What is strategy

Guidelines to Strategic Marketing:

- Challenge yourself constantly
- Don't be satisfied with a dissatisfying answer
- Don't be pessimistic or optimistic
- Be creative realistic and enthusiastic
- Constantly ask yourself why, how and when

Management is a curious phenomenon, It is generously paid, enormously influential, and significantly devoid of common sense (**Mintzberg**)

Strategic Decisions:

- Are important
- Then involve a significant commitment of resources
- They are not easy reversible

Characteristics of successful strategies:

- Clear objectives
- Understanding of external environment
- Appreciation of internal strengths and weaknesses
- Effective implementation

Most **corporate planning** is like a ritual dance. It has no effect on the weather that follows but it makes those who engage in it feel they are in control.(Quinn)

Growth for growth's sake is the ideology of the cancer cell (Edward Abey)

If I had been a woman I would be constantly pregnant, because I can't say no (**Maxwell**)

Strategy is the direction and scope of an organisation over the long term.

- ***Direction***
  - Defining path (path and goal are carved in stone)
  - Vision of goal
  - Mission (spirit and feeling)
  - Crafting (strategic planning in the period around)
- ***Scope***
  - Which business
  - Which market
  - Segmentation (needs/target group)
  - Scale and synergy (fit between scope/scale and scope/synergy and organization/environment)
- ***Long term***
  - economic life of investments
  - cash flows projection using the economic life period
- ***Advantage (gezien vanuit het bedrijf of de klant)***
  - Strategic thinking: decisions in order to realize a sustainable competitive advantage
  - How to achieve (individual resources like brand/R&D)
  - How sustainable is the CA (imitation/substitutes)
- ***Resources***
  - valuable resources (scarcity, appropriability,demand)
- ***Environment***
  - fit resources with changing environment
  - stretch resources with the environment
- ***Stakeholders***
  - Stakeholder value
  - All stakeholders
  - Stakeholder (importance) analysis (power, legitimate claim, the drive to take action)
- ***Organization***
  - Two forces: members and external stakeholders (organisation is open system with input and output)

Marketing Strategy:

- What Business are we in?
- How do we compete?
- How and when do we implement?

Levels of strategies:

- Corporate strategy
- Marketing Strategy
- Functional Strategy

How to create successful strategies

What are successful companies: A company that outperforms the market with a significant higher economic rent over a period of several years

- Coca Cola (Mass marketing, brand, patent, pull strategy)
- General Electric (multiple businesses due to BCG-matrix approach, service, financial resources, HRM)
- Microsoft (Personnel skills, follow-on products, creating the standard)

All companies:

- have a unique business model
- know the economics of their business
- have insight in the future
- are consistent in business models, strategy over time and implementation

A company's successful business design:

- ***Customer selection (which customers)***
  - Product centric (Assets, Inputs, product, service, offering, channels customer)
  - Customer centric (Customer, Channels, offering, input, core competencies)
- ***Value capture (profit models)***
  - Customer solutions profit (HP)
  - Product pyramid profit (Swatch)
  - Installed base profit (Gillette)
  - Time profit (Intel)
  - Brand profit (Coca Cola)
  - De facto standard profit (Microsoft)
  - Profit-multiplier model (Disney)
- ***Strategic control points (how do I protect my profit stream)***
  - Profit Protection Power

Profit Protection Power	SCP	PPP	
Own the standard	(10 points)	High	Microsoft
Manage the value chain	(9)	High	Coke
Own the customer relationship	(7)	High	GE
Brand, copyright	(6)	Medium	Countless
Two year R&D lead	(5)	Medium	Intel
One year R&D lead	(4)	Low	Few
Commodity with cost disadvantage	(1)	Low	Countless

- ***Scope (which activities)***
  - What do I want to sell
  - Which activities do I want to perform in house
  - Which ones do I want tot subcontract, outsource or give to a business partner

What has made these company's successful?

- Price premium
- Cost Advantage
- Key Asset (like a brand)

Visioning and creating the future

Swot-analyse brengt interne en externe omgeving niet bij elkaar en werkt dus alleen bij één product of segment

Residual uncertainty: onzekerheid die overblijft

Four levels of uncertainty:

- AS clear-enough future (Stabiele markten)
- Alternate futures (Optie-theorie)
- A range of futures (Game theorie)
- True Ambiquity (Scenario schrijven)

Envision the future through extrapolation, scenario analysis an non lineair models

Three strategic postures to create the future:

- Shaper (leadership)
- Adapt (win through opportunities)
- Right to play (Invest to stay in the game)

Three type of actions:

