White Paper: 5 Steps for Gap Analysis

The difference between where we are and someone else is at the moment is a “gap”. The gap could be positive (that is, we are in a better position) or negative (our position is worse). In competitive intelligence, we study gaps (especially the negative ones) because we want to know and explain what our competitors are doing to create a significant advantage for themselves.

So, we study and communicate the gaps and then we are done?

Nope. Identifying the known gaps (though not necessarily easy) is only the first step in a robust gap analysis process. Here are the 5 steps to comprehensively think through gaps, to create simple tracking methods and to ultimately get to the actions that will close the gaps.

1. Start with the “known” gaps.

“Known” gaps are the ones for which there is general agreement about their identity and significance. For instance, we may know that competitor X is about to introduce their new product which is 20% faster than any product that we have. Since there has been a press announcement, live demonstrations which seem to confirm the claims and an established track record for the competitor, we can firmly believe that the product and the claims for it are real. Furthermore, we know that our customers highly value performance. Hence, this is a gap that is well characterized and is significant to our competitive position.

To assemble a starting list of known gaps, solicit input from the management, business development, marketing and sales teams. For each gap that they identify, make sure that it is specific and well described, that the impact is estimated and each competitor which is better is noted.

There will be some of these gaps which cannot be fully described. These are the “potential” gaps.

2. Create a backlog of “potential” gaps.

“Potential” gaps do not meet the full criteria to be considered as known gaps. There may be information missing about the exact nature of the gap or its impact. Using the preceding example, if we hear that our competitor is introducing a “faster” product sometime in the future, we might conclude that this could be significant to us. However, it could make a large difference if it is 10% faster in three years or 50% faster in six months. Without more information, it is also very difficult to assess the potential significance of the gap. Still, knowing the competitor well may lead us to believe that “where there is smoke, there is fire." The proper action is to keep track of the potential gap and to assign someone (e.g., the competitive intelligence function) to collect information about it. Then, when the uncertainty threshold is crossed and the evidence is more substantial, the potential gap can be escalated to a known gap status.

How do we look even further back in time to find things that lead to the potential gaps?

3. Make a list of triggers which may lead to gaps.

Triggers are not gaps. Instead, they are events, activities, announcements and such that may signal gaps in the future. Why are they important? They are important because companies rarely operate in a vacuum. Public companies, especially, signal much of what they plan to do through all types of disclosures. If we are attuned to these disclosures, we get hints of future strategic directions. Continuing the faster product example, it is entirely possible that the competitor had made patent filings years before the product was announced. They may have purchased the assets of another company with specific technology competencies. They may be actively making venture investments in small companies with complementary products. In an ongoing business, all of these types of triggers are predictable. A trigger list can serve to organize the monitoring of such triggers. Then, when several of them have "tripped", it may be reasonable to investigate whether or not a competitive gap is imminent.

Triggers are often driven by broader forces in the market.

4. List the key trends which affect the market.

It starts to get a little fuzzier in this category. Nevertheless, tracking demographic, technology, product, legal and other areas is important. In technology, the broad trends of things getting smaller, faster, cheaper and more communicative is not a revelation to most people. More recently, the trends toward more social media, lowering energy consumption, increasing recycling features and more emerging market support are becoming important. The key to trend monitoring to find the ones that most affect customers (and, therefore, their buying decisions). After an important trend is identified, then it is critical to understand the rate at which the trend is being responded to in the market. The goal is to eventually identify the triggers (see step 3) which more concretely describe when and how competitors might gain some advantage.

How do we maintain all of this information? Simple. Create four spreadsheets and track the known gaps, potential gaps, triggers and trends. Last, establish action plans.

5. Assign actions for all areas.

Known Gaps

Assign each one to a person that must define and execute an action plan to close the gap. This usually must be a manager with sufficient authority and ability to work across organizations because all know gaps must be "significant." Put another way, these are hard problems to solve but their resolution is critical to a company's competitive position.

Potential Gaps

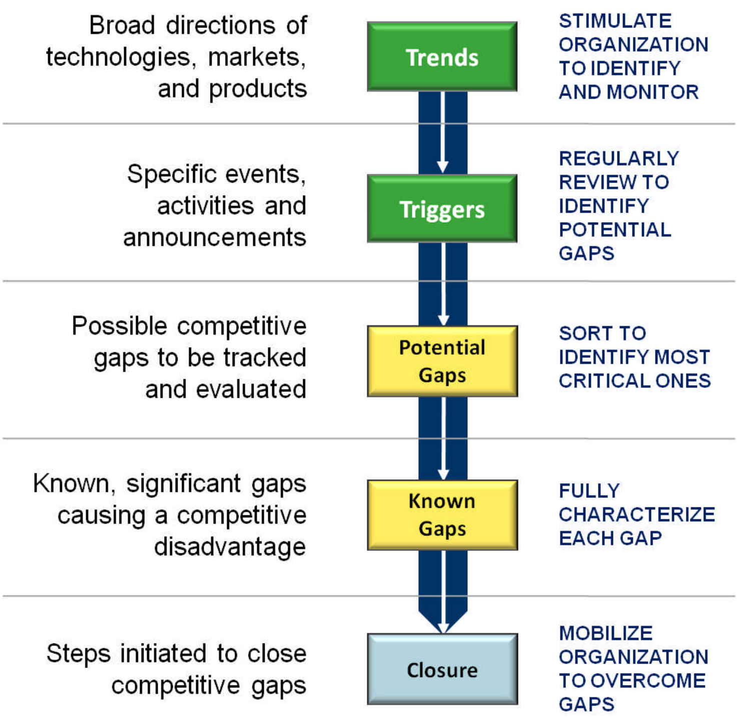
Assign these to the competitive intelligence function and require a periodic report to a responsible manager. The goal is to actively determine whether to demote the gap if it is insignificant or to escalate it when it can be fully characterized. The escalation process must be a part of a regular review cycle or it could become ineffective due to its irregular or inconsistent use.

Triggers

Assign these to the outward facing functions of your organization. These may be the business development or product marketing teams. Their responsibility is to look for the specific trigger information and feed it back to a coordinating competitive intelligence function. The CI team then coordinates the evaluation of the triggers and decides when a potential gap has been identified.

Trends

Assign these to the market research team and the technology team. Their mission is to help the organization understand when a trend accelerates to the point where there are specific, compelling market responses occurring. Once the responses are being seen, then triggers are identified for each competitor to understand how they intend to act.



Gap analysis can be a straightforward, organization energizing and fruitful process. The keys are to discriminate the different types of information, assign the responsibilities correctly for each and establish a process of regular review with management.

A more complete treatment of Gap Analysis can be found at http://tinyurl.com/cvlsm3 or on my website at http://www.jthawes.com. Also, see my Strategically Thinking blog at http://blog.jthawes.com.

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