This document aims to provide the reader with a synthesis of essential concepts in contemporary strategic marketing. It does not aim to provide a fully detailed and comprehensive overview of the complete 'toolbox' of Strategic Marketing. However, it should provide the reader with the essential flowchart of frameworks and concepts.

While we are not fans of alliterations, this document is - in summary - about 7 Cs:

Customers
Competition
Context

Company
strategy

Comprehend
Choose
Commit

The document is quite concise (otherwise, it would never be read!). By definition, we had to make a selection. In making this selection, we aimed to provide you with a document that (1) follows a logical and consistent flowchart, and (2) enables you to acquire a solid overview of the key concepts in the strategic marketing domain.
**Strategic thinking** deals with the formulation and implementation of a set of decisions, in order to realize a sustainable competitive advantage (manifested in long-term above average profitability). Thus: strategic decisions are different from tactical decisions: they are important, they involve a significant commitment of resources, and they are not readily reversible.

The characteristics of successful strategies? While they are easy to summarize (Grant), they are very difficult to implement:

- **Clear objectives** (e.g., how well does everybody in your company know what the goals are? How consistent are these goals across the company?)
- **Good understanding of the external environment** (e.g., how solid is your insight in what the customers want, the competition aspires, the context may have in store for you?)
- **Profound appreciation of internal strengths and weaknesses** (e.g., when was the last time you made a rational analysis of your resources vis-à-vis those of the competition?)
- **Effective implementation** (e.g., once a decision has been taken, how good is the company in making everybody walk and talk in a coordinated direction?)

### The Essence of Strategic Thinking

<table>
<thead>
<tr>
<th><strong>‘Growth for growth's sake is the ideology of the cancer cell’</strong>&lt;br&gt;Edward Abbey</th>
<th>Honestly: which company does not want to grow? However, a strong resource base must support long-term profitable growth if it wants to sustain it.</th>
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<td><strong>‘If I had been a woman, I would be constantly pregnant, because I simply cannot say no’</strong>&lt;br&gt;Robert Maxwell</td>
<td>Many industrial product companies venture a little bit of everything. While this seems a low-risk strategy, it is actually a very high-risk strategy. A company must make choices.</td>
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<td><strong>‘Those that implement the plans, must make the plans’</strong>&lt;br&gt;Patrick Hegarty - HP</td>
<td>Why do many consultancy reports fail in the implementation phase? Because managers forget that without involvement, it is difficult to realize commitment.</td>
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<td><strong>‘A plan is nothing, planning is everything’</strong>&lt;br&gt;Dwight D. Eisenhower</td>
<td>A plan is only one of the outcomes. If managed well, the planning activities, involving different parties, creates something a lot more valuable: a momentum for change.</td>
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2. Getting Started: Defining Business Strategy

Strategic thinking concerns systematized common sense: on the basis of a rational and creative synthesis of an external analysis and an internal analysis, the future of the company is outlined. In fact, every strategic exercise always concerns three core questions: (1) where are we now, (2) where do we want to go to?, and (3) how do we get there?

In the strategy literature, a distinction is commonly made between two levels of strategy: corporate strategy (‘what business will we compete in?’) and business strategy (‘how will we compete in a given business?’). From a marketing perspective, the focus is on business level strategy formation and formulation. Indeed, competitive market battles are primarily planned and executed at the business unit level. It then follows that a good marketing plan is actually a business plan. Marketing must be viewed as a process, not a function. For instance, without systematic support from manufacturing and R&D, it is impossible to offer superior product quality.

Marketing may be defined as the process of planning and executing the conception, pricing, promotion and distribution of goods, services, and ideas, to create exchanges with target groups that satisfy customer and organizational objectives (American Marketing Association). This definition will look like an open door to many readers. Unfortunately, reality is such that (industrial) marketing managers spend very little time on planning, and most on executing (often practically translated as ‘fire fighting’). In addition, while the relationship marketing idea is clearly present in this definition, the practical implementation often results in the type of relationship many companies so desperately want to avoid: Living Apart Together...

