

60 Minute Strategic Marketing MBA

Jeff Teza

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What and Why?

- An introduction to concepts and terms essential to frame modern strategic discussions
- A crash-course to create a shared vocabulary among group members making decisions
- Applicable to individual product, markets and company-wide planning
- Introductory, not-sufficient for Marketing, Business Development or other professionals responsible for creating effective plans

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Fundamental Concepts

- 1) Plan vs. Strategic Plan
- 2) Marketing Myopia
- 3) Big picture life cycle
- 4) Competitive differentiation
- 5) Market segmentation
- 6) Company vs. product positioning
- 7) De-Positioning competitors
- 8) The rule of 3 and 4
- 9) Will customers believe your message?
- 10) Crossing the chasm
- 11) Energy barrier to change
- 12) Innovator's dilemma
- 13) Profit pools
- 14) Balanced scorecard
- 15) SWOT

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Everybody "Plans" what's unique to a "Strategic Plan"?

- **Plan:**
 - Any diagram or list of steps with timing and resources, used to achieve an objective <http://en.wikipedia.org/wiki/Plan>
 - Environment assumed relatively constant over planning horizon
- **Strategic Plan:**
 - a sequence of plans in a changing environment used to achieve an objective
- **Examples:**
 - World War I
 - World War II

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Example WWII Military Strategy

- **Objective:**
 - Make the world safe for democracy
- **Strategy (plans):**
 - The war in Europe
 - The war in the Pacific
 - The war in N Africa
- **Tactics:**
 - Battle of the bulge
 - Battle of Midway

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Marketing Myopia

- **Who and when:**
 - 1960 Theodore Levitt in Harvard Business Review
- **Key Ideas:**
 - All products stop growing but human needs don't change
 - Define business in terms of customer need not product
- **Examples:**
 - 1970's Royal Dutch Shell became "Energy Company" instead of "Petroleum Company" and invested in nuclear energy
 - 2011 "Apple Computer" becomes "Apple"

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Big Picture Lifecycle

- **Who and When:**
 - 1993 Marv Patterson (Hewlett Packard) in “Accelerating Innovation”
- **Key Ideas:**
 - When opportunity arises in market the “end of life” is fixed therefore anyplace you reduce time in the lifecycle pays off
 - Cheapest and best ROI is at the front where expenses are relatively cheap (opportunity scanning etc.)
 - This is economic reason for “first mover” advantages
- **Examples:**
 - 1968 3M post it notes recognizes “lousy tape” market
 - 1990’s Cisco acquires small companies to “act” upon new opportunities by paying higher prices than competitors

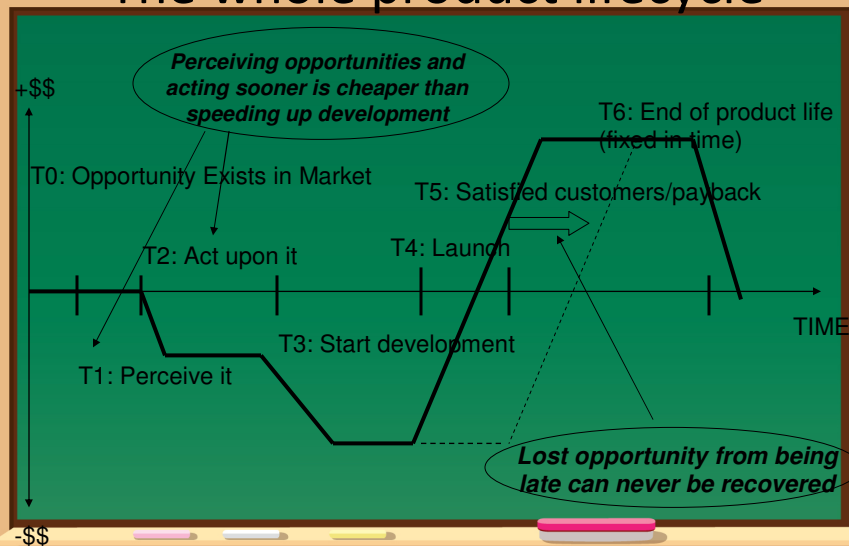
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The whole product lifecycle



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Competitive Differentiation

- **Who and When:**
 - 1980 Michael Porter “*Competitive Strategy: Techniques for Analyzing Industries and Competitors*”
- **Key Ideas:**
 - All strategies can be decomposed down to 3 main axis of competition
 - Product, Cost, Customer Relationship
 - Companies differentiate on 1 axis but must be “good enough” on the other 2
- **Examples:**
 - Walmart
 - Tiffany’s

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Market Segmentation

- **Who and when:**
 - 1930’s-1950’s Sociologists and Psychologists
 - Arnold Mitchell @ SRI “Values Attitudes and Lifestyles”
- **Key Ideas:**
 - Define market narrowly enough to dominate served segments
 - Segments drive product definition and messaging
 - Segmenting different than competitors is integral to strategy
- **Examples**
 - Southwest Airlines
 - Starbucks

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Company vs. Product Positioning

- **Who and When:**
 - 1923 Claude Hopkins “Scientific Advertising”
 - 2001 Jack Trout, Al Ries “Positioning: The Battle for Your Mind”
- **Key Ideas:**
 - Your company and products (and competitors) occupy a “position” in customers minds
 - Company positioning follows product positioning
 - Show customer great products
 - Position company as great because you have great products
 - Customer will believe you have great products because you are a great company
 - Customers won't believe products outside of “company position”
- **Example:**
 - Apple Computer

