FEEDBACK TUTORIAL LETTER

1ST SEMESTER 2017

ASSIGNMENT 1

STRATEGIC MARKETING MANAGEMENT: ANALYSIS, PLANNING AND DECISION MAKING

SMG811S
Since 2009, the Icon Brands survey has identified “brands that are loved and used by all Namibians…irrespective of background or living standard…class, colour or creed. They have created a common experience across the nation” (TGI, 2015, www.tgi.co.za). The significance of Icon brands is that they have managed to gain broad appeal in a consumer environment that is characterised by diversity. A ranking of the 31 Icon Brands for 2014/2015 is available at http://www.tgi.co.za/icon-brands (click on ‘2014/2015 awards’).

You are required to analyse the marketing strategies of ONE of these brands, with a focus on how the brand’s marketing strategies have contributed to successfully achieving broad market appeal in the context of consumer diversity.

Your assignment should therefore not simply be a descriptive account of what marketing strategies and activities the brand engages in (although you will need to include this), but should go beyond this to analyse and discuss how the marketing strategies that have been employed contribute towards building an iconic brand that cuts across the diversity of the Namibian consumer landscape.

Your assignment should be based on secondary data.

(Any collection of primary data will require that an application for ethical clearance be made).

You are expected to read widely, both in terms of the type and number of sources, in order to complete this assignment.

LENGTH Between 10 -12 pages (excluding cover page, contents page, reference list and appendices).

PRESENTATION

STRUCTURE Students will be expected to organise the assignment in the following order:

**Introduction:** a brief overview of the assignment, in which the students/group outlines the focus and objectives of the assignment, and state how the objectives will be achieved. [Approximately ½ page]. [10 MARKS]

**Brand background:** Students/group will be expected to present a brief background to the industry. The assignment should present the size, growth, trends, and participants in that industry. A comprehensive presentation on the brand. This should include the target market, performance, marketing objectives, marketing communications objectives, brand image. Primary attention should be given to brand aspects closely related to marketing communications. [10 MARKS].

**Marketing communications:** this section should include two aspects: (1) a description of the brand’s marketing communications activities (e.g. the promotional mix elements used, the message/creative strategy, the media strategy). You should provide examples/exhibits to support your description (e.g. print ads; screenshots of websites; billboard images; radio ad scripts, or a DVD containing the ads; links to TV ads, or a DVD containing the ads, or a storyboard; packaging). These exhibits may be included within the text of this section (if space permits), or attached as
appendices. [30 MARKS]

(2) an **analysis, evaluation and discussion** of how the various promotional tools, message/creative strategy and media strategy work together in a synergistic way to help create an iconic brand with broad appeal in the Namibian consumer market. Although the focus here is on promotion, clearly promotion has to work in conjunction with other ‘Ps’ (such as price, place and product), so you should also **briefly address** this in this section.

[Approximately 5-7 pages in total for both aspects]. [30 MARKS]

**Conclusion:** a summary of your main arguments, findings and recommendations. [Approximately ½ a page]. [10 MARKS]

**Reference list:** a list of the sources of information used [10 MARKS]

**Appendices:** exhibits of the brand’s marketing communications activities (which you have referred to in the body of your assignment).

The key areas that students were expected to address in assignment 1

**Analysing the Market Environment**

“When the rate of change inside the company is exceeded by the rate of change outside the company, the end is near.” Jan Welch, former Chief Executive Officer, General Electric

No organisation exists in a vacuum; marketing strategy must therefore develop out of a detailed understanding of the environment. Given this, we must:

- Know what to look for
- Know how to look
- Understand what we see
- Develop the strategy and plan that takes account of this knowledge and understanding

In analysing the environment, Johnson and Scholes (1988) argue for a stepwise approach. This involves an initial audit of general environmental influences, followed by a series of increasingly tightly-focused stages that are designed to provide you with an understanding of the key opportunities and threats as a prelude to identifying your organisation’s strategic position. This process consists of five stages:

- The starting point in this process is **the general audit of environmental influences**. The purpose of this is to identify the types of environmental factors that have influenced the organisation’s development and previous performance and to arrive at an initial conclusion of the likely important influences in the future.
- This is followed by an **assessment of the nature of the environment and the degree of uncertainty and change that is likely to exist**. If, from this, the strategist concludes that the environment is relatively static, then historical analysis is likely to prove useful. If, by contrast, the environment shows signs of instability then a stronger emphasis upon the future is needed.
- The third phase then involves **focusing upon specific environmental factors** such as the nature and structure of the market.
- This in turn leads to an **analysis of the firm’s competitive position**. In essence, however, this involves a combination of strategic group analysis in which competitors are mapped in terms of their similarities, dissimilarities, their capabilities and the strategies they follow and market share analysis to highlight their relative degrees of market power.
This information is then used as the basis for identifying in detail how environmental forces are likely to affect the organisation and in particular, the opportunities and threats that are likely to exist. This in turn provides the basis for a detailed understanding of the organisation’s strategic position and the degree to which there is match/fit between strategy, structure and environment.

The Nature of the Marketing Environment

The marketing environment has been defined in a variety of ways. Churchman (1968), for example, has referred to it in terms of factors that are outside the system’s control but determine, in part at least, how the system performs. For our purposes, however, the definition that we will work with is that an organisation’s marketing environment is made up of those forces that lie outside the organisation and that exert some degree of influence upon the ways in which marketing management develops a relationship with the firm’s target markets.

Within the environment there are two distinct components: the micro-environment and the macro-environment. The micro-environment is made up of those elements that are closest to the company and that exert the greatest and most direct influence over its ability to deal with its markets. This includes the organisation itself, its suppliers, its distribution network, customers, competitors and the public at large. The macro-environment consists of the rather broader set of forces that have a bearing upon the company, including economic, natural, demographic, technological, political, legal, social, ethical and cultural factors. Together, these elements of the environment combine to form what we can loosely refer to as the non-controllable elements of marketing, which in many ways act as a series of constraints on the parameters within which the marketing planner is required to operate.

In labelling these elements as non-controllable, the reader should recognize that, in some cases at least, the marketing planner may well adopt a highly proactive stance in an attempt to alter the nature and impact of the environment upon the organisation – foodstuffs, cigarette and brewing industries, for example, all have powerful lobby groups that attempt to exert a degree of influence over governments to ensure that any legislation is beneficial (or at least not harmful) to their interests. In other cases, however, the organisation may adopt a rather more reactive stance and simply view the environment as something that has to be lived with and responded to.

Regardless of which approach an organisation adopts, it needs to be recognized that the environment is a significant determinant both of strategy and organisational performance, something which has been reflected in the work of a considerable number of writers, including Baker (1985,p.85), who has described it as ‘the ultimate constraint upon the firm’s strategy; Drucker (1969), who referred to the environment of the 1960’s and 1970’s as the ‘age of discontinuity’ and Toffler (1980’s, in Wilson & Gilligan, 2003) who, in looking ahead, referred to it as a time of ‘future shock’. In making these comments, each author was giving recognition to the volatility and indeed the potential malevolence, of environmental factors. As an example of this, the early 1970’s witnessed an oil price crisis (as in 2007/09), which in turn precipitated an economic upheaval throughout the world. This was reflected for some considerable time in higher levels of unemployment, higher interest rates and the development of new economic thinking and perhaps most importantly, levels of business confidence. Of course, the bombing of the World Trade Centre in September 2001 had major economic, political and social implications on global market.

