

# [The mind of a marketing manager assignment](https://assignbuster.com/the-mind-of-a-marketing-manager-assignment/)

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Thinking: The mind of a marketing genius Thinking: The mind of a marketing genius \* Where are the best opportunities for your business today? How do you stand out in crowded markets? How do you deliver the best solutions for customers, and the best returns to shareholders? \* Where should you focus amidst this complexity? What is your competitive advantage? Which markets, brands, products and customers should you prioritize in order to maximize value creation? \* What is your defining purpose? How do you reflect the aspirations of your stakeholders?

How could you make more of your brand, in new markets or applications? And how do you capture its full impact over time? \* Who are the customers for your business? How do you gain real insight into what they want? How do you embrace CSR, and address wider ethical issues? How do you create a truly cus tomer-centric business? \* How do create more radical innovation? How do you disrupt the existing market conven tions in order to create a significant and sustainable difference? How do you innovate markets and business as well as the solutions themselves? TRACK 4 STRATEGY Designing your business from the outside in ‘ Discovery consists of looking at the same thing as everyone else and thinking what nobody has thought. ‘ Albert Szent-Gyorgi ‘ What do you want to achieve or avoid? The answers to this question are objectives. How will you go about achieving your desired results? The answer to this you can call strategy. ‘ William Rothschild ‘ Ultimately, we wanted Nike to be the world’s best sports and fitness company. Once you say that, you have a focus. You don’t end up making wing tips or sponsoring the next Rolling Stones world tour. Phil Knight Most business strategies are inadequate for today’s markets. They lack context and differenc flexibility and engagement. They often miss the bigger opportunities, and avoid the more diff cult but important choices for business. They are more about consensus than competitivene; standing still rather than moving forwards. marketing geniu? More intelligent strategy Driven. Defining business priorities outside challenge and customer needs Focused. Focusing on the best value creating markets, products and customers, doing few things better.

Differentiated. Ensuring that strong and ! ?? sustainable competitive advantage sits at s the heart of the business. r; DESIGNING YOUR BUSINESS FROM THE OUTSIDE better than the conventional industry wisdom, and the flexibility to adapt to changing markt They are often developed remotely from those who must be engaged to make them happ They fail to make the difficult choices of audiences or products or priorities – choices wh people are not often fond of making, and are unlikely to be favourable to everyone. They for to put competitive advantage at their core.

As a result, strategies are devalued as a paper exercise to justify budget submissions, comp mised as soon as the people are asked to stop doing what they have always done, but dc want to, and end up being rather similar to the strategy of every other company in the sec They lack the decisiveness, direction and focus that a business needs today. Types of strategy [pic] Market Strategy Brand I Marketing Strategy I Strategy Marketing should be the driving force of business strategy, ensuring that it is driven by the challenges and opportunities in markets, and defining where and how to compete, and how to win. Strategy is about direction: clarifying vision and objectives, enabling clarity of organiza tional purpose, alignment and momentum. \* Strategy is about choices: deciding where and how to compete, prioritizing which markets and customers, which brands and products to focus on. \* Strategy is about differentiation: finding a sustainable source of competitive advantage, and how to deliver it in a compelling, profitable way. However, most business strategies are inadequate for today’s markets. They are developed without sufficient context, they are developed inside out rather than outside in.

They promote evolution rather than revolution, avoiding hard decisions, seeking to do what is currently done, even if it is increasingly out of synch with the market. They lack the stretch to see the future [pic] Customer Strategy Strategy itself is a widely misunderstood term. As a word it is often misused as tactics – ‘ Wh our strategy to win this sale? ‘ – or as a plan – ‘ What is our strategy for next year? 1 The real= marketinc genius that strategy is about a sustained approach, requiring flexibility and review in a fast-changing world, but typically scoped over at least three years. Corporate strategy is about the overall organization’s purpose, the mission of the com pany, and the vision of what such will look like. This drives what business areas we should be in. It sets the context. Brand values and culture should align to this, providing a clear articulation of the purpose in a way that captures the difference from others, and how it is relevant to the audience. \* Business strategy typically refers to a specific business unit, e. g. sports cars, trucks, aero space.

At its simplest it defines where and how to compete in each chosen market, and the business model and resources which will be required in order to achieve this. \* Market strategy is the core part of the business strategy, and offers marketers a ‘ higher domain’ in which to influence the business direction, focus and priorities. \* Marketing strategy is then more functional and operational – defining how brands, prod ucts, channels and communications must be developed and deployed in order to achieve success.

Novartis provides a great example of market thinking driving the business. REtD companies, like technology companies, are typically driven by their products rather than their audiences. A drug development pipeline could last for 10 years, for example. In Novartis, the marketing team drive the strategy, and thereby the strategic prioritization of new investments and innovations. While the pipeline is determined by highly technical inside-out opportunities, it is the outside-in market perspective that drives its priorities. DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN Outside in

Strategy development so often starts with where are we now, rather than where could we be? ‘ Where are we now’ thinking is typically an internal perspective of what products and capabilities do we have, and how can we use them at less cost to drive more revenues? Yet, while the blinkers are on improving current performance, the market and the best opportunities might be passing the organization by. In fast-changing markets, improvement is increasingly a route to irrelevance. Markets are the source of change, disruption and possibility today. Markets change at a far greater pace than companies.

Therefore, the best opportunities, the best strategies and best performance are typically arrived at by anticipating and responding to external change. The demand for improved results, faster growth and higher margins merely shapes the challenge rather than provides a solution. The solution comes by thinking ‘ outside in1 – where are the best markets? What is the best fit with our brand? How can we seize these opportunities better than^thers? What products and services will we need? Will it deliver a superior return for our shareholders in the long term?