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De-positioning competitors

- **Who and When:**
 - 1985 Regis McKenna, “The Regis Touch”
 - 1996 Michael Porter, “What is Strategy”
 - 2005 Kim and Mauborgne, “Blue Ocean Strategy”
- **Key Ideas:**
 - Weaken NEED for competitor’s strengths
 - Strategy is about what you choose not to do
 - Not doing freed up resources to interlock business processes
 - Business model difference creates competitive advantage beyond product cycles
- **Examples:**
 - Southwest Airlines
 - Google (Simple...but not lacking complexity)

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The rule of 3 and 4

- **Who and When:**
 - ~1978 Boston Consulting Group
- **Key Ideas:**
 - Cost (pricing) advantage is proportional to Market Share
 - From this you can derive (absent managerial mistakes) that mature market shares are:
 - 1st Competitor 50%
 - 2nd Competitor 25%
 - 3rd Competitor 12.5%
 - All Others combined 12.5%
 - Reducing price to combat competitors loses more at existing customers than increasing share => A market in equilibrium
- **Examples:**
 - Many... Including Beverages, Automobiles, Airlines, Specific semiconductor devices
 - GE: Jack Welch "Must be #1 or #2 in all businesses"

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Will customers believe your message?

- **Who and When:**
 - 1990's Regis McKenna "The Regis Touch"
 - 1990's-2000 Sociologists and Psychologists
 - 2000 Malcom Gladwell "The Tipping Point"
- **Key Ideas:**
 - How do people recognize the truth?
 - Three perceived independent sources
 - Positioning involves influencing the independent sources
- **Examples:**
 - Numerous

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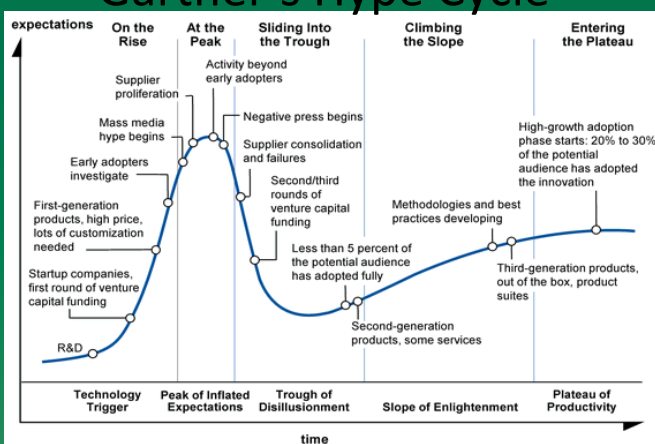
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Crossing the Chasm

- **Who and When:**
 - 1991 Geoffrey Moore “Crossing the Chasm” Regis Mckenna
- **Key Ideas:**
 - Discontinuous Innovations go through a “chasm” or big delay to broad adoption
 - Chasm is caused by early pragmatists needing support from early pragmatists OR Infrastructure (a total product) that cannot be provided by one company
- **Examples:**
 - Gartner’s “Hype Cycle” (they publish for many technologies)

Gartner’s Hype Cycle



Energy Barrier to Change

- **Who and When:**
 - 1993 Marv Patterson “Accelerating Innovation”
 - 2010 Jeff Thull “Mastering the Complex Sale”, Prime Resource Group
- **Key Ideas:**
 - Analogy with chemical “Activation Energy” needed to reach a transition state
 - Productivity declines while implementing and learning new systems... before the benefits accrue
 - Companies must understand and be confident in benefits to maintain conviction during the change
- **Examples:**
 - 1990’s Large SAP enterprise and ERP software rollouts

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Innovator’s Dilemma

- **Who and when:**
 - 1997 Clayton Christensen (Harvard) “The Innovator’s Dilemma”
- **Key Ideas:**
 - Your customers will not lead you into new markets
 - Innovation comes from outside the existing infrastructure (disruptive technology nurtured outside of existing market)
- **Examples:**
 - Disk drives 8” to 5” to 3” to 1” were first adopted in a new product/company but then replaced the earlier generation
 - GNU Linux in the data center
 - “Software eating everything” –Mark Andreessen

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Profit Pools

- **Who and When:**
 - 1998 Gadiesh and Gibert, “Profit Pools” A Fresh Look at Strategy” Harvard Business Review
- **Key Ideas:**
 - Company’s typically size revenue instead of profits in making strategic plans
 - Causes problems by missing opportunities or being stuck in shrinking profit segments
 - Shrinking profits = unable to invest = unable to compete in new opportunities
- **Example:**
 - 1960’s General Electric exiting semiconductors
 - 2011 Hewlett Packard considering exiting PC’s

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Balanced Scorecard

- **Who and When:**
 - Kaplan and Norton “The Balanced Scorecard”, Harvard Business Review
- **Key Ideas:**
 - Structured planning and performance framework
 - Link strategic planning to operational metrics and incentives along 4 axis each with objectives, measures, targets and initiatives
 - Customer
 - Internal Business Processes
 - Learning and Growth
 - Financial
- **Examples:**
 - 2010 Most widely used framework - Bain & Company Survey

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SWOT Analysis

- Who and When:
 - Albert Humphrey SRI International
- Key Ideas:
 - Structured planning framework
 - Used for product, place, industry or person
 - Strengths, Weaknesses, Opportunities, Threats