In the case of the oil crisis, although this was without doubt a significant environmental upset, its impact was obviously felt far more directly by some organisations than others. It should therefore be remembered that what is a key environmental issue for one organisation is not necessarily a key environmental issue for another. For a multinational corporation, for example, the major areas of concern are likely to be government relations, spheres of influence and the various political complexities throughout the world. For a retailer, the more directly important environmental influences are likely to be customer tastes and behaviour and interest rates, while for a manufacturer in the high-technology fields it is issues of technological development and speeds of obsolescence that are important.

The question of the extent to which environmental change, particularly of something as significant as the oil crisis, can be anticipated by business organisations has been the subject of considerable discussion and in the case of the oil crisis, has led to both a ‘yes’ and a ‘no’ answer - ‘yes’ in the sense that the techniques of environmental analysis undoubtedly existed at the time, but ‘no’ in that few people were willing or indeed able, to recognize that one economic era was in the process of
coming to an end, another was about to start and that balances of power throughout the world were beginning to change in a number of significant ways.

Although a number of commentators have suggested that environmental changes of this magnitude are so rare as to be seen almost as a one-off, other writers’ views differ and suggest that it is simply the scale of the oil crisis that separates it from the more commonly experienced and less dramatic forms of environmental change. The lesson to be learned in either case is straightforward, in that it points to the need for companies to engage in careful, continuous and fundamental monitoring of the environment with a view to identifying potential threats before they become actual threats and opportunities before they are missed. In the absence of this, the organisation runs the risk of falling victim to what is referred to as the ‘boiled frog syndrome’ (this based on the idea that, if you drop a frog into a pan of hot water, it leaps out. If however, you put a frog into a pan of lukewarm water and turn the heat up very slowly, it sits there quite happily not noticing the change in the water’s temperature. The frog, of course, eventually dies). The parallels with the management and development of any organisation are- or should be- obvious. Faced with sudden and dramatic environmental change, the need for a response is obvious. Faced with much a slower pace change, the pressures to respond are far less.

This has in turn led to the idea of ‘strategic windows’, a concept used to described the fact that there are often only limited periods when the ‘fit’ between the ‘key requirements’ of a market and the particular competencies of a firm competing in that market is at an optimum. Investment in a product line or market area has to be timed to coincide with periods in which a strategic window is open, i.e. where a close fit exists. Disinvestment should be considered if, during the course of the market’s evolution, changes in market requirements outstrip the firm’s capability to adapt to the new circumstances.

The Impact of Environmental Change

Undoubtedly one of the major problems faced by managers comes when the organisation, having operated for some time in a largely predictable environment, is faced with having to come to terms with a far more complex, uncertain and possibly malevolent environment.

Several broad conclusions can now be drawn and their implications for marketing management identified.

First, in many industries the days of fast growth are gone forever. In those where high rates of growth are still possible competition is likely to be increasingly fierce and of an international nature. It is no longer sufficient for companies to become marketing oriented. That is taken for granted. The keys to success will be the effective implementation of the marketing concept through clearly defined positioning strategies.

Second, change creates opportunities for innovative organisations and threats for those who attempt to hold them back. It is probable that there will be a redefinition of ‘work’ and ‘leisure’ which will provide significant new opportunities to those companies ready and able to seize them. The changing demographic profile, particularly in terms of age, marital status and income distribution, also poses many opportunities for marketing management.

Third, the speed of change in the environment is accelerating, leading to greater complexity and added ‘turbulence’ or discontinuity. Technological developments are combining to shorten product life cycles and speed up commercialization times. The increasing turbulence in the market makes it particularly difficult to predict. As a result planning horizons have been shortened. Where long-range plans in relatively predictable markets could span 10-15 years, very few companies today are able to plan beyond the next few years in any but the most general terms.

Fourth, successful strategies erode over time. What has been successful at one point in time, in one market, cannot guarantee success in the future in the same or other markets. The following examples underline that fact and should discourage complacency that any company need not continually evaluate its marketing strategy.
New Strategies for Changing Environments

However, to suggest that firms need to develop new strategies as times change may not go far enough. The problem may not just be that we need to develop new strategies, but that we have to develop wholly new approaches to strategy. For example, at the 1997 Academy of Marketing Science conference two leading ‘marketing thinkers spoke of the trends in strategic development, which they believe have to be confronted. Jagdish Sheth (1969 & 1973) challenged conventional marketing thinking along the following lines:

**Global positioning:** Sheth urged strategists to think about globalisation and

**Focus on core competencies,** instead of thinking about the domestic market and a portfolio of business and brands. He suggests the need for a different approach to delivering shareholder value.

**The master brand:** Sheth argues that strength comes from a brand identity that links all parts of the business - this is the fundamental strength of Toyota and Honda compared to the dozens of brands operated by General Motors.

**The integrated enterprise and end-user focus:** the challenge of managing people, processes and infrastructure to deliver value to an end-user Supply Chain Management SCM.

**Best-in-class processes:** customers do not, for example, compare an airline’s service just to that of other airlines; the new standards for the airline to meet come from service excellence at companies like Federal Express and Marriott hotels - the challenge is to meet world-class standards from wherever they come.

**Mass customization:** the imperative is to achieve scale economies, but at the same time to produce a product: service tailored to the individual customer’s requirements.

**Breakthrough technology:** new technology will underpin every aspect of the marketing process, even the product itself, in ways which may seem outlandish.

David Cravens (1998, in Wilson & Gilligan, 2003) underlined the message that traditional views of strategy may quickly become obsolete. He argued that the strategy paradigms of the last 20 years are increasingly inadequate as we enter a new era of ‘market-based strategy’. His predictions took the following forms:

**Markets shape business strategy:** Cravens suggests that the market will be seen as the dominant force shaping how business operates - this is the factor that links industrial economics, total quality management (TQM), financial investment appraisal and business process re-engineering.

**Networks of interlinked product markets:** he notes that traditional boundaries based on conventional product markets will blur and become irrelevant and this blurring will become the norm. Look, for example, at the move of grocery supermarkets like Sainsbury and Tesco into banking and financial services. How else do we make sense of Virgin moving from music to retailing to airlines to rail transport to financial services to cosmetics to drinks to clothing, all under the single Virgin brand?

**The move from functions to processes:** he also suggests that the new era of market-based strategy is one where we will increasingly focus on the process of going to market not the interests of traditional departments and specialists.

**The balanced scorecard:** keeping score involves evaluating the benefits we deliver to all the stakeholders in the organisation.

**Strategic alliances:** for many companies the future will be one of collaboration and partnership to allow them to focus on core competencies, not one of traditional competition. This is can be called the 8th P of the new Marketing order - **Partnership.**

**Customer/Market Analysis**

**Identifying Markets to Serve**

It has long been recognized that marketing planning is ultimately driven by one’s perception of how and why customers behave as they do and how they are likely to respond to various elements of the
marketing mix. The last decade has seen the emergence of a new type of consumer who is characterized by a very different type of value system and far higher expectations.

