

# What Is Market Intelligence? And How It Can Be Used In Procurement



Market intelligence is the term used to describe the process of keeping tabs on your competition and how your industry is operating.

It's an essential part of running any business, regardless of size or industry, and is company-focused.

Over the years, the definition has grown to include analytics and analysis that can help improve your overall business model and projection accuracy.

It is not to be confused with market research, which is designed to learn more about customer preferences.

Market intelligence should instead be seen as a branch of market research. It is also known as market assessment research, designed to help companies get their foot in the door of a market or to increase their presence in the market.

Market intelligence involves using several sources of information to build a bird's eye view of a company's current market, customers, competition, problems, growth potential, and potential for additional products and services. Potential

sources of raw data include sales logs, social media, surveys, studies, and more.

Small businesses can leverage this information because it can be as easy as finding published data about the type and number of potential customers, visiting competitors' websites, and subscribing to leading industry publications to stay current on what's happening.

A lot of businesses use market intelligence to provide context for their business intelligence.

Business intelligence differs from market intelligence in that it refers to more broad information about customers and products, such as the total number of products shipped, the total sales within a month, and various other transactions that happen within a business.

Market intelligence focuses instead on specific closes of customers, providing geographic and demographic information about what they buy. All of this helps informs business intelligence analysis. Market intelligence also factors in what is going on with the competition - something that business intelligence doesn't acknowledge at all.

## **Market Intelligence Goals and Processes**

When successful, market intelligence answers specific questions about both current and potential competitors and customers, while also helping an organization determine its internal goals.

Questions this data can answer include:

- Where should the company focus more resources?
- What, if any, patterns do the best customers buy?
- What demographic segments can we push both existing and new products?
- What markets should we break into next?
- Are there any products we can cross-market to our existing customers?

Marketing intelligence addresses:

- Competitive advantage

- Product intelligence
- Marketing understanding
- Consumer understanding

*There is not a clear plan for how organizations should collect their market intelligence, but most rely on high-level analysis. When doing so for your organization, never ignore that customers are a valuable source of information.*

Website analytics data is a key source of information, as you can get insights about the customer journey.

How many people are coming to your website? Where are they coming from? What do they do after they arrive?

How many people get to the shopping cart? From there, how many people actually complete the checkout process?

Are there patterns? Test different content, taglines, calls to action, and some on, using your market intelligence to improve your offer.

Larger companies may hire a market intelligence analyst, as they can develop a more nuanced view of the market through communications with clients, distributors, manufacturers, and more.

That dialogue, alone with marketing research and an organization's hard data serves as the majority of a company's market intelligence.

After the information is processed, organizations can use it to inform crucial decisions, such as spend forecasting and determining market opportunity.

## **How Procurement Can Leverage Market Intelligence**

Market intelligence has six main purposes:

- Helping to enter a new market, or expand presence in a current market
- Minimizing risk on investment decisions
- Staying ahead of the competition and gain an edge over them

- Expanding market share in an existing market to give customers what they want
- Tailoring products and marketing efforts to customer needs
- Establishing and maintaining a distinct corporate identity

For procurement, it makes sense to use it for minimizing risks associated with investment decisions and staying ahead of the competition.

This is where competitor intelligence studies and market assessment and acquisition studies can be of assistance.

Competitor analysis can also help companies who want to differentiate themselves in their current market.

Competitive intelligence involves learning as much as possible about competing companies - both direct and indirect.

One way to do this is through a SWOT analysis to learn more about the competition's strengths and weaknesses.

From there, it's necessary to gather product intelligence to make sure you understand how your product or service compares to what the competition has to offer. This helps you when it comes to product positioning in the market.

Good market intelligence data is essential to know what the market price for any given item and to identify true opportunities.

Analytics alone can only identify spend and patterns, performance and patterns, and whether discrepancies within the patterns are present.

If discrepancies are found, analytics can show you where they are. Trend analysis alone won't get the job done.

Adding market intelligence to the mix ensures businesses know when spend provides a cost savings opportunity.

Savings may come from spending leverage or consolidation, re-allocating shipping to improve on-time deliveries, supply base reallocation to more strategic vendors, or lean transformation across the entire supply place.

Price data is available all over the place - de facto market indices like Amazon,

GPOs, and government contracts. Even if an organization isn't buying commodities or services for which pricing information is not readily available, it's possible to build should-cost models to understand how much the products and services they offer should cost.

By building the product with a bill of materials, the labor requirements, and the energy requirements and including a stipend for production overhead and a fair margin, they can estimate the cost.

Every raw material has a commodity index companies can use to build their raw cost. Energy rates are also available.

If the should-cost model is less than what an organization is paying, there is a good savings opportunity. If it is about equal, the business should stay the course.

If it is greater, there is a supplier that's doing better than expected, and the company is better off investing in what should be a strategic supplier to keep overall costs down over the long term.

It's also possible for organizations to save money by improving their performance.

By identifying areas where performance improvements can be made in a reasonable amount of time and at reasonable costs, these opportunities can greatly benefit the company.

For example, if a business seems to end up stuck with a large amount of obsolete inventory regularly that has to be sold at a loss to clear space for new inventory, it's possible to source data from industry groups or analyst firms to help them determine the average product lifecycles.

Using this information, they can determine when they need to plan for end-of-life so they reduce overall product obsolescence.

if on-time deliveries are an issue - either getting materials from a supplier or to the customer, companies can also use freight marketplace information to determine the average shipping times for a number of transportation modes.

That data can also help reveal the carriers that are able to consistently meet or

beat that average for each transportation method.

## Getting Started with Market Intelligence

The easiest way to get things rolling is to start with information you already have easy access to.

This includes things like your customer lists, customer feedback (surveys, polls, product reviews, etc.) internet research, industry association, government information, sales and revenue data, reports from software, and other tools you use during the course of business, clients, distributors, manufacturers, etc.

For instance, if you need to gather basic demographic information about your target market, you can start with government information such as the census and the Bureau of Labor Statistics (BLS) to start putting together a picture of what things may look like.

Then, add industry data from associations and other sources as needed.

Your procurement data provides a great deal of information about the products and services you're ordering, the raw materials you require, the vendors you're working with, and so on.

The insights you glean from that data can help inform a variety of decisions that can ultimately improve efficiency, reduce costs, speed up delivery time, and more.

Ultimately, your company's objectives will determine not only how you approach market intelligence and competitive analysis, but also the types of data you'll use.

Goals surrounding procurement will not be the same as goals for a brand that is attempting to improve its net promoter score (NPS).

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