While ‘ core competence1 thinking used to be the foundation of where to focus, ‘ market opportunity’ thinking now matters more. Of course, there is a balance between the two perspectives and the point is that where you start defines the frame of reference for everything that follows. MaTket strategy Markets should be the driving force of business strategy, embracing market insight to define how the external environment is changing, and to identify the biggest challenges and opportunities for business. marketing genius DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN [pic] Market Strategy

Focus resources on the most attractive markets Secure competitive advantage in these markets Create an approach to do this profitably and in a sustainable way There are three dimensions to a market strategy: \* Where to play – a rigorous analysis of emerging and existing markets, future profit streams and competitive intensity, leading to choices of which markets to focus on, and which not. \* How to compete – in terms of what to offer customers, how to offer it, and how to be different from competitors, and thereby how to secure lasting competitive advantage. How to win – identifying the most appropriate ways to win, even considering new business models and new criteria for success. This requires a more stretching vision for the market and what success looks like in it, a more considered evaluation of what will create and sustain advantage and a more disciplined focus on the few best opportunities. It demands tough choices: ‘ How can I choose between so many great opportunities? ‘ you might cry after considering the many new areas in which you could grow your business.

Indeed, when markets have no frontiers, when brands increasingly reflect lifestyles rather than any particular product, and when the relentless pace of technology outruns our ability to apply it, there is no shortage of choices. \* Which of the many creative ideas should we make happen? \* Which of our customers should we focus our effort on? \* Which products should we promote ahead of others? \* Which channel partners should we build relationships with? Making choices While decision-making at corporate level is typically driven by financial criteria, in marketing we often fail to apply similar rigours to our decisions.

Of course, we fear that the financial criteria will create short-term, non-customer blinkers. In most cases this is unlikely. It certainly does not mean doing whatever it takes for ‘ a quick buck’. Similarly, marketing decisions are often based more on logic and fit, insight and attractiveness. These are equally important criteria, which in reality should drive the financial analysis. Of course, the ultimate criteria for any decision, to decide strategic direction, to approve investments, or anything else for that matter, should centre on the question ‘ will this increase the long-term value of the business? In companies owned by shareholders, this typically means ‘ what will increase the long-term return to our investors? ‘ which is achieved by growth in the value of their investments, and dividends they might receive at various intervals. From the internal perspective this can be addressed in the form of ‘ will it deliver a return to shareholders that exceeds their expectations? ‘ or in financial language, ‘ will it deliver a stream of economic profits greater than the cost of capital? ‘ marketing eerfus DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN

This question is answered by evaluating the likely future profit streams deliverable by the chosen strategy, in terms of: Accelerating growth (that is, growth in profits). Improving margins (ideally economic profit). Reducing risk (and thereby the lower ??/o by which these future profits are discounted). Marketing decision-making needs to develop a set of criteria that are realistic and appropriate to the business goals. The choice of criteria can make a huge difference to the decisions you make, and judgements about what will be successful and what will not.

Marketing choices are often complex, comparing not only alternative approaches – such as how much to spend on advertising relative to direct mail – but also between dissimilar initiatives – e. g. how much to spend on advertising versus investment in new product development which may not pay back for many years. Thedecisions might come in all shapes and sizes: Strategic choice of new markets. Product portfolio rationalization. Targeting the best customers. Allocation of marketing budgets. Structure of brand architecture. Pricing changes. Optimization of media mix. Capital investments. Performance rewards. We are still tempted to think that biggest is best – however, market share or sales or profits are not necessarily the best thing to have; and small companies focused in economically profitable niches can often deliver far better returns than others. Imagine the European car market where identifying the ‘ market leader’ depends on your criteria for success. Ford might be a clear leader in terms of volumes and revenues. Lexus might lead the field on customer satisfaction, while Mercedes gains the highest level of loyalty. Volkswagen might come out tops measured on profit.

However, if Porsche delivers the best economic profit, and the best return to shareholders, then it is the rightful market leader. We jump to the assumption that volumes, market shares and even customer satisfaction are the key measures of business performance yet, while all are often useful to achieve, there is no guarantee that any of them will lead to success. Indeed, the impulsive desire to serve everyone and, worse, to be all things to everyone is the downfall of many a company. Trying to be all things to everyone, but ending up not being special for anyone. Inspiration 4. 1 JETBLUE

Jet Blue is the revolutionary airline that has brought style to a price-discounting market, offering spacious leather seats, each equipped with 36 channels of live satellite entertainment, while most of its competitors crumbled around it. Launched by David Neeleman, Jet Blue now serves 30 carefully selected US and Caribbean destinations with a fleet of 68 new, environmentally friendly Airbus A320 aircraft. The airline succeeds competitively and financially by combining innovative, high-quality service with low fares to build a loyal following. Neeleman followed his previous successes with marketing; genius pic] Premium airlines typically include Low-Cost airlines typically include Business focus New planes Inflight service Luxury interiors Hi-tech facilities Leisure focus Direct sales Ticketless Simple fares Few routes Morrii Air, which he sold to Southwest, and Open Skies, a simple yet powerful reservation system sold to Hewlett Packard. In 1999 he secured $130 million capital funding, rejected the thinking that ‘ no-frills’ was the only future for airlines, and judged that the time was right to ‘ bring humanity back to air travel’. Jet Blue combines the alternative conventional pproaches to create a new, distinctive and profitable airline DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN When asked how he has done it, Needleman identifies four priorities: 1. Start with lots of money – Jet Blue is the best capitalized airline start up in history, able to invest leading-edge products. 2. Fly new planes – Jet Blue’s new fleet of aircraft are more reliable and more fuel efficient, and have faster turnaround times. 3Hire the best people – Jet Blue screens new employees rigorously, trains them well and gives them the best tools, enabling and motivating people. Focus on service – offer the best experience you can, driving customer retention and word of mouth recommendations among target audiences. Source: jetblue. com Jet Blue, rather than Southwest Airlines, is now winning all the customer satisfaction awards, a rare beacon of profitability in a struggling sector, and an inspirational case study for achieving both customer and business success. Application 4. 1 MARKET STRATEGY The success of Jet Blue has been in choosing what to offer and what not to offer.