The customer’s need is the ultimate test of a business unit’s success-It gives rise to a market opportunity and from there, a market emerges.

The emerged market gives rise to what the market potential is/would-be, which is an estimate of the total demand/forecast for a product in a given environment-(2 very dynamic concepts- demand and environment). The market potential can be for either a/an:

- Established markets-which is determined through a Build-up or break-down methods of measuring market potentials
- New market/product-test marketing (more subjective)

**Market Boundary Definitions**

Defining a market is difficult- e.g. the cooking appliances business-the basic function is cooking, but can be defined in terms of:

1. Differing in the powering energy-fuel
2. Cooking methods-heating or radiation
3. Types of cooking function-baking, roasting, oven, etc
4. Designs-stand alone, built in, combo etc.
5. Product features and pricing

We can further define it as several distinct markets as: Product characteristics, private brand sales vs. manufacturers’ brand sales, sales in specific regions or sales in terms of target-new installation or replacement.

The traditional dimensions of defining the Market Boundary

- **Market**-identified with a generic class of products-Beer, cell-phone markets etc.
- **Product**-a group of firms producing identical or closely related products-what the product is meant to do-regards as substitutes or the closeness/similarity in terms of the factors of production used for producing them-close relationship between goods/services
- **The new/modern dimensions to defining the market boundary**
- **Technology used**- e.g. metal, glass, bamboo stain-less steel, or plastics containers/cups, gas, solar, electric, kerosene-powered cookers.
- **Customer function/benefits/uses**-Function they serve or the way they are used-cooking-bake, roast, fry or boil leads to different customers’ benefits.
- **Customer segment/groups**-homogeneous set of customers with similar needs & features-Cooking appliances-Industrial users/building contractors and/or individual household user/segment.
- **Level of production/distribution process**-vertical integration strategy-limit of business operation.
- **Read more on what environmental factors are reshaping the market boundary and how?**

**Review of Customer Analysis**

It has long been recognized that marketing planning is ultimately driven by one’s perception of how and why customers behave as they do and how they are likely to respond to various elements of the
marketing mix. The last decade has seen the emergence of a new type of consumer who is characterized by a very different type of value system and far higher expectations.

In the majority of markets, however, buyers differ enormously in terms of their buying dynamics. The task faced by the marketing planner in coming to terms with these differences is consequently complex. In consumer markets, for example not only do buyers typically differ in terms of their age, income, educational levels and geographical location, but more fundamentally in terms of their personality, their styles and their expectations. In the case of organisational and industrial markets differences are often exhibited in the goals being pursued, the criteria employed by those involved in the buying process, the formality of purchasing policies and the constraints that exist in the form of delivery dates and expected performance levels.

Despite these complexities, it is essential that we understand in detail the dynamics of the buying process, since the cost and competitive implications of failing to do so are likely to be significant. In the case of new product development, for example, it is generally recognized that some 80 per cent of all new products launched fail, a statistic that owes much to lack of understanding of customers’ expectations. It is for these sorts of reasons that a considerable amount of research has been conducted in the post-war period in order to provide us with greater understanding of buying patterns and to enable us to predict more readily how buyers will behave in any given situation.

In addition to the changes noted above in the marketing environment there are several important changes taking place in the general market/customer environment and in marketing practices e.g. the emergence of the new consumer (a free-thinker, individualistic, sceptical figure of authority), value-seeking customers, increased consumerism, greener marketing, lean consumption, the ever changing and complex youth market, globalised market, relationship marketing etc.

In many markets, increased levels of competition, both domestic and international, are reaching unprecedented levels. Some writers have argued that many markets are becoming increasingly global in nature and no business, however big or small, is exempt from global competition.

The reasoning centres on the impact of technology on people throughout the world. Technology has made products more available and potential consumers more aware of them. It is believed we are currently experiencing a move towards gigantic, world-scale markets where economies of scale in production, marketing and distribution can be vigorously pursued. The result will be significantly lower costs creating major problems for competitors that do not operate on a global scale. Many of these cost advantages are being realized as companies operating within the EU's Single Market rationalize their production and distribution facilities.

The counter-argument to the globalization thesis is that markets are becoming more fragmented, with consumers more concerned to express their individuality (Kling, 1985) than to buy mass-produced, mass-marketed products. In addition, there is little evidence of the existence of widespread preference for the cheapest products available. The demand for low prices, relative to other product benefits and extras, is not proven in many markets. Each market should be examined individually and the factors likely to affect it explored.

Whether one subscribes to the globalization argument or not, one factor is clear - those organisations that ignore international competition do so at their peril. The British motorcycle industry is a textbook example of a once supreme industry now virtually non-existent because of its failure to recognize and respond to the threat posed by cheap, good quality, Japanese motor-bikes.

At the same time as markets are becoming more global so the existence of distinct market segments is becoming clearer. The most successful firms are those that have recognised this increasing importance of segmentation and positioned their companies so as to take best advantage of it.

Our analysis of some of the environmental factors above coupled with our knowledge and understanding of the dynamics of both consumer and organisational behaviour in our third year level would have done a lot to cover this part. Thus, I would recommend you revisit and revise your consumer and organisational behaviour material again.

It should however be noted that irrespective of whether you are operating in a consumer, industrial, organisational or government market, there are eight questions which underpin any understanding of buyer behaviour:

- Who are in the market and what is the extent of their power with regard to the organisation?
- What do they buy?
Why do they buy?
Who’s involved in the buying
How do they buy?
When do they buy?
Where do they buy?
What are the customers’ ‘hot and cold’ spots? (‘Hot’ spots are those elements of the marketing offer that the customer seems to find particularly important and reassuring – and on which the organisation delivers. ‘Cold’ spots are those elements that alienate the customer. An example of this might be poor or inconsistent service.)

It is the answers to these questions which should provide you with an understanding of the ways in which buyers are most likely to respond to your marketing stimuli. It often follows from this that the organisation that makes the best use of the information should be in a position to gain a competitive advantage. For this reason, a considerable amount of time, effort and money has been spent over the past few decades in attempting to provide the marketing planner with a series of answers.

