On Specific Strategies

I) First Mover Advantage

II) Global Strategic Marketing

III) Offensive vs Defensive Strategic Marketing

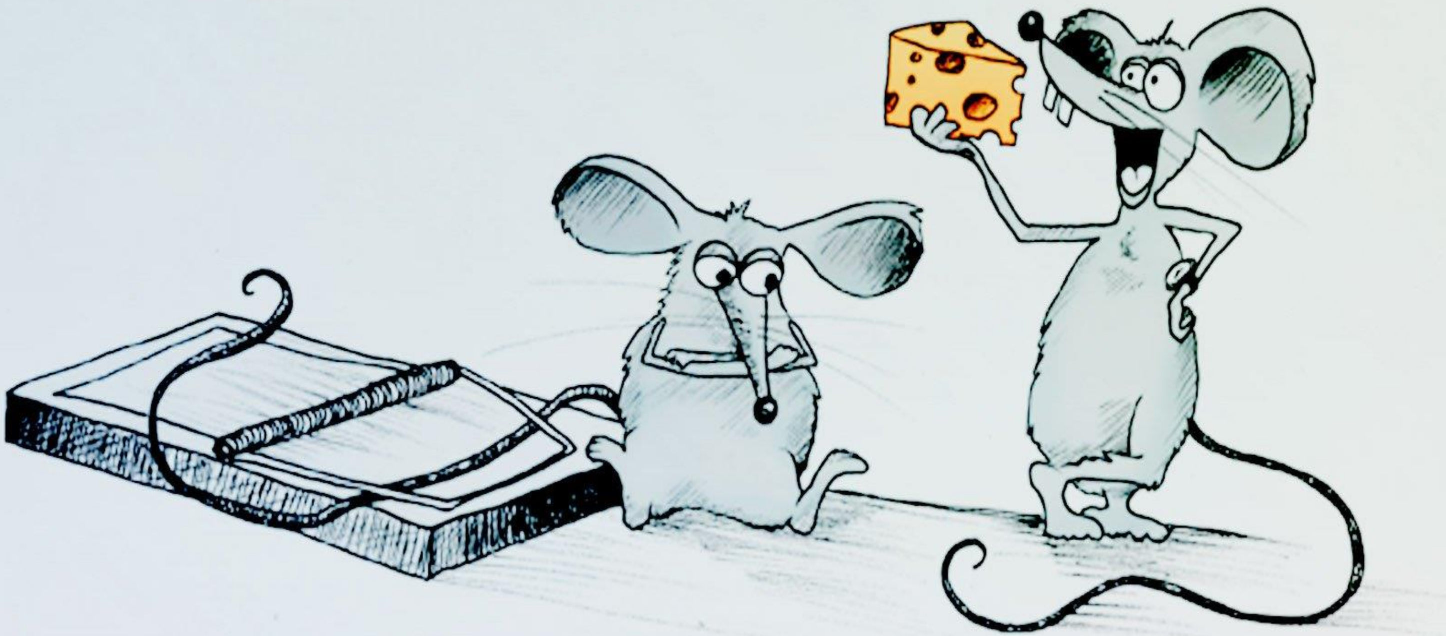
Dr. Nicholas Aristotle Demos

Strategic Positioning

The Positioning School

1. *Sun Tzu & Clausewitz*
2. *PIMS – Profit Impact of Market Strategies (GE 1972)*
3. *BCG Growth-Share Matrix (Bruce Henderson 1979)*
4. *Porter's model of Competitive Advantage (1980)*
5. *Generic Strategic Groups (Mintzberg)*
6. ***Game Theory** ……&*