In defining the business, the company must ask itself to what customer groups it delivers (= segments), what function it realizes for this customer groups (= needs), and what the offerings are that are used to fulfill these needs. While the questions look simple, the answers are not. For instance, while British Airways or KLM look as they if they are in the airline transportation business, the substitution of videoconferencing equipment for business seats illustrates that the primary function they are fulfilling for many managers concerns communication. Otherwise stated, if you truly want to know what industry you are competing in, look at substitution behavior!

Continued professional dedication to market intelligence is a conditio sine qua non to succeed in the market place. The company engages in a highly competitive simultaneous chess game, in which the competitive IQ of many competitors far exceeds that of Forrest Gump... While professional marketing intelligence, and the resulting marketing planning activities will never predict with 100 % accuracy what will happen, it enables the company to better prepare for the future. It also enables the company to check some of its assumptions, and read weak signals before it is too late. In reality, most threats are actually opportunities that the company did either not see or act upon in a timely fashion.

‘Chance favors only the prepared mind’
Louis Pasteur
3. External Analysis:
Customers, Competition, Context

The company must define and analyze the various **market segments** that constitute a market. A market segment may be defined as *a group of individuals, groups or organizations, sharing one or more similar characteristics that make them have relatively similar product needs* (Dibb et al.). There are many bases available to segment markets (e.g., company demographics, behavioral, et cetera). It is important that the company realizes that:

- A segmentation is a **strategic** tool, never just a paper-and-pencil solution that merely enables an easy and convenient statistical breakdown of the market place;
- A good segmentation is **practical**: it enables the company to focus its actions, and differentiate itself accordingly in the selected segments;
- A segmentation that is good for one **company** may not be good for another company in the same industry; otherwise stated, do not assume that other companies will assume a role play in the same arena.
- Within each segment, the company must ask itself what the **critical customer needs** are, i.e., what is customer motivation, and what are some of the unmet needs: maybe a company must not as much deliver what the customer asks, but rather what the customer needs.

In evaluating **market segment attractiveness**, the company usually considers (1) segment size, (2) segment growth rate, and (3) intensity of competition in the industry. To analyze this third issue, the **five forces framework** provided by Harvard professor M.E. Porter provides a useful analytical tool. There are five forces that shape a specific industry, i.e., the bargaining power of buyers and suppliers, the threat of new entrants and substitute offerings, and the rivalry of existing competitors within the industry. It may also be enlightening to look at **strategic groups** among the competition (i.e., groups of firms that pursue similar competitive strategies, have similar characteristics, assets and skills), and **individual firms**. It is always instructive to benchmark the competition, and understand who's winning, who's losing, and what are the reasons why...

The company must also understand the **macro environment** of the firm, since this may provide important opportunities and threats to the firm: national and international economy, natural environment, demographical structure, social structure, government and international policy, technology.

Use of **portfolio analysis** (e.g., the BCG-matrix with stars, cash cows, question marks and dogs) enables management to picture its product lines or those of the competition. A historical analysis shows winners and losers.
4. Internal Analysis: Competitive Advantage

Having a **competitive advantage** is vital: companies that have it, are thriving in the market place; companies that are lacking it, are losing. The strategy literature as well as the popular business press is bulged with examples of companies capitalizing on their advantages: General Electric, Southwest Airlines, Microsoft, Nucor, Wal-Mart, etc. Whereas in many companies, an analysis of strengths and weaknesses is the starting point and (unfortunately) often also the end point, we take the analysis one step further: a competitive advantage is defined as **a strength that the company has, that within a given market, influences the customer's decision process in favor of the business unit.** Obviously then, a competitive advantage is defined from the customer's perspective.