Competitor Analysis

Overview of Competitor Analysis

Just as we have the emergence of new types of consumers, we are also experiencing a new type of competitor that appears to have emerged along with a different type of competitive environment. This new environment is characterised by:

- Generally higher levels and an increasing intensity of competition
- New and more aggressive competitors who are emerging with ever greater frequency
- Changing bases of competition as organisations search ever harder for a competitive edge
- The wider geographic sources of competition
- More frequent niche attacks
- More frequent and more strategic alliances are necessary
- A quickening of the pace of innovation
- The need for stronger relationships and alliances with customers and distributors
- An emphasis upon value-added strategies
- Ever more aggressive price competition
- The difficulties of achieving long term differentiation, with the result that a greater number of enterprises are finding themselves stuck in the marketing wilderness with no obvious competitive advantage
- The emergence of a greater number of ‘bad’ competitors (i.e. those not adhering to the traditional and unspoken rules of competitive behaviour within their industries)

The implications of these changes, both individually and collectively, are significant and demand far more from an enterprise if it is to survive and grow. Most obviously, there is a need for a much more detailed understanding of who the enterprise is competing against and their capabilities. However, in coming to terms with this, the marketing planner needs to focus not just upon the ‘hard’ factors (e.g. their size, financial resources, manufacturing capabilities), but also upon the ‘softer’ elements (such as their managerial cultures, their priorities, their commitment to particular markets and marketing offerings, the assumptions they hold about themselves and their markets and their objectives). Without this, it is almost inevitable that the marketing planner will fail to come to terms with any competitive threats. Given the nature of these comments, the need for and advantages of detailed competitive analysis should be apparent and can be summarised in terms of how far it is capable of:

- Providing an understanding of your competitive advantage/disadvantage relative to your competitors’ positions
- Helping in generating insights into competitors’ strategies – past, present and potential
- Giving an informed basis for developing future strategies to sustain/establish advantages over your competitors

Although the vast majority of marketing planners and strategists acknowledge the importance of competitive analysis, it has long been recognized that less effort is typically put into detailed and formal analysis of competitors than, for example, of customers and their buying patterns. In many cases this is seemingly because marketing managers feel that they know enough about their competitors simply as the result of competing against them on a day-by-day basis.

In other cases there is almost a sense of resignation, with managers believing that it is rarely possible to understand competitors in detail and that, as long as the company's performance is acceptable, there is little reason to spend time collecting information. In yet others, there is only a general understanding of who it is that the company is competing against.

The reality, however, is that the competitors represent a major determinant of corporate success and any failure to take detailed account of their strengths, weaknesses, strategies and areas of vulnerability is likely to lead not just to a sub-optimal performance, but also to an unnecessarily greater exposure to aggressive and unexpected competitive moves. Other probable consequences of failing to monitor competition include an increased likelihood of the enterprise being taken by surprise, its relegation to being a follower rather than a leader and to a focus on short term rather than more fundamental long term issues.

**Classifying Competitors**

A business may face competition from various sources either within or outside the industry. Competition may come from essentially similar products or from substitutes. The competitor may be a small firm or a large, multinational corporation. To gain an adequate perspective on competition, a firm needs to identify all current and potential sources of competition.

Competition is triggered when different industries try to serve the customer's needs and demands. For example, the customer's entertainment needs may be filled by such industries as television, movies, sports, travel, publishing, video-gaming etc.

Different industries position themselves to serve different customer demands;

- Existing demand: occurs when a product is bought to satisfy a recognised need;
- Latent demand: refers to a situation where a particular need has been recognised but no products have yet been offered to satisfy the need.

**3.3 Attitudinal Barriers to Undertaking Competitor Analysis**

- The manager's:
  - complacency
  - saying it can't happen here
  - saying I don't want to hear it
  - saying we have the information already
  - preconceived assumptions

- There are numerous examples of organisations having been taken by surprise by new competitors who introduce and then play by very different rules of the game (think, for example of the way in which BA and the other major European flag carriers were hit by new entrants such as EasyJet and Ryanair, the introduction of Telecom's Switch by Telecom Namibia that caught MTC and Leo unaware in 2007/08). It is apparent from these sorts of examples and the points made above that competitor analysis is not a luxury but a necessity in order to:

  - Survive
  - Handle slow growth
  - Cope with change
  - Exploit opportunities
  - Uncover key factors
• Reinforce intuition
• Improve the quality of decisions
• Stay competitive
• Avoid surprises

It follows from this that competitive analysis should be a central element of the marketing planning process, with detailed attention being paid to each competitor's apparent objectives, resources, capabilities, perceptions and competitive stance, as well as to their marketing plans and their individual elements of the marketing mix. In this way, areas of competitive strengths and weaknesses can more readily be identified and the results fed into the process of developing an effective marketing strategy.

Better and more precise attacks can then be aimed at competitors and more effective defences erected to fight off competitors' moves. An additional benefit of competitor analysis, in certain circumstances at least, is that it can help in the process of understanding buying behaviour by identifying the particular groups or classes of customer to whom each competitor's strategy is designed to appeal. This can then be used as the basis for determining the most effective probable positioning strategy for the organisations.

Recognition of these points leaves us needing to answer five questions:

Against whom are we competing?
What strengths and weaknesses do they possess?
What are their objectives?
What strategies are they pursuing and how successful are they?
How are they likely to behave and in particular, how are they likely to react to offensive move?

Taken together, the answers to these five questions should provide us with a clear understanding of the competitive environment and in particular, against whom the company is competing and how it competes. An example of this appears in Figure 19 below.

**Porter's Approach to Competitive Structure Analysis**

Undoubtedly one of the major contributions in recent years to our understanding of the ways in which the competitive environment influences strategy has been provided by Porter (1980, Chapter 1). Porter's work, which is discussed in greater detail in Chapter 10, is based on the idea that 'competition in an industry is rooted in its underlying economic and competitive forces that go well beyond the established combatants in a particular industry' (Porter, 1979, p.138). He has also emphasized that the first determinant of a firm's profitability is the attractiveness of the industry in which it operates. The second determinant is competition; "the second central question in competitive strategy is a firm's relative position within its industry. Positioning determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average performance in the long run is sustainable competitive advantage.”

This leads Porter to suggest that the nature and intensity of competition within any industry is determined by the interaction of five key forces:

• The threat of new entrants
• The power of buyers
• The threat of substitutes
• The extent of competitive rivalry
• The power of suppliers

**Against Whom Are We Competing? Identifying Present Competitors and New Entrants**

Although the answer to the question of who it is that a company is competing against might appear straightforward, the range of actual and potential competitors faced by a company is often far broader than appears to be the case at first sight. The strategist should therefore avoid competitive myopia both by adopting a broad perspective and recognizing that, in general, companies tend to
overestimate the capabilities of large competitors and either underestimate or ignore those of smaller ones. In the 1970s, for example, the larger manufacturers of computers were preoccupied with competing against one another and failed for some time to recognize the emergence and growing threat in the PC market posed by what were at the time small companies such as Apple.

More recently, we have seen companies such as BA, SAA and MTC being taken by surprise by much smaller organisations such as EasyJet, Kulula and LEO respectively. Equally, book retailers have been forced to rethink their strategies, often in a radical way, as the result of Amazon.com having changed the competitive dynamics of book selling.

In a more general sense, business history is full of examples of companies that have seemingly been taken by surprise by organisations they had failed to identify as competitors or whose competitive capability they drastically underestimated. For example, we discussed earlier the experiences of the Swiss watch industry, which was brought to its knees in the late 1960s and early 1970s by new manufacturers of inexpensive watches that incorporated digital technology, a technology that, ironically, the Swiss themselves had developed. Equally, in the reprographic market, companies such as Gestetner suddenly and unexpectedly found themselves in the 1970s having to fight aggressive new entrants to the market such as Xerox. Xerox entered this market with a new, faster, and cleaner and infinitely more convenient product to which Gestetner, together with a number of other companies in the market at the time, found it difficult to respond. Similarly, the British and US television and motorcycle manufacturers either failed to recognize the Japanese threat or underestimated their expansionist objectives. The result today is that neither country has a domestic manufacturing industry of any size in either of these sectors. Less drastic, but in many ways equally fundamental, problems have been experienced in the car industry.