I) First Mover Advantage



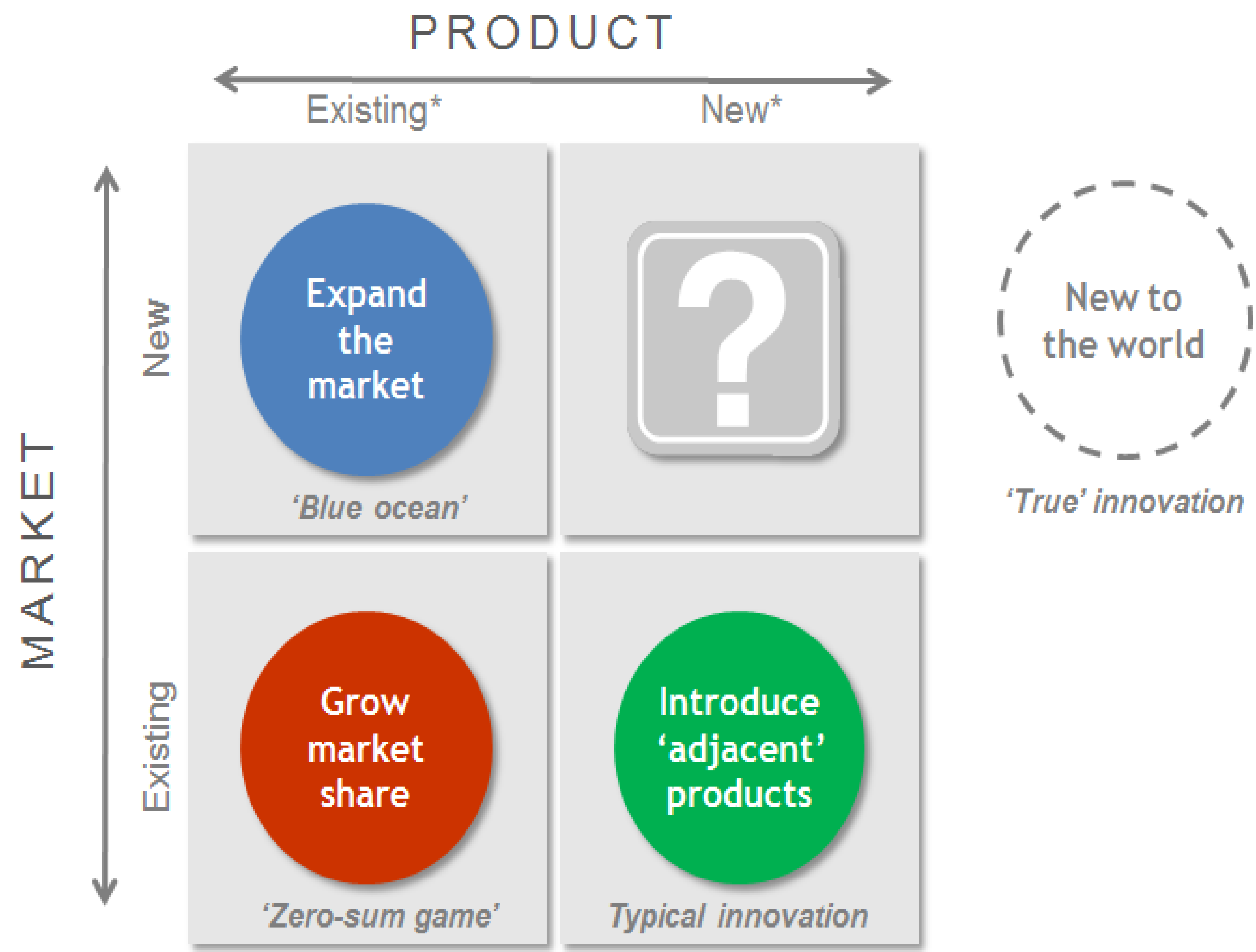
BLUE OCEAN STRATEGY

Try to think in new market ideas,
Try to swim in new blue oceans.

So… Are you Unique or strive for??

So… What are You?

Blue ocean strategy = First mover advantage

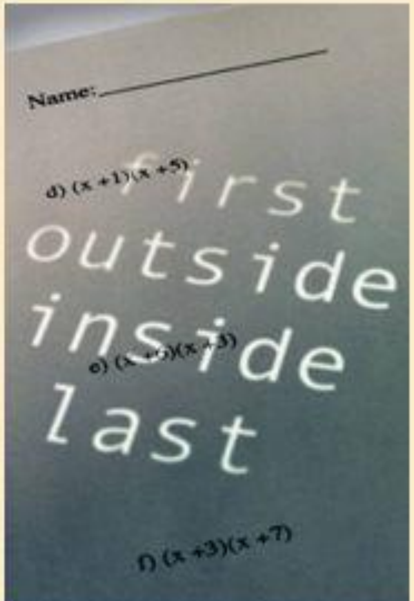

PRODUCT
Existing*
New*
MARKET
New
Existing
Expand the market
'Blue ocean'
?
New to the world
'True' innovation
Grow market share
'Zero-sum game'
Introduce 'adjacent' products
Typical innovation