- Big bets (both positive and negative payoffs)
- Options (little negative payoffs)
- No regrets (only positive payoffs)

Creating Sustainable Competitive Advantages

The **key to failure** is trying to please everybody (Bill Cosby)

If you don't have a competitive advantage, then don't compete (Jack Welch,GE)

In real estate its: location,location,location. In business its differentiate, differentiate, differentiate (Robert Goizueta former CEO Coca Cola)

Management of the environment:

- Monitoring (Market favors)
- Adjusting (Market fit)
- Influencing (Market creation)

Key Success Factors:

Distinction between competitive **necessities** (qualifiers; tickets to ride) and competitive **advantages** (winners; tickets to heaven) of

- Supply what **customers want**
- **Survive** competition

KSF industrial company: Image; Reliability; Thinking with customers; Relationship; Knowledge; Price; Quality; Flexibility; Speed; Innovativeness; Resources

Competitive advantage (The Strategic School)

1. Differentiation advantage
2. Cost advantage (sustainability?; price vs cost = customer loyalty)

Criticisms Strategic School:

- Simultaneous application
- Acquisition price versus Cost price
- External effectiveness versus Internal Efficiency
- Durability

Competitive advantage (The Marketing School)

- Marketing Mix

Criticisms Marketing School:

- Managerial Model: Customer versus Firm
- Promotional P
- Position of Relationship Marketing

The Marketing School is theoretically and pragmatically **insufficient**

The New Perspective: (reasons for the customer to buy the product)

- What about Relation?
- What about Brand ?

Product/Service:

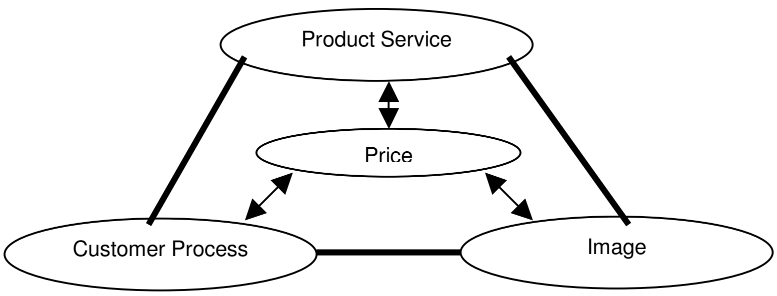
- USP
- Functional performance
- Design
- Reliability

Customer Process:

- Customer identification/screening
- Competence personnel
- Relationship orientation
- Market/Geographical presence
- Logistical services

Image:

- Reputation
- Communication
- Brand
- Standard
- Installed base



Strategies of scope:

- Unsegmentation
- Segmentation
- Niche
- Customization (pure, tailored, standardized)

Creating Value:

- Resource-Based View of the Firm
  - Internal analysis within the company
  - External analysis of the industry and the competitive environment
- Assets and Processes (one ore more inputs create an output that is of value to the customer)
- Activity systems (KSF and activities in a ball-model)

Strategic Positioning: Performing different activities from rivals

Porter: The essence of strategy is what **not** to do

Critical Process:

- Determining value
- Allocating Resources
- Developing value
- Delivering value
- Keeping the value

Sustainable Competitive Advantage: A competitive advantage that in a given market, influence the buying process in favor of the company and that cannot be imitated or substituted because of the resources it is based on.

What makes resources valuable:

- Scarcity
- Appropriability
- Demand

SCA and Resources:

- Competitive superiority
- Inimitability (physical uniqueness)
- Durability
- Appropriability
- Substitutability

Positioning

Positioning: Levering an stretching competitive advantage across multiple segments

Positioning:

- Options
  - Geographic area
  - Competitors
  - Product class
  - Use / application
  - User / customer
  - Price / Quality
  - Customer Benefits
  - Intangibles
  - Celebrity / person
  - Life style / personality
- Segments
  - Being the best
  - Special occasions
  - Impulse buying
  - Low price / acceptable quality
- Trade-off's
  - Margin versus Volume within the different segments
  - Number of brands (one brand and one private label to fill the factory in order to meet the scale criterion)

- Leverage options
  - Synergy
  - Scale
  - Scope
  - Combined attributes
- Stretching (Ideal would be one brand in all segment in all categories; Glorix)
  - Category
  - Segments
  - Brands
- What to do as a manager
  - Create a brand portfolio that maximizes the value of the brand
  - Use leveraging and stretching to maximize scale/scope/synergy

Building strong brands

Brand: A name, term, sign, symbol, design or a combination of them intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of the competition.