It is because of examples such as these that astute strategists have long acknowledged the difficulties of defining the boundaries of an industry and have recognized that companies are more likely to be taken by surprise and hit hard by latent competitors than by current competitors whose patterns of marketing behaviour are largely predictable. It is therefore possible to see competition operating at four levels:

- **Competition consists only of those companies offering a similar product or service to the target market, utilizing a similar technology, and exhibiting similar degrees of vertical integration.** Thus, Nestle (which makes Nescafe) sees General Foods, with its Maxwell House brand, as a similar competitor in the instant coffee market, while Penguin sees its direct competitors in the chocolate snack bar market to be Kit-Kat's six packs, Twix and Club.

- **Competition consists of all companies operating in the same product or service category,** e.g. Namib Mills and Bokomo in Namibia.

- **Competition consists of all companies manufacturing or supplying products that deliver the same service.** Thus, long-distance bus operators to the North/Coast compete not just against each other, but also against railways, cars, planes and motorcycles.

- **Competition consists of all companies competing for the same spending power.** An example of this is the American motorcycle manufacturer, Harley Davidson, which does not necessarily see itself as competing directly with other motorcycle manufacturers. Instead, for many buyers it is a choice between a Harley Davidson motorcycle and a major consumer durable such as a conservatory or a boat.

It should be apparent from this that we need not only to identify those competitors who reflect the same general approach to the market, but also to consider those who 'intersect' the company in each market, who possibly approach it from a different perspective and who ultimately might pose either a direct or an indirect threat. As part of this, we need also to identify potential new entrants to the market and where it appears necessary, develop contingency plans to neutralize their competitive effect. Newcomers to a market can, as Abell and Hammond (1979) have pointed out, enter from any one of the several starting points:

- They already sell to your customers, but expand their participation to include new customer functions which you currently satisfy (e.g. they initially sell a component of a computer system and expand into other system components that you supply)

- They already satisfy customer functions that you satisfy but expand their participation into your customer market from activities in other customer markets (e.g. they initially sell pumps for oil exploration only and then expand into the marine pump business, where you are active)
They already operate in an 'upstream' or 'downstream' business (e.g. Texas Instruments entered calculators from its position as a semiconductor manufacturer, while some calculator manufacturers have integrated backwards into the manufacture of semiconductors).

They enter as a result of 'unrelated' diversification.

Taken together, these comments lead to two distinct viewpoints of competition: the industry point of view and the market point of view.

The industry perspective of competition: It is implicit in the majority of discussions of marketing strategy. Here, an industry is seen to consist of firms offering a product or class of products or services that are close substitutes for one another; a close substitute in these circumstances is seen to be a product for which there is a high cross-elasticity of demand. An example of this would be a dairy product such as butter, where if the price rises a proportion of consumers will switch to margarine. A logical starting point for competitor analysis therefore involves understanding the industry's competitive pattern, since it is this that determines the underlying competitive dynamics. From this model it can be seen that competitive dynamics are influenced initially by conditions of supply and demand. This in turn determines the industry structure, which then influences industry conduct and subsequently, industry performance. The interrelated issue of the number of sellers and their relative market shares has long been the focus of analysis by economists, who have typically categorized an industry in terms of five types:

- An absolute monopoly, in which, because of patents, licences, scale economics or some other factor, only one firm provides the product or service
- A differentiated oligopoly, where a few firms produce products that are partially differentiated
- A pure oligopoly, in which a few firms produce broadly the same commodity
- Monopolistic competition, in which the industry has many firms offering a differentiated product or service
- Pure competition, in which numerous firms offer broadly the same product or service

The market perspective of competition: As an alternative to the industry perspective of competition, which takes as its starting point companies making the same product or offering the same service, we can focus on companies that try to satisfy the same customer needs or that serve the same customer groups. Theodore Levitt has long been a strong advocate of this perspective and it was this which was at the heart of his classic article 'Marketing Myopia'. In this article, Levitt (1960), pointed to a series of examples of organisations that had failed to recognize how actual and potential customers viewed the product and service being offered. Thus, in the case of railways, the railway companies concentrated on competing with one another and in doing this failed to recognize that, because customers were looking for transport, they compared the railways with planes, buses and cars. The essence of the market perspective of competition therefore involves giving full recognition to the broader range of products or services that are capable of satisfying customers' needs. This should, in turn, lead to the marketing strategist identifying a broader set of actual and potential competitors and adopting a more effective approach to long-run market planning.

Identifying and Evaluating Competitors’ Strengths and Weaknesses

By now it should be apparent that the identification and evaluation of competitors’ strengths, weaknesses and capabilities is at the very heart of a well-developed competitive strategy. The marketing planner should, as a first step, therefore concentrate on collecting information under a number of headings as a prelude to a full comparative assessment. These include:

- Sales
- Market share
- Cost and profit levels and how they appear to be changing over time
- Cash flows
- Return in investment
- Investment patterns
- Production processes
- Levels of capacity utilization
- Organisational culture
- Products and the product portfolio
- Product quality
- The size and pattern of the customer base
- The levels of brand loyalty
- Dealers and distribution channels
- Marketing and selling capabilities
- Operations and physical distribution
- Financial capabilities
- Management capabilities and attitudes to risk
- Human resources, their capability and flexibility
- Previous patterns of response
- Ownership patterns and in the case of divisionalised organisations, the expectations of corporate management.

The signs of competitive strength in a company's position are likely to be:
- Important core competencies
- Strong market share (or leading market share)
- A pace-setting distinctive strategy
- Growing customer base and customer loyalty
- Above-average market visibility
- Being in a favourably situated strategic group
- Concentrating on fastest-growing market segments
- Strongly differentiated products
- Cost advantages
- Above-average profit margins
- Above-average technological and innovative capability
- A creative, entrepreneurially alert management
- Ability to capitalize on opportunities.

Obtaining this sort of information typically proves to be more difficult in some instances than in others. Industrial markets, for example, rarely have the same wealth of published data that is commonly available in customer markets. This, however, should not be used as an excuse for not collecting the information, but rather emphasizes the need for a clearly developed competitive information system that channels information under a wide variety of headings to a central point. This information needs to be analysed and disseminated as a prelude to being fed into the strategy process.

The sources of this information will obviously vary from industry to industry, but will include most frequently a sales force, trade shows, industry experts, the trade press, distributors, suppliers and perhaps most importantly, customers. Customer information can be gained in several ways, although periodically we may find it of value to conduct primary research among customers, suppliers and distributors to arrive at a profile of competitors within the market. An example of this appears below, where current and potential buyers have been asked to rate the organisation and its four major competitors on a series of attributes. A similar exercise can then be conducted among suppliers and distributors in order to build up a more detailed picture.
Positioning: Strategic Approach

Once you have identified the financially optimal target group, the next step is positioning.

