



Paul Kinsinger
Managing Consultant

Professor Paul Kinsinger heads the Thunderbird Learning Consulting Network's Global Business and Competitive Intelligence practice. A 30-year intelligence professional, he has taught more than 2,000 T-bird MBA's about the value of competitive intelligence, done over 150 BI/CI projects with companies ranging from Fortune 50's to small start-ups, and provided workshops for companies seeking to arm their employees to be intelligence collectors and for working CI professionals seeking to upgrade their skills sets.

Thunderbird Learning Consulting Network
152489 N59th Avenue
Glendale, AZ 85306

Office: (602) 978-7611
Fax: (602) 439-4851
E-mail: kinsingp@t-bird.edu

We're on the Web!
<http://www.thunderbird.edu/tlcn>

The Global BI/CI Corner: What's the Difference between Market Research and Business and Competitive Intelligence? Learn from how Toys R Us tried to enter Sweden

BI/CI is often still confused with market research. Indeed, several BI/CI experts have addressed the differences, beginning with Ben Gilad in his groundbreaking 1988 book, "The Business Intelligence System," and most recently by CI thought leader Ken Sawka in a 2005 article in *Competitive Intelligence Magazine*. Intelligence gurus see the differences as largely around scope and timeframe, with market research as a current time-focused, highly quantitative look at markets and customers, while BI/CI is generally more qualitative, more future-oriented, and is focused on other external factors. They argue, as do I, that the latter complements, rather than overlaps with, the former.

All this aside, however, how has this actually worked in the real world? Let's look at the story of Toys R Us (TRU) when it chose to enter Sweden in the early 1990's.

TRU: A Global Pioneer at first...

Within only five years after its inception in 1978, TRU was already going global, setting up an international division and then quickly entering Canada. From 1984 to 1994, TRU developed European operations in 181 locations and even opened 24 locations in Japan despite that market's notorious challenges. By 1993, international store openings were exceeding domestic openings, and international sales were accounting for over 25% of TRU's revenues.

In September 1994, TRU expanded into the Scandinavian market, opening three stores in Sweden and one in Denmark for a total investment of \$32 million and a goal of approximately \$16.5 million in 1994 and \$40 million in 1995. TRU's market research had showed a promising picture—the standard of living was high and private consumption was increasing as a percentage of GDP; 22% of the population was under 17; and Swedes had warmly embraced US consumer culture for over two decades. In other words, lots of disposable income chasing lots of pampered children in a pro-US culture. A slam dunk, right?

Wrong. Less than two years later, TRU—facing a hostile Swedish public, spreading strikes, and a barrage of critical media attention—turned over its remaining operations to a Danish competitor under a "joint venture" and effectively pulled out. What happened?

...that still wound up missing the full picture

As the vice president of TRU's international division later lamented, "I guess, yes, we could have done more homework in advance. I wish we'd done things differently." "Not doing your homework" is usually a euphemism for ignoring warning signs from the external environment—the very province of business and competitive intelligence.



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What could BI/CI have added beyond TRU's rosy market research? Well, the bumps in the road turned out to be twofold: first, TRU's decision to refuse to sign Sweden's collective bargaining agreement (CBA), coupled with importing a top-down, very proscriptive workforce handbook developed for the UK, ran into immediate, stiff opposition from the Sweden's 176,000-member retail workers' union, known as Handels. Second, TRU's decision to stick with its hard line position re the CBA even when it was clear that Handels had considerable bargaining weight. In other words, both the strategy AND its execution turned out to be fatally flawed—and preventable—if both had benefited from business and competitive intelligence.

If TRU had leveraged BI/CI, they would have discovered **three key data points** that alone should have been sobering:

- First, 300 US companies were operating in Sweden then; only two had tried to circumvent the CBA (McDonald's and J&J) and both had failed. You do the math.
- Second, some 90% of Swedes belonged to unions. If TRU was not prepared to sign the CBA, to alienate Handels, and to engage in such provocative actions as hiring non-union workers and placing guards around its stores, who did the company think would buy its products?
- Third, sympathy strikes were not only legal in Sweden, they often occurred. In trying to stick to its guns regarding the CBA, TRU soon experienced problems getting deliveries, garbage pick-up, and banking services. Furthermore, as negotiations between TRU and Handels dragged on, TRU faced growing boycotts by unions elsewhere in Europe and labor organizers from two dozen countries launched a campaign in January, 1996 to unionize thousands of workers at TRU stores around the world. Talk about a strategy that backfired...

BI/CI Lessons

How could a heads-up BI/CI effort have helped complement the market research?

- First, **best practices and learning from others** is always good BI/CI, and a quick call to HR negotiators at McDonald's and J&J would have revealed substantial insight as to the prospects for TRU's labor strategy.
- Second, Handels was a well-known quantity and could have been subjected to a **highly insightful SWOT—both as a “competitor,” of sorts, and as a negotiating body**. For example, Handels chairman Kenth Pettersson was certainly one of the ten most highly visible (and therefore, researchable) people in Sweden at the time—he had nearly single-handedly prevented Sweden's entry into EC the year before. I believe his strategy and behavior could have been predicted.
- Third, **posing intelligence-driven alternative scenarios** could have been leveraged to predict and perhaps mitigate Handels' negotiating stances and other stake holder's responses to TRU's labor strategy.

So, ask yourself a few questions. First, if your market research shows a new opportunity, have you fully considered other sources of potential trouble between you and the pot of gold, such as competitors and PESTE forces? Second, are you actively integrating your BI/CI into the “execution” phase of your strategy, and not just into its formulation?

I'm grateful for the work of several former students from 1996 for their work on the TRU case, including Kristine Bryson, Chuck Freeman, Marv Helgeson, L. James Liu, Franck Mathot, and Anne Yaeger, as well as Jami Fry, who served as a very able research assistant in 2000.

Written By:
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