature of their products and broker relationships, and reassures their customers. Active market intelligence enables insurance companies to</p> <ul style="list-style-type: none"> ▪ Manage visibility ▪ Identify, track and manage risk ▪ Deploy segmented marketing strategies through channel-specific media outreach

BPM, AMI and the Software-As-Service Model

BPM applications such as enterprise resource planning (ERP), customer relationship management (CRM) and business intelligence (BI) are typically large, complex applications that are expensive to purchase, install, maintain and upgrade. In a large company, where there may be thousands of desktops running the same software, there is no such thing as a simple deployment or upgrade.

Much of the cost of enterprise applications is “hidden.” It is not part of the seat license cost. In fact, as much as 90% of enterprise software costs occur after the purchase, including:

- Deployment and customization
- IT personnel
- Maintenance
- Hardware
- Training

Further, IT personnel, maintenance and training costs are ongoing. Finally, an organization that uses BPM rarely uses just one application. So there are also integration and performance issues surrounding sets of applications.

To save money and speed time to value for enterprise applications, many companies are turning to the application service provider (ASP) or software-as-service (SAS) model. One only has to look at the client list of Salesforce.com, a CRM service, to see that SAS is not just for small companies with limited resources. SAS can save large organizations millions of dollars and continue to deliver those savings for as long as a particular service is required.

AMI is an ideal SAS application. AMI requires complex data mining and analysis algorithms, which must be constantly improved and refined, and partnerships with all manner of content aggregators. To build and maintain an AMI application would be prohibitively expensive for any given IT department.

Delivered via SAS, however, AMI can be up and running on a desktop in days, with a standard browser as client. Plus, it can be a highly configurable service depending on the particular needs of company. For example, some companies that are rarely covered in the broadcast media would not need to pay for broadcast content.

All companies need AMI. The SAS model will make AMI available to large and small companies alike. And it will shorten the ROI cycle significantly.

The Road Ahead for Active Market Intelligence

Just as race drivers need a clear view of the track, as well as comprehensive internal data about their high-performance automobiles, company executives need both external and internal data to push their companies to consistently superior performance. Understandably, because it is easier to gather, control and analyze, internal data has been the focus of BPM systems so far. But our understanding of business performance, as well as our tools and methodologies for analyzing it, are constantly evolving. It is now possible to include real-time, external data—active market intelligence—in the BPM matrix.

AMI systems, delivered via a software-as-service model, will gradually become as commonplace and widespread as enterprise resource planning, customer relationship management and business intelligence are today. Corporate decision makers will increasingly rely on AMI to manage public perception, develop strategy and tactics and understand the impact of market perception on company performance.

About Biz360

Biz360® empowers decision makers with essential information that allows them to act strategically and respond effectively to industry trends and competitive issues. Its measurement application, Market360®, continuously monitors and analyzes print, Internet, wire and broadcast media to provide valuable insight into the effectiveness of marketing communications programs.

Leading companies such as 3Com Corporation, Harley-Davidson Motor Company, PacifiCare and VeriSign, Inc. use Market360's active market intelligence to improve their marketing performance by analyzing difficult-to-measure concepts such as brand perception, industry buzz, reputation and mindshare. Biz360 is a privately held company located in San Mateo, CA and is funded by Foundation Capital, Granite Ventures, BA Venture Partners and Adobe Ventures.