Positioning, the third strand of what we referred to at the beginning of this unit as STP marketing (segmentation, targeting and positioning) involves deciding on the position within the market that the product is to occupy. In doing this, you are telling the customers what the product means and how it differs from current and potential competing products. Porsche, for example, is positioned in the prestige segment of the car market, with a differential advantage based on performance; Duracell is positioned as the longer-life and hence better value battery; stores such as Pep are positioned as low value shops, while Ryanair, EasyJet and Kulula are positioned as low-cost airlines (no frills).

In an increasingly cluttered environment where buyers have very little time to ponder product decisions, products and services that stand for something important or are remembered for something significant have an advantage. A powerful positioning leads to a powerful brand.

It should be noted that the way in which an organisation or a brand is perceived by its target markets (this is not just the existing customers, but also includes those who do not buy currently, might never buy and so on) is determined by a series of factors: Word Of Mouth (WOM), price, performance, product range, media used, customer experience, customer profile and advertising and promotion.

Positioning is therefore the process of designing an image and value so that customers within the target segment understand what the company or brand stands for in relation to its competitors. In doing this, the organisation is sending a message to consumers and trying to establish a competitive advantage that it hopes will appeal to customers within a sub-segment of the target segment.

It should be apparent from this that positioning is a fundamental element of the marketing planning process, since any decision on positioning has direct and immediate implications for the whole of the marketing mix. In essence, therefore, the marketing mix can be seen as the tactical details of the organisation's positioning strategy. Where, for example, the organisation is pursuing a high-quality position this needs to be reflected not just in the quality of the product that is to be sold, but in every element of the mix, including price, the pattern of distribution, the style of advertising and the after-sales service.

But positioning is a difficult concept because it embodies the value proposition — the bundle of benefits and attributes a company wants to offer buyers at a certain price to positively differentiate the product or brand from competitors.

For some organisations the choice of a positioning strategy proves to be straightforward. Where, for example, a particular positioning strategy and image has already been established in a related market, there are likely to be synergistic benefits by adopting the same approach in a new market or with a new product. For other organisations, however, the choice of position proves to be more difficult or less clear and the firm ends up by pursuing the same position as several others in the market. Where this happens, the degree and costs of competition increase dramatically. There is a strong case, therefore, for us to decide in detail on the basis of differentiation: in other words, we must identify and build a collection of competitive advantages that will appeal to the target market and then communicate these effectively.

In light of these comments, it should be apparent that the process of positioning involves three steps:

- Identifying the organisation or brand's possible competitive advantages
- Deciding on those that are to be emphasized
- Implementing the positioning concept

Capitalizing on the Competitive Advantage

Ries and Trout (1982), who in the eyes of many are the founding fathers of positioning theory, argue that positioning is first and foremost a communication strategy (this is the issue of the battle of the mind referred to earlier) and that any failure to recognize this will undermine the whole of the marketing mix. All too often, however, and despite having identified potentially valuable competitive
Advantages, organisations fail to signal these advantages sufficiently strongly. This then leads to one of three errors:

- **Confused positioning**, where buyers are unsure of what the organisation stands for (refer to the comments below about Gap's misjudgement of the market in 2001)
- **Over-positioning**, where consumers perceive the organisation's products as being expensive and fail to recognize the full breadth and value of the range
- **Under-positioning**, where the message is simply too vague and consumers have little real idea of what the organisation stands for or how it differs from the competition

In order to select the most effective market position, one needs to begin by identifying the structure of the market and the positions currently held by competitors. This can be done in a variety of ways, including by means of the sort of brand map to which we referred earlier.

**Repositioning Strategies and Challenges**

Having developed a position for a brand, there is frequently the need to reposition as the market develops, competitors enter or exit and customers' expectations and needs change. In thinking about repositioning, the marketing planner has four strategic options:

- **Gradual repositioning**, which involves a planned and continuous adaptation to the changing market environment. An example of this would be Skoda's move from an essentially utilitarian offer to one that is far more firmly mid-market.
- **Radical repositioning**, where an increasing gap between what the brand offers and what the market wants leads the management team to think about a major strategic change. As an example of this, Lucozade moved from a position where its primary appeal was to the sick and the old to one where its major appeal is as a lifestyle and health drink.
- **Innovative repositioning**, where one finds a new strategic position that offers market opportunities that have not so far been identified by competitors. HaagenDazs recognized the potential of the premium-quality, premium-priced adult ice cream market and throughout the 1990s successfully developed this.
- **Zero positioning**, where the organisation maintains an unchanged face to the market over a long period of time and/or it communicates very poorly with the target market, with the result that potential customers have little idea of what the organisation stands for.

In opting for a positioning or repositioning strategy, one therefore needs to feel confident that, first, one will be able to reach the new market position for which one is aiming, and second, that one will be able to operate and compete effectively and profitably in this new position.

Competitive position, it is suggested, is influenced by the geographical scope of the industry and the specific product-market sectors in which the SBU operates. It is not therefore simply the market share that influences competitive position, but also competitive economics and a series of other factors, including technology. This led ADL to the recognition of five main categories of competitive position:

- **Dominant**: This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership. The implications are that the firm is able to exert considerable influence over the behaviour of others in the industry and has a wide variety of strategic options open to it.
- **Strong**: By virtue of this position, the firm has a considerable degree of freedom over its choice of strategy and is often able to act without its market position being unduly threatened by competitors.
- **Favourable**: This position, which generally comes about when the industry is fragmented and no one competitor stands out clearly, results in the market leaders having a reasonable degree of freedom. Companies with a favourable market position often have strengths that can be exploited by particular strategies and hence a greater than average opportunity to increase market share.
- **Tenable**: Although firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market. The opportunities for an organisation to strengthen its position tend to be lower than average. The profitability of the tenable firm is best achieved and sustained through a degree of specialization.
**Weak:** The performance of firms in this category is generally unsatisfactory, although opportunities for improvement do exist. Often, however, the firm is either, too big and inefficient to compete with any real degree of effectiveness or it is too small to cope with competitive pressures. Unless the firm changes, it is ultimately likely to be forced out of the market or to exit of its own accord.

A sixth position, that of non-viability can be added to this list and applies when the firm's performance is unsatisfactory and there are few, if any, opportunities for improvement. In these circumstances it is essentially a case of one having to recognise the reality of the situation and withdraw from the market in the least costly way.

The second dimension of the model - the stage of industry maturity, ranging from embryonic to ageing - has, ADL argues, significant implications for the strategies open to the organisation. Thus, once a basic strategy has been identified, there are certain things one must do, might do and should not do if consistency is to be maintained.

This combination of competitive position and industry maturity provides the basis for determining the SBU's strategic condition and subsequently, the identification and evaluation of the strategic options open to the company. This typically is a choice between investing in order to strengthen or maintain position, spending in order to maintain the status quo, harvesting or exiting from the industry. In commenting on this, ADL state that 'there is a finite set of available strategies for each Business Unit' and that these can be seen in terms of six generic strategic groups:

- Market strategies (domestic and international)
- Product strategies
- Technology strategies
- Operations strategies
- Management and systems strategies
- Retrenchment strategies

In choosing among these, ADL identifies several guiding principles, the most important of which is that 'strategy selection (should) be driven by the condition of the business, not the condition of its managers'. In making this comment, ADL is arguing for realism in strategic planning and that it is this that should prevail if the organisation is not to overreach itself.