Instead of thinking in dimensions of ‘ full service, high fare’ or ‘ low service, cheap fare’, Neeleman has created a different approach. He offers some aspects of full service better than anybody else – while at the same time eliminating in-flight meals, paper ticketing and the complexity of round-trip bookings. It is this unique combination that attracts customers, enables radical differentiation and sustains a high margin. Which markets should you be in? Where are the hot spots and white spaces? How should you be positioned in these markets? How will you deliver long-term value creation in them? arketing geniii? r DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN 1. Business context Concept 4. 1 MARKET PERSPECTIVES Understand the wider business strategy and objectives, and thair implications for markets and manxeting 2. Evaluate the opportunities Having mapped the broader markets consider their relative competitiveness and potential economic value. 3. Where to compete Choose which markets or sub-domains the business should focus on to deliver goals and long-term value. z 4. How to compete Find sources of sustainable competitive advantage in this markets, and what it means for products, channels etc. . How to win Design a business model tnat will maximize value and relative price positioning in each market 6. Strategies for action Develop marketing and innovation, brand and customer strategies to achieve this. Strategy is about direction. Direction depends on where you start. Constantly reshaping the markets where you start makes a big difference to what you see, and where you might end up. It therefore also requires perspective (a viewpoint on the potential landscape around you) and posture (how you will engage with it).

Markets can no longer be put in boxes, drawn with clear borders, and brands don’t operate in singular domains – witness Nike’s huge range of watches and eyewear, Burberry offering a wide range of shoes in partnership with Dr Scholl, and Stella McCartney’s swimwear for Adidas. Brands and partnerships, fashions and consumers all break down the traditional boundaries for competition. Having perspective Every player is likely to have a different perspective on a market. A key aspect is to understanc market adjacency. The markets adjacent to one player might be different from a competitoi depending on the perspective.

Adjacency can be described on any axis, but most typically ir dimensions such as the following: \* Customer – who else could the same products be sold to, in their existing or some deriva tive form? \* Product – what additional products and services do customers seek when they buy ours^ Somebody who buys coffee also wants to buy milk, sugar, biscuits and cakes. \* Capability – what other kinds of products and services could we develop using our skill and knowledge? A paper manufacturer may get into packaging, a restaurant into out sourced catering. \* marketing genius Networks – what other kinds of services could use our distribution network? This will likely generate a high number of adjacent market possibilities, while also demonstrating how many markets are in close proximity, and therefore contain brands probably just as interested in reaching into your own sector, perhaps creating new forms of competition as they link previously unrelated capabilities and applications. Having a posture Market posture depends on how you relate to others. As markets change, you can either shape your own destiny or be shaped by somebody else’s. Market-shaping

Radically innovative Defining standards Customer-driven Customer intimate Personal service Market-driven Customer generic Category killers Customer-focus Customer aware Product thinking – Concept leaders – As conventions, standards and regulation rapidly evolve, they are shaped by those who are the leaders, the innovators, and the most influential. In the simplest terms, you can be a leader or a follower: T DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN \* Leaders can shape new markets on their own terms. They can establish new ways of work ing, new formats for products, new pricing structures.

They can grab the best customers and seek to retain them. They can charge more for new solutions, while also building bar riers to entry or imitation. \* Followers can learn from the mistakes of leaders. They can observe which aspects of inno vation work, and avoid those that don’t. They can imitate and evolve even better ideas. They can catch the second wave of customers, who are typically more numerous. They can undercut the leaders, and sometimes make them irrelevant. Land Rover created the first sport utility vehicle (SUV) almost 40 years ago.

However, it never made the most of this leadership, perhaps because it didn’t see what it had with sufficient perspective, and it was those that followed that made the category attractive and profitable. Meanwhile, Apple strongly influenced the future market for download music through its hardware and software, establishing a business model that music companies find acceptable, and competitors find hard to compete against. On top of this ‘ leader versus follower’ approach is whether you take a market-wide or customer-specific approach.

Do you seek to drive or be driven by the market as a whole, or do you more intimately want to drive or be driven by the need of individual customers? The customer approach is good in that it is more focused on the niche audience that you specifically seek to serve, but limited in that it is driven by their needs, while the market itself might be moving in a different direction. In the B2B market, where a company may only have a small number of customers, working to the requirements of the individual customer might build a strong relationship; however, if the customer loses sight of the market then your own fate is very much in their hands.

In reality you need to pay attention to customers and the wider market. marketing DESIGNING YOUR BUSINESS FROM THE 0UTS1D) Bringing these postures together – leading and following, broad and narrow-focus – creates options for your ‘ playing style’ in the competitive marketplace. Inspiration 4. 2 SKY TV Sky has changed our viewing habits, and our social behaviours too. With more than 17 million viewers in 7 million UK households, Sky now offers an unprecedented choice of movies, news, entertainment and sport.

Not only that, but it has also been smart in signing up the content that is most in demand – not least Premiership football – in order to entice terrestrial viewers, and charges a premium for it. Sky sees the main benefits of digital technology as the ability to provide greater choice and flexibility. James Murdoch, Sky’s youthful CEO, argues that ‘ Customers are demanding more and more in the way they consume media, the way they consume entertainment in the home with their family. ‘ Sky sees this trend continuing to grow, with more connectivity between devices, and two or three set-top boxes in many homes.

Sky+ has been the most successful innovation, a personal video recorder, even if the ability to skip ads could damage more traditional revenue streams for the business. Advertising represents an important 8% of total revenues, and so sees the challenge as ‘ to think about different ways and innovative ways to continue to bring brands to consumers in more engaging ways’. Resolving this dilemma requires more experimentation into interactive forms of advertising, making them more contextual to programmes, and more valuable to customers. Now that it reaches 30% of homes, the focus has moved from land-grab to profitable delivery.