First-Mover Advantages

- ***When*** to make a ***strategic move*** is often as crucial as ***what*** move to make

- ***First-mover advantages*** arise when

  - ➔ Pioneering helps build firm's image and reputation
  - ➔ Early commitments to new technologies, new-style components, and distribution channels can produce cost advantage
  - ➔ Loyalty of first time buyers is high
  - ➔ Moving first can be a preemptive strike



FMA is based on Static Economic Analysis

One leader / One follower

- First-mover advantage?
  - Firm gets higher payoff in game in which it is a leader than in symmetric game in which it is a follower.
  - Otherwise, second-mover advantage.
- Quantity competition: **Stackelberg model**
  - Similar to Cournot duopoly
  - But, one firm chooses its quantity before the other.
  - Look for subgame-perfect equilibrium
  - Setting
    - $P(q_1,q_2) = a - q_1 - q_2$; $c_1 = c_2 = 0$
    - Firm 1 = leader; firm 2 = follower

First Mover Advantage – The Stackelberg Model

- Using Firm 2's Reaction Curve for Q_2:

$$R_1 = 30Q_1 - Q_1^2 - Q_1(15 - 1/2Q_1)$$
$$= 15Q_1 - 1/2\,Q_1^2$$

$$MR_1 = \Delta R_1/\Delta Q_1 = 15 - Q_1$$
$$MR = 0: Q_1 = 15 \text{ and } Q_2 = 7.5$$

STACKELBERG DUOPOLY MODEL

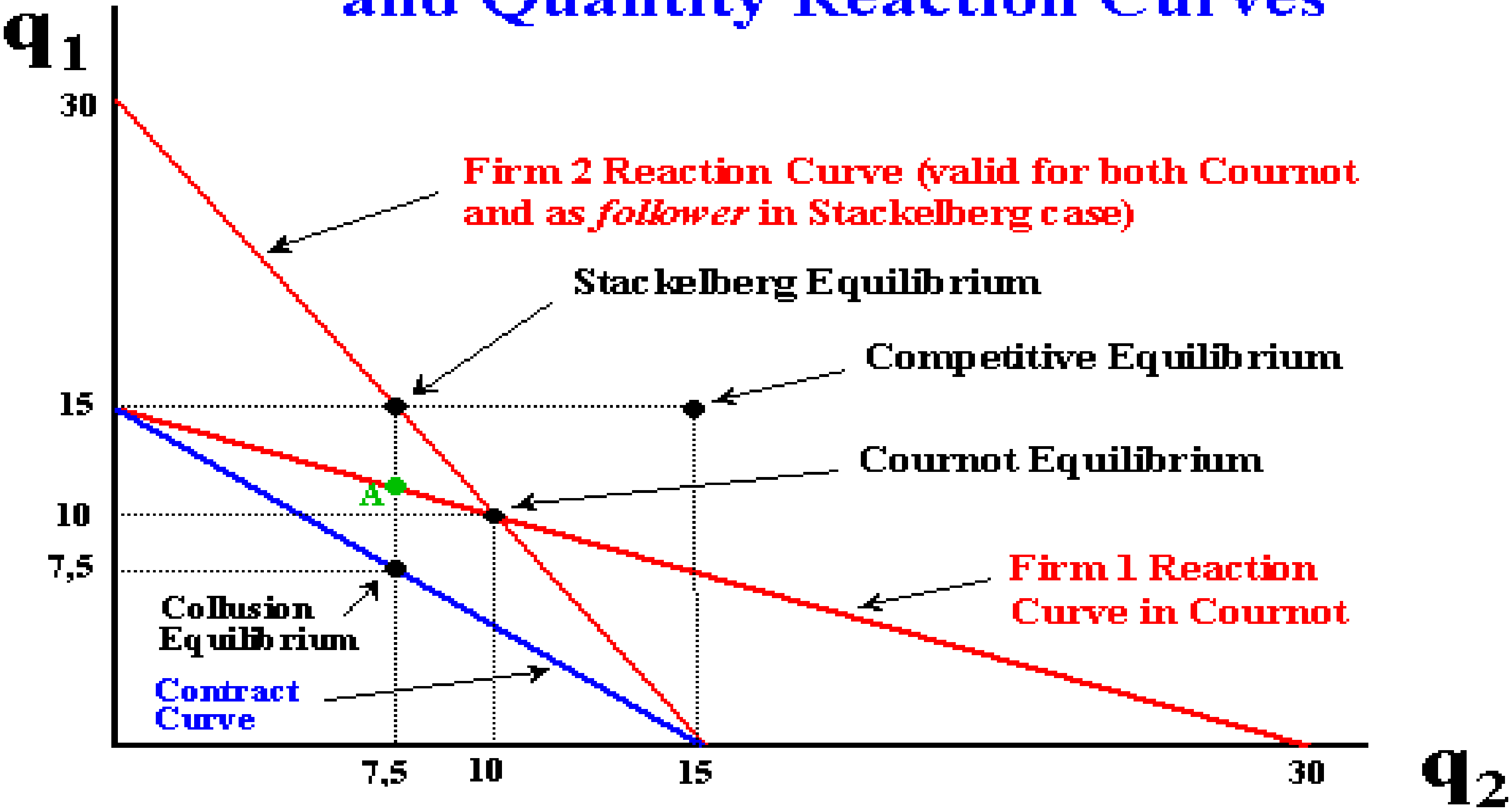
- Strategic Game
- Developed by German Economist Heinrich Von Stackelberg in 1934
- Extension of Curnot model
- There are two firms, which sell homogenous products
- It is a sequential game not simultaneous