**Developing a Sustainable Advantage**

There is the need to understand that the bases of competition and the way in which competitive advantage is achieved should not be seen in any absolute way. This can perhaps best be illustrated by recognizing that markets can be viewed in a variety of ways and that a product can also be used in many different ways. It follows from this that every time the product-market combination changes, so too does the relative competitive strength or competitive advantage. The implications of this are significant and are reflected by the way in which a key element in any strategy revolves around choosing the competitor whom you wish to challenge, as well as choosing the market segment and product characteristics with which you will compete.

The problem faced by many companies, therefore, is not how to gain a competitive advantage, but how to sustain it for any length of time. Most marketers are, for example, fully aware of the profit potential associated with a strategy based on, say, premium quality or technological leadership. The difficulty that is all too often faced in practice, however, is how to guard against predators and capitalize on these benefits over the long term. Business history is full of examples of companies that, having invested in a particular strategy, then fall victim to a larger or more agile organisation. The question faced by many at one time or another is therefore how best to sustain a competitive advantage.

The issue of how to develop and sustain a competitive advantage has been discussed in detail by Davidson (1987b). He suggests

"competitive advantage is achieved whenever you do something better than competitors. If that something is important to consumers or if a number of small advantages can be combined, you have an exploitable competitive advantage. One or more competitive advantages are usually necessary in order to develop a winning strategy and this in turn should enable a company to achieve above-average growth and profits."

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For Davidson, the ten most significant potential competitive advantages are:

- A superior product or service benefit as shown by Toyota and Lexus with their very high levels of reliability, Disneyland with its overall quality of service and Samsung initially with its price-performance combination and then recently with its emphasis on design, quality and value.

- A perceived advantage or superiority. Marlboro, with its aggressively masculine image featuring cowboys, holds a 22 per cent share of the US cigarette market. The brand is well marketed but there is no reason to believe the cigarettes are objectively superior. Other examples of a perceived superiority advantage include designer label clothing and bottled waters.

- Low-cost operations as the result of a combination of high productivity, low overheads, low labour costs, better purchasing skills, a limited product range or more low-cost distribution. Amongst those to have achieved this are the low-cost supermarket chains such as Shoprite and Wal-Mart.

- Global experience, global skills and global coverage. Amongst the most effective global operators are Coca-Cola and McDonald’s. In the case of Coca-Cola, the brand’s coverage has moved from around 2.26 billion people in 1984 to almost 6 billion today, with the result that there are few places in the world where Coca-Cola is not readily available. For McDonald’s, its 30,000 outlets worldwide (2002 figures) allow it to serve 46 million customers each day.

- Legal advantages in the form of patents, copyright, sole distributorship or a protected position

- Superior contacts and relationships with suppliers and distributors. Customers, the media and government and the management of customer databases.

- Scale advantages that enable costs to be driven down and competitors pushed into a position of competitive disadvantage.

- Offensive attitudes or as Procter & Gamble label it, an attitude of competitive toughness and a determination to win.

- Superior competencies. Ikea’s focus on developing competencies in product design, warehousing, purchasing and packaging, for example, has allowed it to offer consumers high quality and low prices.

- Superior assets, which may include property or distribution outlets

Although Davidson’s list of the ten bases of competitive advantage is generally comprehensive, there are several other elements that can be added. These include:

- The notion of intellectual capital, which embraces the knowledge base of staff across the organisation (this is typically the basis for the competitive advantage of management consulting firms and advertising agencies)

- Attitudinal issues that give recognition to the idea that creativity and innovation, be it product or process, is ultimately the only really sustainable form of competitive advantage

- Sophisticated service support systems

- Superior knowledge as a result of more effective market research, a better understanding of costs, superior information systems and a particularly highly skilled workforce

- Superior technologies

- Complex selling systems

- Speed to market (time-based competition)

- The brand image and reputation.

In so far as there is a single factor that underpins all 18 factors listed here, it is that of adding value to the ways in which your organisation interacts with its customer.

An alternative way of thinking about competitive advantage involves categorising the bases of advantage under four headings: management, behaviour, staff and the marketing mix.

Management advantages include:

- The overall level of management ability
The willingness and ability of the marketing team to redefine the market in order to create market breakpoints

The ability to identify and manage risk managerial mindsets

Experience

A focus on implementation

Behavioural and attitudinal advantages include:

- Offensive attitudes
- Flexibility and speed of response
- A willingness to take risks

Staff resource advantages include:

- Levels of creativity
- Networks
- Staff mindsets

Marketing mix advantages include:

- The nature of each of the elements of the expanded marketing mix
- The speed of innovation
- Management of the distribution network

However, irrespective of the type of market in which your organisation is operating, competitive advantage must always be looked at from the standpoint of the customer since, unless the customer sees something to be significant, it is not a competitive advantage. Recognition of this leads to a three-part test that you need to apply on a regular basis to any proposed form of advantage:

- To what extent is the advantage meaningful to the customer?
- To what extent can the advantage be sustained? The reality, of course, is that in a fast-moving and competitive market few advantages can be sustained for any length of time. Given this, the planner needs to innovate continuously (refer to the comment above that innovation is ultimately the only sustainable form of advantage) by changing the rules of the game, the boundaries of the market, the value proposition and so on.
- How is the advantage communicated clearly and consistently to the market?

In the absence of these, you run the risk of simply being a me-too player.

The Problems of Sustaining Advantage

In developing and perhaps more importantly, sustaining advantage, you need to recognize that any advantage that your organisation or brand possesses that is at all meaningful will be copied or improved upon by competitors sooner rather than later. Recognizing this, you need to sustain the advantage in one of several ways. These include product and/or process innovation, clever positioning or repositioning e.g. adding value, new forms of delivery (e.g. Amazon.com) and through higher or different levels of service.

The idea of service as a (sustainable) competitive advantage has proved to be particularly attractive for organisations in highly competitive and fast-moving markets, where there is recognition that any product innovation is likely to be copied almost immediately. However, there is a problem in that customers’ expectations typically rise over time, with the result that something that is different and an order winner today is seen simply to be an order qualifier tomorrow. Because of this, you need to think about the ways in which the customer can be made to be enthused, excited and delighted by the product and/or service offer.

Sustainability of competitive advantage can therefore be seen to depend upon:

- A clear understanding by management of a strategy for gaining and sustaining competitive advantage
The single-minded pursuit of the strategy

A recognition that some sources of advantage are easier for competitors to copy than others

The continual investment in improving and upgrading sources of advantage.