The strategy literature often refers to the concept of **key success factors**. Such key success factors (KSF) are variables that management can influence and that determine the company’s competitive position in an industry. However, a distinction must be made between KSFs that constitute necessary conditions for the firm to compete in a given market ('tickets to ride' = qualifiers), and KSFs that really distinguish the firm from its rivals ('tickets to heaven' = winners). From a marketing perspective then, a competitive advantage belongs to the second category. This does not mean that KSFs of the first category are irrelevant. It simply implies that companies that are pursuing a competitive advantage may select one of the following options: either they excel on a KSF of the second category, or they revolutionize and introduce new KSFs. Such ‘rule breakers’ often proactively overturn the established industrial order. Consider CNN: it started 24-hour news broadcasts, while other stations were absent.

According to Porter - a popular guy in the strategy landscape - there are two roads to competitive advantage: differentiation (price premium for a unique product) or cost advantage (similar product at a lower price). While this framework is unquestionably among the most substantial and influential contributions that have been made to the study of the sources of competitive advantage, we do not buy into it:

- The argument that both strategies cannot be combined simultaneously is, in view of scientific and anecdotal evidence, untenable;
- One must adopt a customer perspective: a customer is not interested in cost, rather in price (by the way: customers who buy on the basis of price, are loyal to the low price, not the company);
- From a technological perspective, companies first differentiate (= effectiveness) and only afterwards lower costs (= efficiency);
- A cost advantage is less sustainable than a differentiation advantage, because of, e.g., international trade, technological change, or inter-firm mobility of personnel.

The essence of a competitive advantage consists of **differentiation**, i.e., the act of distinguishing your offering from that of the competition. Competition is about differentiation, and **the best differentiation is the one that truly delights the customer, but the customer cannot compare to similar offerings in the market place**. The essence is winning! When a manager says, 'We have a good product for a reasonable price', that's when you know a company is not successful in differentiating itself.
5. Internal Analysis: Differentiate to Compete

Based on empirical and theoretical reviews regarding this subject, the strategic marketing literature, and consultancy projects, the following taxonomy is proposed (Moenaert & Robben):

The **product/service** component refers to the core functional product or service that a firm offers to its customers. However, many times, the innovation efforts of industrial product firms are focused on incremental innovations that will be copied immediately. Rather than creating classics, firms excel in generating design after design that can be hardly discerned from the competition. In order to be ahead of the competition, a diversity of minor variations of an undifferentiated product platform is put on the market: **uniform diversity**. Remember, it is 'On-Time-to-the-Market', not 'Time-to-Market'. In case you forget: the acronym of Time-Based Competition is still a disease...

**Customer processes** are defined as the company-customer interaction processes by which a company identifies, builds, and maintains relations with its customers, as perceived by that customer. While competition is about differentiation, the essence of relationship marketing is making sure the customer cannot switch. How do you do that? *By getting into the value chain of your customer.* Concepts such as one-to-one marketing and e-commerce highlight the importance of an adequate management of customer processes in today’s competitive environment. That way, you develop switching costs for your customer, because of the people, assets, and processes locked into the relationship. By helping the customer, you lock the customer into the relationship.

The **image** component relates to the awareness, beliefs, ideas, or impressions that the market place holds about a company and the products/services the company provides to the market. The competitive position of a company is never exclusively determined by the company’s current marketing efforts. Through its history, a company develops externally a mental position in the market place. Actually, in industrial markets, **the image is created through sustained interaction with the market place**, not through glossy pictures in commercial brochures. Unfortunately, many industrial product companies do a poor job in developing a **clear, credible, consistent, and competitive** image on the market place. Remember, the company always has an image. *A company cannot not position.* Whether that image is a competitive advantage, that's another story.

The **price** element is defined as the financial and non-financial costs the customer must bear for consuming the company’s services or owning its products. We have dealt with this issue in the previous section. In industrial markets, the **commodity magnet** is always at work: customers want increasing service and quality for lower prices. Before you lower the price: remember that price is the only marketing variable that directly generates money for the company.