- Accumulation on memories
- Provides a product with a meaning
- Agreement that guarantees certain benefits
- Generic program for future products

Advantages of branding: branding provides value to customers by enhancing customer's interpretation, processing of information, confidence in the purchasing decision and use satisfaction.

- Efficiency and effectiveness of Marketing Programs (promoting 1 brand in stead of 100 products)
- Brand Loyalty (repeat purchases)
- Higher Prices / Margins (price premiums)
- Brand Extensions / Trade leverage (introducing new products)
- Competitive Advantage (easier to obtain shelf space)

What do strong brands share (they maximize their brand equity, i.e. the ten characteristics; brand equity=customer's past and future)

1.	They excel in delivering the benefits customers truly desire	(Starbucks coffee)
2.	The brand stays relevant	(The Gillette company)
3.	The pricing strategy is based on consumer's perceptions of value	(Nike)
4.	The brand is properly positioned	(Dockers)
5.	The brand is consistent	(Mora)
6.	The brand portfolio an hierarchy make sense	(BMW)
7.	The brand makes use of and coordinates a full repertoire of marketing activities to build equity	(Coca Cola)
8.	The brand's managers understand what the brand means to customers	(BIC)
9.	The brand is given proper support and that support is sustained over the long run	(SHELL)
10.	The company monitors sources of brand equity	(Disney)

How to build strong brands (ranking and combining points of parity with points of difference over competitors)

- Non-differentiating intrinsic product attributes (wheels in case of a car)
- Differentiating intrinsic product attributes (safety like Volvo, powerful like Mercedes)
- The brand (name and sign)
- Other extrinsic attributes (price, packaging)
- Emotional attributes (design)

Brand equity (divided into value to customer and value to firm)

- *Brand Loyalty*
  - Loyalty pyramid, profit per customer tend to increase on each level
    - Committed buyer
    - Likes the brand, considers it a friend
    - Satisfied buyer with switching costs
    - Satisfied habitual buyer (no reason to change)
    - Switchers / Price sensitive, indifferent, No brand loyalty
  - Brand loyalty is tied more closely to use experience and a result of awareness, perceived quality and attribute associations
  - Brand Loyalty is not transferable to another name or symbol without spending substantial amounts of money and foregoing significant sales and profits

- Creating and Maintaining loyalty through
    - Treating customers right
    - Staying close to customer
    - Measuring / Managing customer satisfaction
    - Providing extras

  And therefore providing several advantages like
    - Reducing Marketing cost
    - Trade leverage
    - Attracting new customers (awareness and reassurance)
    - Time to response to competitive threats

- *Brand Awareness*
  - The awareness pyramid
    - Top of mind
    - Brand recall
    - Brand recognition
    - Unaware of the Brand
  - Two forms of awareness
    - Depth of awareness (Recall and recognition)
    - Breadth of awareness (purchase and consumption)
  - Awareness is achieved by gaining brand name identity and linking it to the product class
    - Be different and memorable
    - Involve a slogan or a jingle
    - Symbol exposure
    - Publicity
    - Use cues (gebruiksmomenten)
    - Consider brand extensions
    - Recall requires repetition
  - Awareness works to help the brand by
    - Anchor to which other associations can be attached (Mc Donald's: Kids;Ronald Mc Donald; Big Mac; Clean and Efficient)
    - Signal of substance / commitment (advertised extensively; in business over long time; widely distributed; Brand is successful)
    - Familiarity / liking
    - Brand to be considered

    Brand recognition is the basic first step in the communication task. It is usually wasteful to communicate brand attributes until a name is established with which to associate the attributes

- *Perceived Quality*
  - Overall quality: Combination of Manufacturing Quality; Actual or Objective Quality and Product Based Quality
  - Customers perception of the overall quality or superiority of a product or service relative to relevant alternatives and with respect to its intended purpose
  - Perceived Quality is influenced by Product Quality and Service Quality

  The value of perceived quality:
    - A reason to buy
    - Differentiate
    - Price premium (PIMS Profit Impacts on Marketing Strategy)
    - Channel Member Interest
    - Brand extension

  The trick is making perceptions match actual quality

- *Brand Associations (Everything linked in memory to a brand)*
  - Brand associations are a reason to buy
  - Creating positive attitudes/feeling
  - Help the process of retrieving information
  - Differentiate
  - Basic for extensions

  Associations should match with brands positioning. In reality brand's image often differs from the brand's positioning/identity.