Sky+ has brought personal choice and recording in a way that Tivo failed to achieve, while the licensing of its own channels – such as Sky News and Sky Sports – to cable and digital networks has extended its reach. James Murdoch now has the challenge of sustaining the relentless growth demanded by his father. sky Sky, the world’s fastest growing digital platform has BSkyB valued at ? 4. 6bn as result of 17% floatation in UK and US 8m digital subscribers with ?? av. revenue approx. ? 400 Sky launches the UK’s first “ Direct to Home” Satellite TV and around 9% churn BSkyB becomes profitable Pays ? 70m to exclusively retain football ? 304m deal with FA Premier League Sky merges With rival BSB to form BSkyB BSkyB launches digital service with 140 channels Launches Sky+ a fully integrated personal video recorder Launch of new channels including Sky Sports 1 million analogue subscribers [pic] Free digital boxes and dishes ‘ 2000 1990 1995 Source: sky. com Application 4. 2 MARKET SELECTION Which markets should you choose to play in? Where are the best emerging opportunitie create value through a compelling and distinctive proposition for customers that achie our strategic goals and delivers value to shareholders? arketing genui? DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN | 1. What is adjacent to you? | | | | | | Consider your current market and! | | | | | | 3 | | | | | |: cur^andjeWergJ^^ | | | | | | | | | | | | | | | | | | | | 2.

Mapping adjacent dimensions | | | | Map out axis from your current | | | | position based on ‘ what’ | | | |(propositions), ‘ how’ | | | |(capabilities) and ‘ why’ | | | |(applications). | | | | 3.

Defining evolving activities | | | | an; e;(istir^rp^^! t^n| Sii| fvojye?? K | | | | 4. Connecting the markets | | | | Connect the axes along lines of | | | | decreasing practicality, for | | | | example using high, medium and low. | | | | 5.

Evaluating their potential | | | | | | | | | | | | | | | | | | 6. Selecting new markets | | | | | | Identify the existing and adjacent | | | | | | markets best fit and potential as | | | | | | part of your market strategy. | Concept 4. 2 MARKET FOCUS

Strategy is about choices. Strategy demands a focus of effort, deciding where your priorities lie and, by implication, deciding what you will not do. This is where organizations become unstuck. They hate saying no to opportunities and, even more, they hate stopping what they currently do. Many times has a CEO said, ‘ We must focus on doing fewer things better’, but then finds it all too difficult to dispose of a long-standing part of the business, or a heritage brand, or to say no to entering a certain market, or serving particular segments of customers. We shy away because we aren’t completely convinced it’s the right thing to do?

Because there might be strong reasons for and against it or, with eternal optimism, one might believe that an under-performer will come good again. And even if we had total clarity, we still need the guts to do it, to reject an audience that we have always served, to endure the backlash of a diminishing audience that hankers after an outdated product. Then there are the implications for employees, intermediaries and suppliers. Unilever, the consumer goods company with brands ranging from Persil to Knorr, boldly announced how it would reduce its brand portfolio from 5000 to 500, and then eventually to 50 brands.

While initially these brands were local by-products of acquisitions and easy to substitute without loss of business through mainstream rebranding, it then got harder as whole businesses with significant cash flows were stood down. While rationalizing your portfolio by 99% might seem a little optimistic, most companies could probably find that 60-80% of what it does is fairly marginal to its overall business performance – the creation of long-term shareholder value. marketing genius Which portfolios should you be considering? \* Markets – by geography or sector. Customers – intermediaries and consumers. \* Brands – business units or product ranges. \* Products – products and services. While a conventional marketing approach to portfolio analysis would be to consider the ‘ life cycle’ of products (using the classic revenue growth versus market share Boston Matrix, for example), this needs to be enhanced with a financial understanding of the likely short- and long-term returns. However, while considering the profitability of each entity (market, brand, product, channel) within the portfolio is useful, this does not identify the real value creators.

Considering ‘ economic profitability’ raises the bar to incorporate the minimum expected return by shareholders – i. e. they expect a return of say 9-10% (depending on your business and sector), and ‘ value creation’ only happens beyond this level. Economic profit, which is operating profits less the ‘ cost of capital1 (i. e. the minimum expected return), therefore ‘ rebases’ the criteria for real success. This enables you to focus on the real ‘ value creators’, and to halt further investments in, or efforts to sell more of, the ‘ value destroyers’.

Of the latter, even if they appear somewhat profitable, every additional sale will generate revenue, but destroy value. The challenge in these cases is to re-engineer or reposition the brands or products so that they do deliver an economic profit, or otherwise to dispose of them in some way. T DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN [pic] Economic Profit Operating Profit Value Creators Value Destroyers Inspiration 4. 3 ENTERPRISE Enterprise Rentacar prides itself on being ‘ a big company with the feel of a small business’.

In less than 50 years the company founded by Jack Taylor has rocketed from a single car dealership to the top of the rental car industry. Taylor’s values were to treat employees and customers like family, and never compromise on the commitment to superior customer service. Enterprise has quietly grown to become the largest car rental company in North America by rejecting the conventional wisdom of focusing on holiday and airport locations. Instead Enterprise and its 57, 000 staff, who all share in the business success, have grown up in the inner cities, focusing on short-term and replacement rentals.

The company now generates over $7 billion from its 600, 000 cars. Previous car rental leaders Hertz and Avis now need to try even harder. kefjng jenius : rprise people share an incredible entrepreneurial spirit more associated with a small com-/, working customer by customer, car by car, to be the best rather than the biggest. Their ice culture and market focus enables them to charge a market premium, and to rapidly ?? r new markets that to the conventional eye would appear saturated. ; e principles are the focus of every action, every day, and are captured and sustained ugh Enterprise’s’Cultural Compass’.