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6. Internal Analysis: Creating a Competitive Advantage

The work of, among others, Wernerfelt, Hamel and Prahalad, has triggered a whole new way of strategic thinking, i.e., the resource-based view. Central to the resource-based view approach is the idea that a competitive advantage does not originate from a position in an attractive market, but from effective resource deployment of resources in well-identified markets.

A distinction is often made between assets (e.g., human resources, patents, infrastructure, financial resources) and competences (e.g., know-how, experience, culture, skills). A business model (or ‘activity system’) shows how a company’s competitive advantage is created by means of its resource base (i.e., assets and competences). Competences may be defined as ‘a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer’ (Hammer & Champy). Core competences are competences that offer the company’s customer a unique added value, are difficult to imitate or to substitute by the company’s competitors, and have the ability to create value to the customer in different markets in such a way the company’s goals are achieved (Day). They are usually made up of many sub-competences.

For instance, in the example above, we have summarized the business model (activity system) of a leading Dutch industrial engineering and technical service company. Its competitive advantages are: multidisciplinarity, customer intimacy, reliable and flexible proximity across The Netherlands, and a strong image. You want another word for assets and competences? Call them enablers, and it becomes clear a company must earn its competitive advantages. For each of these competitive advantages, the key enablers for this firm are indicated.

The advantages of a business model analysis are straightforward: it allows for analysis and synthesis, while it is visually easy to communicate. It is important the company does such an analysis in a rational way. Our suggestion is to include not more than five competitive advantages. Be honest about your company: if you have not convinced your customer with the five most important arguments, will you ever convince the customer?

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A **sustainable competitive advantage** is a durable strength that, within a given market, influences the buying process of the customer in favor of the company, and that cannot be imitated or substituted by competitors as a result of the resource configuration (assets and processes) upon which the competitive advantage is based. Sustainable competitive advantages are the **crown jewels** of competitive strategy. They conform to the following five conditions (Collis & Montgomery):

- **Competitive superiority**: The first condition states that competitive differentiation only results in a true competitive advantage if the firm disposes of a superior resource configuration. Many times, one observes wishful thinking in this respect rather than a thorough and rational assessment of one's competitive posture.

- **Inimitability**: The second prerequisite for a crown jewel refers to the level to which competitors cannot copy the resource configuration, on which a competitive advantage is built. Inimitability may be rooted in any of the following aspects: physical uniqueness (e.g., enforced by a patent), path dependency (e.g., the historical trajectory), economic deterrence (e.g., scale economies), interconnectedness of the resource configuration (e.g., a complex network of suppliers), and causal ambiguity (competitors do not understand how the company creates success, e.g., innovation culture at 3M).

- **Durability**: Durability refers to the degree to which the resource configuration provides a durable basis for competition. For instance, because of changes in the market place, the durability of the resources may be limited (e.g., the value of marketing processes in turbulent market places). Also, the life span of some primary resources may be limited. For instance, when Michael Jordan ended his career with the Chicago Bulls, his contribution to the image of the Bulls may have been durable, his contribution to the quality of the game certainly was not.

- **Appropriability**: This criterion refers to the degree to which the company that owns the resource configuration and the resulting competitive advantage, actually receives the profits that result from this ownership. Given the steadily growing importance of services, and the increase of alliances and firm-transcending operations, the issue of appropriability is likely to gain influence in the future. Going back to the Michael Jordan example: what is the use of owning the Chicago Bulls, if Michael Jordan takes away most of the profits?

- **Substitutability**: The final criterion refers to the degree to which other resources may create an equivalent competitive advantage. For instance, a well-organized and logistically solid large bookstore may offer a broad assortment of low-priced books, but these competitive advantages may be realized by developing an Internet-based strategy.