Stackelberg Oligopoly Model

- Suppose that one of the firms in our previous example was the ***leader*** and set its output before its rival, the ***follower***.
- Does the firm that acts first have an advantage?
- How does this model's outcome differ from the Cournot oligopoly model?

- The Stackelberg model of oligopoly addresses these questions.
  - Note that once the leader sets its output, the rival firm will use its Cournot best-response curve to set its output.

Duopoly Equilibrium Possibilities and Quantity Reaction Curves



Equilibrium	Profit		Margin p
	Firma 1	Firma 2	
Collusion	112.5	112.5	15
Stackelberg	112.5	56.25	7.5 *
Cournot	100	100	10
Competitive	0	0	0

*OBS: (1) Price after the follower entry. Before the follower entry, the leader margin is p = 30 - 15 = 15 = collusion one.

(2) Note that if the game continues, Stackelberg is not Nash equilibrium because firm 1 has incentive to deviate (see point A in green), etc., leading to Cournot equilibrium in long-run.

1 Stackelberg

- ✓ Duopoly Economics
- ✓ Price Leader
- ✓ Price Follower
- ✓ Leader Reduces Price
- ✓ Follower Reduces Price
- ✓ Avoid Prices Sensitivity
- ✓ Differentiation
  - ✓ Quality
  - ✓ Service
  - ✓ Functionality
  - ✓ Customer Experience