The compass ensures that all employees are focused on aging the communities in which they operate, improving diversity throughout the business, contributing ‘ hours and dollars to the causes that matter the most’. ig the way, Taylor has created thousands of millionaires out of employees who work hard share in Enterprise’s success, by tying rewards to long-term value creation: ‘ We are not tied to our success. We have to earn it, each and every day’. : rprise has recently set about reshaping its business to ensure more success in the futuVe. / the largest car rental firm in the US, it is rapidly moving into new markets, particularly jpe.

While the target customer remains those seeking short-term hires for weekends or e their car is getting repaired, Enterprise is at last testing the airport market too. rental is still its focus, and indeed it recently spun off its non-automotive businesses that ehow grew with its success – an unlikely portfolio of balloons, footwear, golf courses, hotel nities and prison supplies – to form the Centric Group. ??? plication 4. 3 PORTFOLIO ANALYSIS ch products should you have in your portfolio? What are your evaluation criteria to erstand their short- and long-term value potential?

Which should you focus on, remove, add? What difference would this make to the coherence of the portfolio? Similarly, what DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN is the best make-up of your portfolio of markets, your brand portfolio, and your customer portfolio? | 1. Measure profitability | | | | | Consider the revenues, profits and | | | | | | economic profit of each market, | | | | | | brand, product or customer. | | | | | | | | | | | | | 2. Evaluate current performance | | | | Distinguish the value creators from| | | | the value destroyers using current | | | | Performance. | | | | | | | | | 3.

Evaluate long-term potential | | | | Evaluate the lifestage and growth | | | | potential of each product .. (like | | | | a Boston Matrix). ‘ | | | | | | | | | 4. Compare relative value | | | | Calculate the NPV of the future | | | | profit streams of each product. | | | | | | | | 5. Consider the portfolio integrity| | | | Identify any products essential to | | | | the integrity or coherence of the | | | | portfolio. | | | | | | | | | | | | | | 6.

Focus on what matters most | | | | | | Focus on value creators, eliminate | | | | | | the value destroyers, and | | | | | | re-engineer borderline cases. | marketing genius DESIGNING YOUR BUSINESS FROM THE OUTSIDE IN Best products Innovative solutions Product Leadership Market leaders must be good at all three ‘ value disciplines’ but choose to excel at one. Concept 4. MARKET ADVANTAGE Strategy is about differentiation. Competitive advantage, as most non-marketers call it, or differentiation, as termed by marketers, sits at the heart of any strategy and is the source of business success. In a perfect market, a commodity will never deliver a return to shareholders beyond their expectations. Differentiation is the source of added value, of exceeding expectations, of achieving market and financial performance. It is far more than a name, a colour, a strapline and a few added extras.

It needs to be meaningful and sustainable, strong enough to define the types of people and capabilities required by the organization, and strong enough not to be imitated by competitors. Value disciplines’ were developed by Michael Treacy and Fred Wiersema to understand the orientation that the whole business must embrace in order to achieve leadership. Their theory provides a simplistic but useful thinking model, and argues that there are three disciplines through which any company can become a leader in any sector: Product leadership – these companies have an obsessive focus on innovation and quality in order to offer the best products. Sony or Coca-Cola are examples. \* Customer intimacy – these companies have an obsessive focus on service and relation ships in order to offer the best solutions. Dell or Lexus are examples. \* Operational excellence – these companies have an obsessive focus on efficiency and con sistency in order to offer the best price. Aldi or Toyota are examples.

The model requires that a market leader must be ‘ good’ at all three, but must specifically choose one area in which to truly excel, to be better than anybody else, and to be known for this as its source of competitive advantage. Of course, most companies will argue that today they Best relationships ^?? rHpil^B^n?? H Best price Customized solutions^^BBSBBaS^^m^^???????????????? i^^^ Efficient solutions Source: Adapted from The Disciplines of Market Leaders by Treacy and Wiersema need to be exceptional in all three areas; however, this is unlikely to enable focus and truly unmatchable difference.

Another reason why differentiation so often seems obvious yet inadequate in organizations is due to the primacy of the customer. If each competitor does the same market research, and seeks to meet the same customer needs, then they are likely to end up doing exactly the same – commodities that meet needs but cannot sustain a price premium. Marketers must work much harder to interpret and apply strategic thinking, competitive and customer insight, in a distinctive way. Application 4. 4 COMPETITIVE POSITIONING How can you stand out in highly crowded markets, find a source of differentiation which is meaningful and difficult to imitate?

What are the implications of this positioning for your whole business in its core competencies, its strategic priorities and its business model? How [pic] DESIGNING YOUR BUSINESS FROM THE OUTS will you deliver it in words and actions? How is it manifest in your brand, and how will it tangibly add value to customers throughout their experience with you? Inspiration 4. 4 JOHNSON a JOHNSON 1. Identify the competition Consider the nature of competition in target markets: existing and emerging players, and how they are different. 2. Profile strategic positionings

Evaluate each competitor in terms of their ‘ value discipline’, both in reality and how perceived. 3. Profile customer needs ^luaiicjJ^pl^li^^iT^rj^in^ 4. Profile profit patterns Map the profitability of customers and competitors, understanding the the most valuable positions. 5. Choose the best positioning Select a position that is most attractive and least competitive for your brand to be distinctive and successful. 6. Develop value propositions Consider what it would take to achieve market leadership in this discipline, and how to articulate its customer benefits. Our Credo

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers’ orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit. We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual.

We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfil their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical. marketing genius We are responsible to the communities in which we live and work and to the orld community as well. We must be good citizens – support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources. Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched.

Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return. Source: jnj. com TRACK 5 BRANDS Finding the big idea that defines you ‘ A great brand taps into emotions. Emotions drive most, if not all, of ourdecisions. A brand reaches out with a powerful connecting experience. It’s an emotional connecting point that transcends the product. ‘ Scott Bedbury Image is a reality. It is the result of our actions. If the image is false and our performance is good, it’s our fault for being bad communicators.