  Brand knowledge = brand awareness + brand image

- *Other proprietary Brand Assets*
    - Patents
    - Trademarks
    - Standards
    - Channel relationships

What are internal requirements for building strong brands

- Clear understanding of customers needs and expectations
- Creating meaning to brand and communicating it
- Quality must be controlled
- Provide the market with sufficient volume
- Suppliers must guarantee quality
- Advancements that justify price increases and are immediately adopted in new products

Creating Superior Brand Experiences

What is experience marketing:

- Company no longer offers goods/services alone but the resulting experience, rich with sensations, created within customer
- It is not sponsoring, servicing or branding
- An experience occurs when a company intentionally uses services as the stage and goods as props to engage individual customers in a way that creates a memorable event
    - Stage experiences   Memorable
    - Deliver Services   Intangible
    - Make Goods   Tangible
    - Extract Commodities   Fungible

Why create superior experiences: Brands should differentiate themselves in other ways

characteristics of superior experiences:

- Education (To learn like Harvard)   Active participation / absorption
- Entertainment (To sense like Music concert)   Passive participation / absorption
- Esthetic (To be there like Rocky Mountains)   Passive participation / Immersion
- Escapist (To do like Jurassic Park; Universal studios)   Active Participation / Immersion

Disney in the middle

How to create superior experiences

1. Theme the experience   (Planet Hollywood)
2. Harmonize impressions with positive cues   (Rainforest café)
3. Eliminate negative cues   (Mac Donald's)
4. Mix in memorabilia   (Geek squad)
5. Engage all five senses   (Rainforest café)

What can we learn from others

- Scene principle (communicate trough informal mass-communication; opinion leaders)
- Experience principle (theme parks;vrienden van amstel live!;Drum Rhythm Festival)

Customer satisfaction = Customer's perception of delivery - Customer's expectation

Capturing the value of information

Traditional aspects of information

- People had to go to the information, Today the information comes to the people
- Information and physical goods are linked
- Any buyer-seller relation is depending on a asymmetry of information
- There is a trade-off between richness and reach in information, this trade-off generates asymmetries of information

Economics of things:

- Diminishing returns (Markets are efficient)
- Inventory's don't add

Economics of information:

- Increasing returns (Microsoft)
- Digital information allows companies to sense and respond to shifting customer desires and adopting a demand-side strategy

Network economies:

- Increasing value of product/network

Moore's Law: Every eighteen months it is possible to double the number of transistors on a computer chip

Metcalfe's Law: The value of the network is proportional to the square of the number of people using it

Gilder's Law: Total bandwidth is tripling every year for the next 25 years

The supply chain will change:

- Untangle products from information
- Disintermediation (DELL)
- Reintermediation (Independer/Well o Well)
- The current trade-off between richness and reach no longer holds and will be displaced

Strategic options:

- Differentiation competing on richness (Customer specific,direct relationship; voluntary exchange of information) Alex
- Differentiation competing on reach (trusted supplier with global reach and deep relation with customer) Amazon

Industries will change on fundamental parameters:

- Information and things are no longer bundled
- Changes will go rapidly
- E-world requires fundamental other business systems and processes
- Traditional marketing elements don't change

Designing business models in a virtual world

Ebusiness is about using convenience, availability and world wide reach (of the Web) to enhance existing businesses or creating new virtual business

Business model: is the way in which an organization is able to capture value and retain it

Business model (4 elements):

- Customer selection (which customers do I want to serve)
- Value capture (how to make a profit)
- Differentiation / strategic control (how to protect my profit stream) (based on richness and reach)
- Scope (what activities do I perform)

Competitive advantage is shifting from producers (<1965 CA is economies of scale) via distributors (1965-2000 CA is IT) to consumers (>2000 CA is availability and access of information)

Five Traditional models can be identified for targeting customers:

- B2B (GM/Ford marketplace)
- B2C (Amazon.com)
- C2B (Letsbuyit.com)
- C2C (Ebay.com)
- Devices communicating with other devices (refrigerator orders used products)

The number of **IP addresses** is running out, 256^4= 4.2 billion is less than number of people on earth, left alone appliances

Value Capture Models (McKinsey):

1. Retail model or transaction model (AH thuisservice)
2. Media model (Radio 538 advertising of third parties)
3. Advisory model (Mr. Finch, Independer, Well o Well)
4. Made to order manufacturing model (Dell)
5. Do it yourself model (Microsoft download center)
6. Information services model (AC Nielsen)

Protecting our Profit Stream:

- By developing a relationship with its customers, a company can ensure future profitability

	Products	**Solutions**
Relationships	Customer Loyalty Management	Relationship Based Solutions
Transactions	Basic Category Management	Integrated Value Solutions

- Customer's online experience through the entire buying process concerning Benefits of:
    - Product
    - Functional
    - Process
    - Relationship