Some leading consultants and academics are questioning the issue of sustainability. However, we must not question the issue itself, rather the naive application of sustainability. In many industrial markets, sustainability lasts a maximum of 5 years... "In the long run, we're all dead", is something Keynes already knew.
A marketing plan is a strategic and financial concept of maintaining or improving the competitive position of the company in a selected market. A marketing plan formulates:

- How the company will compete in the future (competitive advantage);
- What resources are needed to realize this competitive differentiation (assets and competences);
- Makes a business assessment of the selected approach (evaluation).

Step I. Define the new business model. Following an analysis of its present business model, and a thorough understanding of the market (customers, competition, context), the company defines how it will compete in the future. Eventually, a number of scenarios may be developed. What are the competitive advantages it wants to realize? In outlining the 'how to compete' question, the company may (1) build on some key competences (= 'competence push'), (2) on the basis of the market analysis identify novel or improved ways to differentiate itself from the competition (= 'market pull'), or (3) more realistically, use a combination of both.

Step II. Define the new business roadmap, i.e., the various projects that are needed to realize the new business system. Many times, defining functional projects that relate to the specific competences and skills that are needed can do this. For instance, if the company wants to excel in customer support, it may have to develop a diversity of new competences and assets in, e.g., e-commerce, training facilities, customer satisfaction appraisal, et cetera. In order to realize this, there is only one advice: think projects, and define budgets (= finance), milestones (= time and deliverables), and responsibilities (= organization)!

Step III. Evaluate! As one product manager once observed: 'Optimism is a sympathetic form of stupidity'. The company must evaluate the plan along a number of dimensions. One of the assessments that must always be made is the risk/return assessment. Other dimensions might involve time-to-market, budget required, competitive sustainability, leverage, change of competitive advantage, change of resource base, et cetera. Preferably, the company assesses multiple options, in order to make an optimal decision. That implies that some options will not be realized. But hey, 'the essence of strategy is choosing what not to do' (Porter).
Understanding competitive advantage is one thing, managing for it another. Six factors are pivotal in managing the dual nature of visionary marketing (i.e., the simultaneous realization of ‘today-for-today’ and ‘today-for-tomorrow’ strategies): vision, external orientation, focus, and formalization of change, human resources, and measurement.

- **Vision**: In order to motivate the members of the organization to align their activities with the organization’s strategy, a clear vision is needed. Such a vision must bring about the much-needed vital sense of urgency throughout the company. Communication is a critical success factor to the change process. In addition to communication, it is as much necessary the vision is brought in a clear, simple, and concise way. In this respect, Collins and Porras launch the idea of **BHAG** (pronounce: Bee-Hag), i.e., a Big, Hairy, Audacious Goal.

- **External orientation**: The quality of a marketing strategy depends strongly on the degree to which the external environment is consulted and/or involved in the planning process itself. The adequate assessment and involvement of customers, suppliers, and even competitors in the planning process is a necessary condition to remain competitive in a swiftly changing environment. *‘It is pardonable to be defeated, never to be surprised’* (Frederick the Great).

- **Focus**: A clear focus in a firm’s strategy is required in terms of market, product, and core process choices. From this perspective, it is essential that a firm not only assess its product portfolio, but also its project and competence portfolios.

- **Formalization of change**: Implementing change does not imply a company carves out its trajectory in an unstructured fashion. Formalization refers to the degree to which a well-defined change program exists, that offers those involved a good basis to depart from. Stage gates and the criteria that are used to assess the progress made at a certain point in time assume a crucial role.

- **Professionalization**: Lightweight people create heavyweight problems. Many members of the changing firm engage in change only by means of their words, but do not engage in it in the behavioral sense of the word. Actually, they prefer the status quo. Necessary preconditions for a successful implementation of a change program are the involvement of heavyweight marketers, adequate team management, and top management commitment.

- **Measurement**: Change programs ask for a close monitoring of the organization’s progress. The use of a balanced score card is a good approach to monitor progress. *‘A process which cannot be measured cannot be improved’* (Deschamps and Nayak).