If the image is true and reflects our bad performance, it’s our fault for being bad managers. Unless we know our image we can neither communicate nor manage. ‘ David Bernstein Brands are about you, not me. Brands are about people not products. Brands are about customers not companies. A great brand is one you want to live your life by, one you trust and hang on to while everything around you is changing, one that articulates the type of person you are or want to be, one that enables you to do what you couldn’t otherwise achieve. marketing genius

More intelligent brands Purpose. Having a big idea that defines everything that your brand does for people, as a business or a product. f I Compelling. Engaging target audience through functional, comparative and emotional dimensions. Realization. Managing the brand to drive the business and its people, current and future markets. ??”????:????’???? ????-“??'”??- Brands were originally developed as labels of ownership. However, today it is what they do for people that matters much more, how they reflect and engage them, how they define their aspiration and enable them to do more.

Powerful brands can drive success in competitive and financial markets, and indeed become the organization’s most valuable assets. Yet there are few great brands around. Most brands are still labels, relying too strongly on brand names and logos, and focused too heavily on the companies and products that they help identify. They are articulated through superficial straplines and delivered through generic service. They make promises that the organization struggles to deliver, often failing to even attract attention, and rarely gaining the trust of sceptical customers.

Powerful brands have the ability to cut through the noise and competitiveness of markets, and to engage and retain the best customers in a way that delivers superior financial results in both the short and long term. FINDING THE BIG IDEA THAT DEFINES YOU A powerful brand is one that: \* Defines a compelling purpose, a big idea that stands out from the crowd, that goes beyond the product or industry, and really matters to people. \* Reflects the customer, builds an image and reputation in the mind of the customer that has personal relevance, even if it alienates others. Engages customers in together achieving the big idea, delivered in a style through which people say, This is my kind of company’. \* Enables customers to do more, reinforcing the benefits and supporting their application, but also enabling physically or emotionally to do even more. \* Anchors customers around something familiar and important, while all else in the market, or in their personal world, continues to change. \* Evolves as markets and customers evolve, with the portability to move easily into new markets, and the glue to connect diverse activities. Attracts the target customers, building preference, driving purchase behaviour and sus taining a price premium. \* Retains the best customers, building their loyalty, introducing new services and encourag ing advocacy. \* Drives shareholder value, not only through profits, but also by improving investor confi dence, credit ratings and reducing cost of capital. A powerful brand does all of this. However, a brand that attracts great attention because of its impressive ads, and that is perceived to be cool and desirable, and drives huge demand, is still not ‘ powerful’ unless it can also convert this demand into sustained profitability. arketing genius Reflecting and engaging people If brands are about people rather than products, then the big idea around which they are formed is more to do with what it does for people rather than the company. There are a million models of a ‘ brand’ – however, in common are three simple components – rational, comparative and emotional. By collectively defining what it does for people, differently from anything else, and how it makes them feel, we articulate ‘ the essence’ of the brand. To be compelling and enduring, this is typically a far more profound idea than product, company or even sector-related benefits.

It reflects aspirations rather than just needs; it provokes rather than just informs. [pic] What do you do for people How do you do it differently? How do people feel about you? The brand idea is then delivered through every possible medium that the organization can utilize – from names and logos to leaders and buildings, products and services to advertising and brochures, colours and packaging to uniforms and interiors, culture and behaviours to training and rewards. Every aspect of the corporate or product ‘ experience’ can deliver the brand in FINDING THE BIG IDEA THAT DEFINES YOU tangible and intangible ways.

As Jan Carlson, former CEO of airline SAS said, ‘ every person, every promise and every action is a moment of truth’. While business strategy will typically include logical mission statements and objectives, corporate brands capture the essence of why the business exists, and what it does for people. They use language and symbols that capture the essence of business concepts and customer promises; they use these symbols as more compelling shorthand to convey them. There should, of course, be strong alignment between the strategies and brands – both define the business rationally and emotionally.

Howard Schultz set up Starbucks out of frustration at the coffee quality in his native Seattle; however, the brand he created is much more than coffee. Schultz explains that he ‘ identified a third place, which I really believe sets us apart… not work or home, it’s the place our customers come for refuge. ‘ This drives the product range, the interior design, the service philosophy, the communications: the tall skinny latte is good, but the known routine and comfortable environment mean more.

Similarly, other brands give their organizations a core, engaging purpose, which connects all audiences emotionally in ‘ why we do business’. Internally, brands stir emotions and energize people internally and externally to reach for the higher-order benefits that they are working towards: \* For Nike… ‘ to do your best’. \* For Coke … ‘ to refresh’. \* For Microsoft… ‘ to help realize your potential’. Even the most dull, boring industrial sector, dealing in so-called ‘ commodities’ like cement or fertilizer can still create strong and compelling brands – look at Cemex or BASF, bringing real marketing genius

FINDING THE BIG IDEA THAT DEFINES YOU differentiation to the worlds of cement that dries faster, or fertilizer that makes your grass greener. However, the brand is more than what you do – in fact it is not even what you do. In reality a brand is defined by how it is received and perceived – the image and reputation that forms in people’s minds. A corporate brand is the reputation of the company. A product brand is the reputation of the product. Whether you think you are more likely to achieve a personal best with Nike rather than Adidas, or whether you believe that Coke is more refreshing than Pepsi.

A brand that does more for people, that reflects their personal needs and ambitions, that stirs emotions inside and tingles the hairs on the back of their necks has the making of a powerful brand. And, of course, if you seek to be special for some people, you will inevitably not engage others. A great brand is therefore rarely liked by everyone – it stirs up passions, it polarizes people, it alienates some, but is loved by others. As Kevin Roberts, worldwide CEO of Saatchi and Saatchi and author of Lovemarks, says about a brand and its core audience, ‘ a truly strong brand is one that you love deeply and unconditionally’.

