

# Commercial intelligence in the purchasing environment

The successful purchasing department uses commercial intelligence to enable it to make sense of the environment in which it operates and to make appropriate decisions to the benefit of the organisation

**Understanding the purchasing environment enables us to identify and respond to changes, identify emerging trends opportunities and threats in order to make effective purchasing decisions. Having the tools to utilise information and data which informs our view of the purchasing environment is a key part of the process that we may call commercial intelligence. We need to be able to analyse the information, understand how it fits with other information and finally to apply the information in such a way that it has a practical use and gives advantage in our interaction with the purchasing environment.**

However, before we can analyse the information we must acquire it.

Much commercial intelligence is gathered informally by organisations employees. Any employee who visits a trade show, reads a newspaper or talks to friends within an industry is researching commercial intelligence. But what happens to that information? How many of us remember facing a situation recalls that “we have information on that somewhere” but after a long and fruitless search no-one knows who actually has/had the information? I suspect the answer is – most of us!

Many procurement functions are recognising that a more structured approach to the gathering and application of commercial intelligence is required to realise the potential benefits of commercial intelligence.

Commercial intelligence should not be confused with industrial espionage. Commercial intelligence is derived from the vast amount of open source information available and is obtained in an ethical manner, unlike industrial espionage!

## A structured approach

Identify information required

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Identify sources

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Manage and deliver

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Review

## Identify the information required

There is a vast amount of information available today and access to it is made increasingly easier by the World Wide Web. Collecting information can become addictive, too much unfocused information will be unwieldy, difficult to apply and lead to “not being able to see the wood for the trees”. Just to acquire information and “leave it on the shelf” is a waste of the time, money and effort taken to collect it. There must be clarity as to why the information is being collected and the benefit that it can bring.

## Identify the sources.

There is a proliferation of sources including newspapers, trade journals, peers in other organisations, published accounts and organisations who specialise in supplying commercial intelligence. Most sources of news media have huge searchable databases that allow access to reports on companies, supply markets and the organisations and events that influence their behaviour. To identify the most appropriate sources it is beneficial to consider: how recent is the information provided; how relevant is the information;

how credible is the information and what is the cost of obtaining the information. Organisations can either collect the information or pay for a third party to supply. In practice many organisations will opt for a combination of the two.

Where might we find information on the purchasing environment if we choose to look for it ourselves rather than using a third part information service?

## The Political Environment

- Quality newspapers
- The Economist [www.economist.com](http://www.economist.com)
- The CBI [www.cbi.org.uk/bbb](http://www.cbi.org.uk/bbb)

## The Economic Environment

Central Government departments such as:

- UK Office of National Statistics (ONS) [www.statistics.gov.uk](http://www.statistics.gov.uk)
- Australian Bureau of Statistics [www.abs.gov.au](http://www.abs.gov.au)
- Statistics South Africa [www.statssa.gov.za](http://www.statssa.gov.za)
- The Economist [www.economist.com](http://www.economist.com)
- HM Treasury [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

## The Social Environment

- The UK national census [www.statistics.gov.uk](http://www.statistics.gov.uk)
- Other Central Government departments
- CIA [www.cia.gov/library](http://www.cia.gov/library)

## The Technological Environment

- Information from innovative suppliers
- Trade magazines
- Technology sections of media websites for example [www.news.bbc.co.uk](http://www.news.bbc.co.uk)

# Commercial intelligence in the purchasing environment

## The Legal Environment

- Office of Public Sector Information [www.opsi.gov.uk](http://www.opsi.gov.uk)

## The Natural Environment

- [www.defra.gov.uk](http://www.defra.gov.uk)

The above is just a small sample of the information available intended to give an indication of the type of possible sources.

### **Managing and delivering.**

Once we have our information we need to decide how it will be stored, analysed, turned into useful intelligence and delivered to the user. One obstacle that many purchasing & supply professionals face is that what information does exist is stored in several different places within the organisation. This is time consuming in terms of being able to find, use and maintain the information. Additionally the information may be held in different formats making it difficult to analyse and manipulate. Information held by individuals may be lost when they leave.

One solution is to have a single commercial intelligence platform that is tailored to the needs of the procurement department with consistent standards for:

- storing the information
- updating the information
- collating, integrating with other information and analysing the information to turn it into useful intelligence
- targeting intelligence to the correct people with the organisation.

Speed of delivery of commercial intelligence can be critical. Generally the quicker that appropriate intelligence is delivered to the user the more opportunity there will be to take advantage of the information. The optimum speed of delivery will vary from organisation to organisation and speed needs to be balanced against cost and opportunity. In general, costs increase with the speed of information delivery.

### **Review**

The value add of the functions competitive intelligence should be evaluated and if found to be lacking the process should be reviewed and amended. Information should not be collected for its own sake.

### **Conclusion**

Commercial intelligence is a powerful tool for the purchasing & supply management professional in understanding and interacting with the purchasing environment when the information is appropriate, useable and timely. It should be approached in a structured way to gain maximum benefit rather than left to ad-hoc gathering and retention by individuals.

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