Deciding on Who to Challenge

Given what has been said so far, the choice of who to challenge is fundamental and a major determinant not just of the likelihood of success, but also of the costs and risks involved. However, once this has been done, you are then in a position to consider the detail of the strategy that is to be pursued. Returning to the sorts of military analogies discussed earlier, this translates into a choice between five strategies: a frontal attack, a flanking attack, an encirclement attack, a bypass attack and a guerrilla attack. But before choosing among these we need to return for a moment to the more fundamental issue referred to above of who to attack and when. In deciding this, the options, as we have suggested, can be seen in terms of an assault on the market leader (a high risk but potentially high-return strategy), an attack upon companies of similar size or an attack upon the generally larger number of smaller and possibly more vulnerable firms in the industry. In choosing among these various targets you are likely to be influenced by a variety of factors, including perception of the leader's likely response, the availability of the resources needed to launch an effective attack and the possible pay-offs. In addition, however, you should also perhaps be influenced by the findings of the military historian, Liddell-Hart. In an analysis of the 30 most important conflicts of the world from the Greek wars up to World War One (this included 280 campaigns), Liddell-Hart concluded that a direct head-on assault succeeded on only six occasions. By contrast, indirect approaches proved not only to be far more successful, but also more economical.

It has long been recognized that market challengers only rarely succeed by relying on just one element of strategy. Instead, the challenging strategy needs to be made up of several strands that, together, provide the basis for competitive advantage. The eight most commonly used and successful strategic strands are:

- Price discounting
- Product and/or service innovation
- Distribution innovation
- Heavy advertising
- Market development
- Clearer and more meaningful positioning
- Product proliferation
- Higher added value

Frontal attacks

The conventional military wisdom is that for a frontal or head-on attack to succeed against a well-entrenched opponent, the attacker must have at least a 3:1 advantage in firepower; history suggests that broadly similar lessons apply to business. In launching a frontal attack, a market challenger can opt for either the pure frontal attack (by matching the leader product for product, price for price and so on) or a rather more limited frontal attack (by attracting away selected customers). Although the record of success with a pure frontal attack is, as we commented above, generally limited, examples of companies that have adopted this approach and succeeded do exist. Included among these is Xerox, which in the copying market attacked companies such as Gestetner and 3M and by virtue of a better product, captured the market. (Subsequently, Xerox has itself been attacked by a large number of companies, including Sharp, Canon, Panasonic, Toshiba and Mitra).

As an alternative to a costly and generally risky frontal attack, many strategists have learned the lesson from military history that an indirect approach is both more economical and more effective. In business terms, a flanking attack translates into an attack on those areas where the leader is geographically weak and in market segments or areas of technology that have been neglected. It was the geographical approach that was used in the late 1960s and early 1970s by Honeywell in competing in the USA against IBM. Quite deliberately, the company concentrated its efforts on the small and medium-sized cities in which IBM’s representation, while still high, was not as intense as in
the major cities. A similar geographical approach was adopted by the Japanese motorcycle industry, which concentrated its efforts progressively on Asia, the USA and then Europe.

As an alternative, many companies have opted for technological flanking or leapfrogging. Among those to have done this with considerable success are the Japanese in the car industry, who rewrote the rules of how to mass produce cars to such an extent that they not only managed to undercut the traditional market leaders, but also reversed the flow of technology transfer in the industry.

Others to have used technological flanking include Michelin against companies such as Goodyear, Firestone and Uniroyal and the state-owned French helicopter manufacturer, Aerospatiale. Aerospatiale’s competitors - Bell Helicopter, Sikorsky and Boeing - worked to full capacity for several years to satisfy the enormous military demand for helicopters in the Vietnam War and had little time for major technological developments. Aerospatiale took advantage of this and in 1980 simultaneously introduced three new-generation fast twin-turbine models designed to cover all conceivable military and civilian needs. These models all featured Aerospatiale-developed fail-safe rotor blades manufactured not from conventional metal but from composite materials.

Segmental flanking has been used to equal effect by numerous companies over the years, including Hewlett-Packard with mini-computers, Apple with micro-computers and Toyota and Volkswagen in the USA with small, economical cars. The lesson in each case is straightforward: identify the areas of market need not being covered by the market leader and then concentrate resources on building both size and share. In doing this it is, however, essential that the attacker moves quickly, since the challenge becomes clearer over time and can lead to a sudden competitive response in which the company being attacked regains the initiative. In the majority of cases, however, the company being attacked either fails to recognize the significance of the challenge or is unsure of how best to retaliate and as a result, responds only slowly. Bic, for example, flanked Gillette in razors by developing the low-priced sector, while Knorr and Batchelor flanked Heinz with the introduction of low-priced soups shortly after Heinz had fought off a head-on attack by Campbell. In both cases, the defender was slow to respond, possibly because of a fear that a stronger reaction would speed up the growth of the low-price sector.

Encirclement Attacks

Whereas flanking in its purest form involves an attack on just one front, encirclement has parallels with a blitzkrieg/bombardment in that it involves launching an attack on many fronts as possible in order to overwhelm the competitor’s defences. In this way, the defender’s ability to retaliate effectively is reduced dramatically. Whilst this is an expensive strategy to pursue and one that is almost guaranteed to lead to significant short term losses, its record of success in the hands of certain types of company is impressive. Seiko, for example, has made use of a strategy of encirclement not just with the sheer number of models that are changed constantly, but also by acquiring distribution in every watch outlet possible and by heavy advertising that gives emphasis to fashion, features, user preferences and everything else that might motivate the consumer. Similarly, the Japanese motorcycle, audio and hi-fi manufacturers, having started with flanking strategies, quickly developed these into encirclement strategies with an emphasis on rapid product life cycles, frequent and radical new product launches, wide product ranges, aggressive pricing, strong dealer support and in the case of the motorcycle companies, a successful racing programme. Other companies that have made use of encirclement, admittedly with varying degrees of success include Yamaha against Honda and the Japanese construction machinery manufacturer Komatsu in its attack on the market leader, Caterpillar.

In the case of Komatsu and Caterpillar, Komatsu’s attack on the market leader was based on the slogan used internally, ‘Encircle Caterpillar’. This translated into a series of attacks on market niches, improvements in product quality, extensions to its product range and pricing at levels 10-15 per cent lower than those of Caterpillar.

Bypass Attacks

The fourth approach, a bypass attack, is (in the short term at least) the most indirect of assaults in that it avoids any aggressive move against the defender’s existing products or markets. Instead, the strategist typically concentrates on developing the organisation by focusing on unrelated products (the Japanese consumer electronics firms developing video recorders and compact discs rather than traditional audio-visual products), new geographical markets for existing products and in the case of the hi-tech industries, by technological leap-frogging.
Guerrilla Attacks and Ambush Marketing

The fifth option open to a challenge, is in many ways best suited to smaller companies with a relatively limited resource base. Whereas frontal, flanking, encirclement and even bypass attacks are generally broad-based and costly to pursue, a guerrilla attack is made-up of a series of hit-and-run moves designed to demoralize the opponent as a prelude to destabilizing and keeping the competitor off balance. In practice, this typically involves drastic short term price cuts, sudden and intensive bursts of advertising, product comparison damaging public relations activity, poaching key staff from a competitor, legislative moves and geographically concentrated campaigns. The success of such a strategy has been shown to depend in part upon the competitor’s response. In some cases, for example, the competitor chooses to ignore the attack, as has been seen with the way in which the major airlines in the early to mid-1990s chose deliberately not to respond to Virgin’s lower prices on the North Atlantic routes. In others, however, the competitor fights back quickly and aggressively in order to minimize any long term threat. All too often, dealing with guerrilla attacks proves to be difficult.