Enabling people to do more Powerful brands enable people to do what they couldn’t otherwise do. They must do more than simply endorse functional products, either by helping them to do something physically, or by building confidence and belief in their minds. Sony, for example, is all about helping people ‘ go create’, encouraging their innovation and inspiring their action, helping them to do what they couldn’t previously achieve. Brands can typically help people to do more in four different ways: [pic] ‘ Doing’ brands I ‘ Belonging’ brands 2 a Functionally enables you to do something Connects you with other people like you -Transformational brands 0ovhat they seek to achieve better, through improved functionality or support. \* Be how they want to be perceived, through a strong identity that gives recognition and is admired by others. \* Belong to a community that they seek to be part of, through improved real or perceived connections. \* Become somebody more than they are, adding personal esteem or the capabilities and confidence to do what they couldn’t otherwise achieve.

Once a brand creates such a strong attachment with people, one that they find emotionally or practically essential to their lives, then the brand becomes an ‘ anchor’ that can be more trusted, more permanent and more desired than many other things. Without anchors we can easily become lost in the maelstrom of competitive intensity. Imagine the drinker who can’t get their favourite drink, or the weekly shopper whose visit to a certain supermarket becomes part of their routine, or the high-fashion wearer who stays loyal to heir favourite designer label. marketing genius Anchor brands give people something positive to hang on to, while their markets or even their personal worlds are constantly changing. This rollercoaster of desire and choice can destabilize even the most confident buyer, creating confusion and anxiety, prompting expense and insecurity. More messages, more alternatives, more functionality, more versions, more incentives … it can all become too much. Brands that reflect people more personally, and do more for them, are likely to be the best anchors.

Graphic designers hang on to Apple, serious runners hang on to Nike and business leaders continue to rely on McKinsey. However, brands that seek to serve mass markets, to mean something to everyone, and therefore struggle to have strong bonds with discrete audiences, are unlikely to become the chosen anchors. Brands like Marks ft Spencer, Reebok or Budweiser have succeeded by trading on mass popularity, convenience and ubiquity. What made them great could easily become their biggest handicap.

Levi’s is another company trying to find relevance in today’s world. When Nick Kaman took his jeans off in the famous 1983 TV commercial, the world wanted to buy his jeans. It was cool to be the same. However, in recent years the brand has seen a 65% decline in revenues, despite its increasingly frantic efforts to revive itself. In the past it was cool to be the same. Everyone wanted to be like him. Today, to be cool is to be different, and for young people that is likely to exclude wearing the same jeans as their parents, or even their peers.

Today, people are more different, and therefore brands must reflect these greater differences and recognize that to be king of a niche is better than foolishly trying to conquer the world. Driving short- and long-term value Brands attract and retain the best customers and, as a result, are able to charge more, sell more, more often. This drives improved margins and creates greater certainty of future incomes too. FINDING THE BIG IDEA THAT DEFINES Y Indeed, brands are increasingly one of the most significant drivers of shareholder value, incre ibly valuable intangible assets, increasing the quantity and likelihood of future profits.

These future potential profits, driven by the loyalty of customers to the brand, are often terrr ‘ brand equity’, and, indeed, a true reflection of the return on investment in a brand is o achieved by considering the brand equity that can drive current and future profits, rather th just comparing costs against short-term gains. However, brands can do even more than this. A strong corporate brand doesn’t just dr improved profits from customers; it also drives employee and shareholder behaviour too.

C porate brands have a strong and direct impact on employee morale, recruitment and retenti which can obviously flow through into better service for customers, ideas and productiv and human capital. Sears, the Canadian retailer, according to an article in Harvard Business Review, is able demonstrate that a 5??/o improvement in employee attitude drives a 1. 3??/o increase in custor satisfaction, which drives a 0. 5% increase in revenue growth. Sears reflects this employs customer-profit chain in their business objectives, to create ‘ a compelling place to wori compelling place to shop, and a compelling place to invest’.

For shareholders, as well as the effect of more profitable sales, a strong brand can impr; confidence through a better awareness and understanding of the organization, and a stron view of future performance. This perception and reality of reduced risk can lead to impro credit ratings and lower cost of capital, both of which can have a significant impact on economics of the business, as well as encouraging more investment and subsequent impro ment in the share price. [pic] marketing genius FINDING THE BIG IDEA THAT DEFINES YOU ^ 2. 6% STRONG BRANDS % 9. 5 pts difference TSR WEAK BRANDS -6. 9% Research concluded that companies with brands that delivered both tangible and intangible benefits generated TSR (total shareholder return) that were 9. 5 points higher than the TSR of weak brands. Source: McKinsey, Compustat Inspiration b. ] VIRGIN Virgin is one of the most diverse brands in the world. Led by their intrepid founder, chairman and owner Sir Richard Branson, Virgin believes in making a difference, standing for value for money, quality, innovation, fun and a sense of competitive challenge.

Virgin began in the 1970s with Branson’s first venture, a student magazine and small mail order travel company. Virgin searches for market opportunities where it can offer something better, fresher and more valuable than others. It often moves into areas where the customer has traditionally received a poor deal, and where the competition is complacent. With rapidly growing e-commerce activities, Virgin often looks to deliver ‘ old’ products and services in new ways. It is pro-active and agile, leaving bigger and more cumbersome organizations in its wake.

When Virgin starts a new venture, it is based on hard research and analysis. It puts itself in the customer’s shoes to see how it could make things better. Virgin asks some fundamental questions: Is this an opportunity for restructuring a market and creating competitive advantage? What are the competitors doing? Is the customer confused or badly served? Is this an opportunity for building the Virgin brand? Can we add value? Will it interac1with our other businesses? Is there an appropriate trade-off between risk and reward?

