

September 10, 2001

TO: Dottie Kingsley
FROM: Howard W. Bell, Jr.
RE: Best Practices in Context

We have had a number of discussions about how Best Practices companies develop and maintain excellence in customer relationships. A common thread throughout these discussions is that Best Practice companies understand their market environment.

This thread is clearly stated in the Best Practices book entitled Building Your Business with Customer-Focused Solutions.¹ This thread is also stated in a series of articles about Competitive Intelligence. Competitive Intelligence is defined as the process of monitoring the competitive environment and is a “systematic and ethical program for gathering, analyzing, and managing information that can affect a company’s plans, decisions, and operations.”²

As part of these discussions we identified two processes and six sub-processes that Best Practice companies use to attain excellence in customer relations. Of the six sub-processes, we concluded that the Program Analysis Division should do both qualitative and quantitative analyses of the market environment for non-government market sectors. In addition, we concluded that while building customer profiles will require a long-term strategy to achieve, there is currently data that can be collected and analyzed by the Program Analysis Division to begin the process of building these profiles. These conclusions were based on the fact that much of the information that Best Practices organizations have about their markets and clients do not exist in an easily accessible form, if at all, at SFA.

To understand its market environment, an organization must gather information about its customers, suppliers, competitors, and other entities or forces that may have an impact on it; this includes other industries and relevant aspects of society to include the government.³ This “industry analysis needs to go beyond merely identifying key players in the marketplace. It must *profile* them, specifying their relative size and growth rates, evaluating their strengths and weaknesses, and studying key events and alliances in their value chains.”⁴ Among the organizations that are cited in the Best Practices book as truly understanding their markets and customers are the Lexus Division of Toyota Motor Corporation, Federal Express, and American Express.

¹ Best Practices: Building Your Business with Customer-Focused Solutions, Arthur Andersen (Robert Hiebeler, Thomas B. Kelly, and Charles Kettelman), Simon & Schuster, copyright 1998.

¹ Ibid. pages 50 and 51.

² Miller, Stephen H., “Competitive Intelligence – An Overview” *Competitive Intelligence Magazine*, <http://www.scip.org/Library/overview.pdf>.

³ Best Practices. pages 50 and 51.

⁴ Best Practices, page 52.

A process for engaging in the kind of analyses required to understand an organization's market is set forth in an article about Competitive Intelligence. In this article, the following five steps are identified as comprising a viable approach:

1. Chart a roadmap around the results of an assessment that identifies information needs, ranks them, and suggests possible targets and solutions. Such a document while never immutable is used to clarify the mandate of the competitive intelligence group.
2. Identify a clear objective. A scattershot approach is usually ineffectual.
3. Once the objective has been identified, an action profile should be defined, i.e. the actions to be taken should be summarized.
4. The lengthiest segment of this process is the research and information gathering.
5. Finally analyze the data yielded for relevance, impact, and future decisions.

In accomplishing this, the organization must be able to answer a fairly detailed list of questions about:⁵

- 1) Its market position today;
- 2) The market trends for the future; and
- 3) What strategic positions can be developed and exploited.

An example of the type of questions that should be answered is contained in the Attachment to this memo.

In identifying the relevant questions, gathering and analyzing data, and making recommendations based on the analyzes, Best Practices models rely on a team approach to gathering, analyzing, and utilizing the information. Hence, it is proposed that PAD act as a catalyst and leader in assisting the Channels and Enterprise units at SFA to: 1) identify and rank information needs; 2) identify the questions to be answered; and 3) gather the relevant data. Under this model, each of the Channels and Enterprise units will have a role in gathering and in some cases analyzing the data necessary to answer key questions about SFA's market environment. The unique role of PAD will be twofold: 1) to ensure that this information is widely available throughout the organization and 2) to gather data and conduct analyses that cut across Channel and Enterprise lines.

Since most of the information that will be collected and used by PAD exists in the private offices or within the heads of current SFA employees, it is necessary for PAD to work with the CIO's office to use technology to create a "resource-sharing climate"⁶. Using an intranet is one way to accomplish this. The intranet can serve as a technical platform for the circulation of information. It can also tie to databases. Publishing the data to the intranet, or, when copyright is an issue, linking URLs to the data sites, ensures the availability of the same information to multiple users. Through an intranet, PAD can make information from both internal and external sources available within a seamlessly integrated environment.

⁵ Gross, Margaret, "Competitive Intelligence: A Librarian's empirical Approach (Technology Information) (Tutorial)" *Searcher*, September 2000, http://www.findarticles.com/m0DPC/8_8/65575483/p1/article.jhtml

⁶ Gross, Margaret, page 7.

Attachment

An example of questions that need to be answered to address the: Where is the market positioned today; What are the market trends for the future; and What strategic positions can be developed and exploited? are as follow:

- 1) What are the size and segments of the market?
- 2) What are the key market issues?
- 3) What are and will be the key trends in the market?
- 4) What are the impacts of regulatory and political issues or changes?
- 5) What will be the size, composition, and capacity of the market?
- 6) An industry structure analysis answers these questions:
 - a) Which companies are market leaders?
 - b) Which companies challenge SFA's market position?
 - c) What are their goals and objectives?
 - d) How do they plan their strategies?
 - e) Who are the movers and shakers? This requires management profiles (key individuals, decision-making processes).
 - f) How is the marketplace evolving? Who owns what? What are the recent and planned mergers, acquisitions, and divestitures?
 - g) Are there any alliance patterns taking shape? Alliances may be vertical, horizontal, pay-to-play, joint ventures, etc.
- 7) Who are the key external stakeholders for the Financial Partners, Schools, and Students Channels and the CFO and CIO Enterprise units?
 - a) How does each stakeholder enable SFA to deliver its services?
 - b) What are the service and information sharing relationships between or among each:
 - i) Stakeholder?
 - ii) Stakeholder and each Channel and Enterprise unit within SFA?
- 8) What are the customer and other stakeholder "sub-channels" within the Financial Partners, Schools, and Students Channels and the CFO and CIO Enterprise units?
- 9) Within which customer and other stakeholder sub-channel do a small number of entities account for the majority of the sub-channel's market and what is the:
 - a) Name and profile of each of these entities?
 - b) Relationship of these entities to:
 - i) The other sub-channels across SFA?
 - ii) Each SFA Channel and Enterprise unit?
 - iii) Governmental agencies other than SFA?

- 10) Who are the major competitors of SFA's Financial Partners, Schools, and Students Channels?
- 11) For each major competitor:
 - a) What services does it offer?
 - b) What are the advantages and disadvantages of each of its services when matched with comparable SFA services?
 - c) What is its percentage market share?
 - d) How much has its market share grown or shrunk during the past five years?
 - e) What are its strengths and weaknesses and opportunities and threats?
 - f) What data sources does it use to decide whether to buy, sell, or underwrite a loan?
 - g) How do the data sources used by it compare with the data sources used by SFA in terms of:
 - i) Accuracy?
 - ii) Completeness?
 - iii) Ease of access?
 - iv) Reliability?
 - h) What is its relationship to each Channel and Enterprise unit within SFA?
- 12) For the data sources used by SFA to make and/or underwrite loans and/or grants:
 - a) What data sources are used?
 - b) What are the strengths of each data source?
 - c) What are the weaknesses of each data source?
 - d) Who owns the data in each data source?
 - e) What units within SFA use the data source?
 - f) What entities outside of SFA use the data source?