Today Virgin’s travel operations, led by 51??/o-owned Virgin Atlantic Airways, are among its biggest breadwinners. Virgin Atlantic is complemented by lower-priced cousins Virgin Express in Europe and Virgin Blue in Australia. The group also operates two UK rail franchises and sells tour packages through Virgin Holidays. Some of the group’s 200 other businesses include retail stores, music, video, computer games, balloon flights, beverages, bridal stores, cosmetics, financial services, health clubs, Internet services, mobile phone services, publishing, and a record label.

The Virgin Group is a family of businesses sharing the same brand, and therefore attracting similar types of customer, but run independently. Most of these businesses are joint ventures with other companies, combining skills, knowledge and market presence, as well as investment and risk. The power of the brand, the network of businesses, and the management style all contribute to the success of each business. Virgin sees its role as the consumer champion, with a set of brand values based on the six principles that Branson defined as what he wanted Virgin to be about when he first started.

Every Virgin company works hard to make these values mean more, bringing the brand to life in relevant and innovative ways: marketing genius FINDING THE BIG IDEA THAT DEFINES YOU 1. Value for money. Simple, honest and transparent pricing – not necessarily the cheapest on the market, e. g. Virgin Express and Virgin Blue – low cost airlines with transparent pricing where you only pay for the basics. 2. Good quality. High standards, attention to detail, being honest and delivering on prom ises, e. g. Virgin Atlantic Upper Class Suite – limousine service, lounge, large flat bed on board, freedom menu, etc. . Brilliant customer service. Friendly, human and relaxed; professional but uncorporate, e. g. Virgin Mobile, which has won awards for its customer service, treats its customers as individuals, and pays out staff bonuses according to customer satisfaction survey results. 4. Innovation. Challenging convention with big and little product and service ideas; innova tive, modem and stylish design, e. g. Virgin Trains’ new ‘ Pendolino’ fast tilting train with shop, radio, digital seat reservations and new sleek design. 5.

Competitively challenging. Sticking two fingers up to the establishment and fighting the big boys – usually with a bit of humour, e. g. Virgin Atlantic successfully captured the public spirit by taking on BA’s so-called dirty tricks in the mid 1990s. 6. Fun. Every company in the world takes itself seriously so we think it’s important that we pro vide the public and our customers with a bit of entertainment, e. g. Virgin Mobile UK launch was naked people in a transparent phone to show Virgin Mobile had ‘ nothing to hide1. Source: virgin. om bewildering models of brands to articulate your brand concept in a clear, practical and compelling way? 1. Map the stakeholders Consider all the stakeholders including customer, employees, shareholders -their issues needs and motivations. 2. Functional components Define functionally what the brand would do for customers. 3. Differentiated components Consider competitor brands and how the benefits would be different in a positive way. X 4. Emotional components Consider emotionally what your brand seeks to do for people. 5. Match to stakeholders

Chock that these choices are relevant and can be compelling to all Stakeholders 6. Articulate the brand purpose Application 5. 1 BRAND DEFINITION Capture the core purpose of the brand in a statement that builds on the three attributes. What is your big idea? What do you do for people? Who? How? Why is it better and different from any other brand? How do you cut through the many complex and psychologically market} FINDING THE BIG IDEA THAT DEFINES Y( Concept 5. 1 LIVING THE BRAND Brands increasingly define the business and, in doing so, what the overall business! oes for people. They connect the business to its context, to its customers and all other stakeholders. Strong brands connect companies with people, both emotionally and practically aid, most importantly, by ensuring the promises become realities over time. Brands define the purpose of business: they are the glue, the face, the relationship, and the reputation of business! Disney’s former CEO Michael Eisner suggests that ‘ a brand is a living entity – and it is ^nriched or undermined cumulatively over time, the product of a thousand small gestures’.

While brands used to be the domain of individual products, corporate brands are today the more significant form of branding, more valuable and important entities for customers and businesses. This is partly due to the rise of service-based business, the increasing awareness and transparency of the companies behind the products and services we buy, and the need for higher-order differentiation across the portfolio as well as for individual products. Even the majority of consumer products now contain the strong endorsement of parent brands. Whereas in the past many consumers may never have heard of P? G and Unilever despite using their products daily, today the corporate brand marques appear prominently on the packaging of everything from washing powder to ice creams. Organizationally, this means brands take on a broader, higher, non-functional role, rather than being a functional responsibility of the marketing department. The brand defines the organization, and all the many stakeholders who work with it. It should reflect the needs and motivations of employees and shareholders, as well as customers. It overlaps and complements the business trategy and cultural values, and the business should ensure consistency and alignment between these. It is delivered through HR and investor relations as well as marketing. While some companies, particularly when there is a strong corporate affairs department, c confused between brand and reputation, they are one and the same. The corporate reputati is the corporate brand The brand is increasingly the most important business asset, often accounting for anythi from 5 to 50% of the overall market value of a company, and in some businesses (be they luxi goods or not-for-profit) even more.

It also becomes a far more complex and essential manag ment challenge. BP, for example, considered how to harness the power of its brand across all business units and all its stakeholders; it recognized that there wasonly one person who col lead this task. CEO John Browne recognized that this was his challenge, and his opportunity, create a focused, cohesive and energized business, where his leadership could directly conne to the desired culture internally and the image and reputation externally. Corporate brands align the inside and outside, employee and customer, culture and reputatic behaviours and differentiation, promises and reality. Branded businesses are therefore about people. Their brand gives them a purpose that al becomes the organizing idea, the reason for coming to work each day, and a common missi that brings people together. Logos and identities, straplines and colours become mere sho hand for a much bigger and more powerful force. | Customer needs and| I r, | Brand purpose ??\* 1 | Employee needs and | | motivations | | and identity | motivations | | | I Customer | |?? Employee mt | | | |! | proposition | | | | proposition | | | | | | j | | | | | 1 | | | | | | | r | | | | | | I Customer 1| tm Employee ^^| mm | |