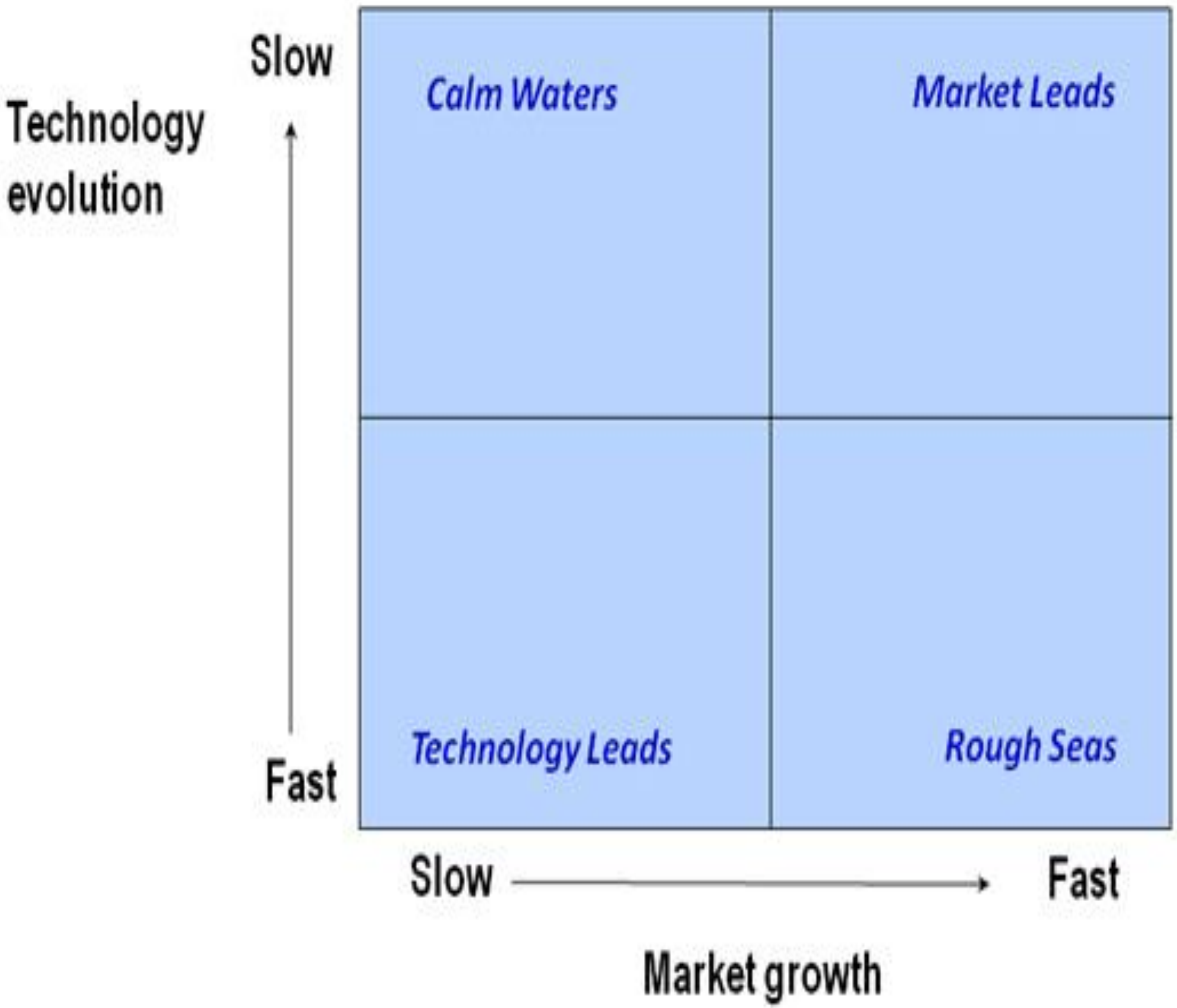
2 Bertrand

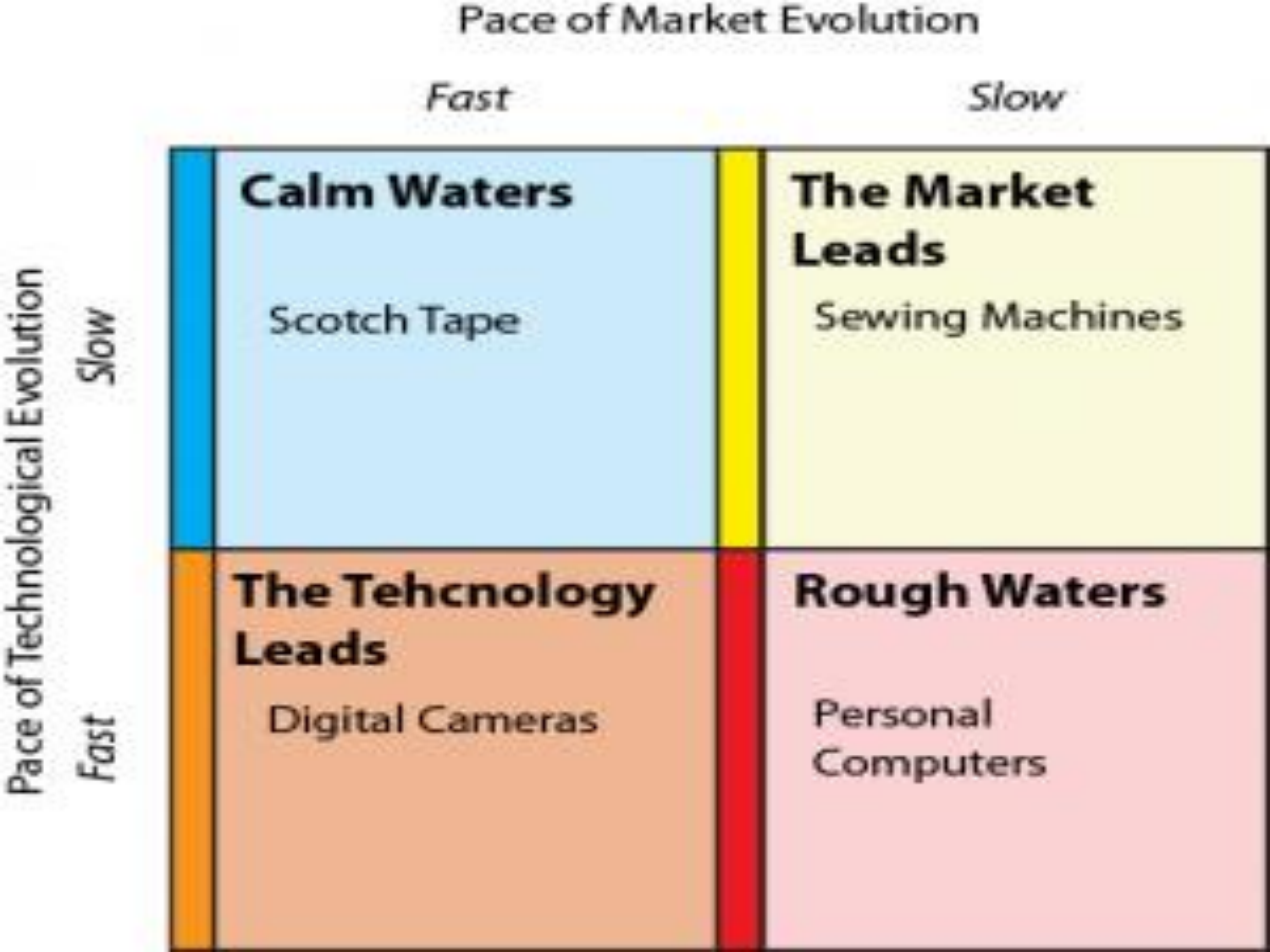
- ✓ Duopoly Economics
- ✓ Perfect Competition
- ✓ Choose Price Simultan.
- ✓ No Leader and Follower
- ✓ Only objective Profit Max.
- ✓ Independent Price Decision
- ✓ Emphases on Price
- ✓ Previous emphases on qty.

3 Alliance

- ✓ Strategic Alliance
- ✓ Act like single firm
- ✓ Maximum Synergy
- ✓ Independent Firms
- ✓ Benefit from each others
  - ✓ Resources
  - ✓ Capabilities
  - ✓ Core Competencies

First Mover Advantage Framework





Pace of Market Evolution
Fast
Slow
Pace of Technological Evolution
Slow
Fast
Calm Waters
Scotch Tape
The Market Leads
Sewing Machines
The Tehcnology Leads
Digital Cameras
Rough Waters
Personal Computers

The Situation Your Company Faces	First-Mover Advantage: Short-Lived	First-Mover Advantage: Durable	Key Resources Required
Calm Waters	**Unlikly** Even if attainable, advantage is not large	**Very likely** Moving first will almost certainly pay off.	Brand awareness helpful, but resources less critical here.
The Market	**Very likely** Even if you can't dominate the category, you should be able to hold onto your customer base.	**Likely** Make sure you have the resources to address all market segments as they emerge.	Large-scale marketing, distributioin, and production capacity
The Tehcnology Leads	**Very Unlikely** A fast-changing technology in a slow-growing market is the enemy of shot-term gains.	**Unlikly** Fast technological change will give later entrants lots of weapons for attacking you.	Strong R&D and new product development, deep pockets
Rough Waters	**Likely** A quick-in, quick-out strategy may make good sense here, unless your resources are awesome.	**Very Unlikely** There's little chance of long-term success, even if you are a good swimmer. These conditions are the worst	Large-scale marketing, distribution, produc-tion, and strong R&D (all at once)

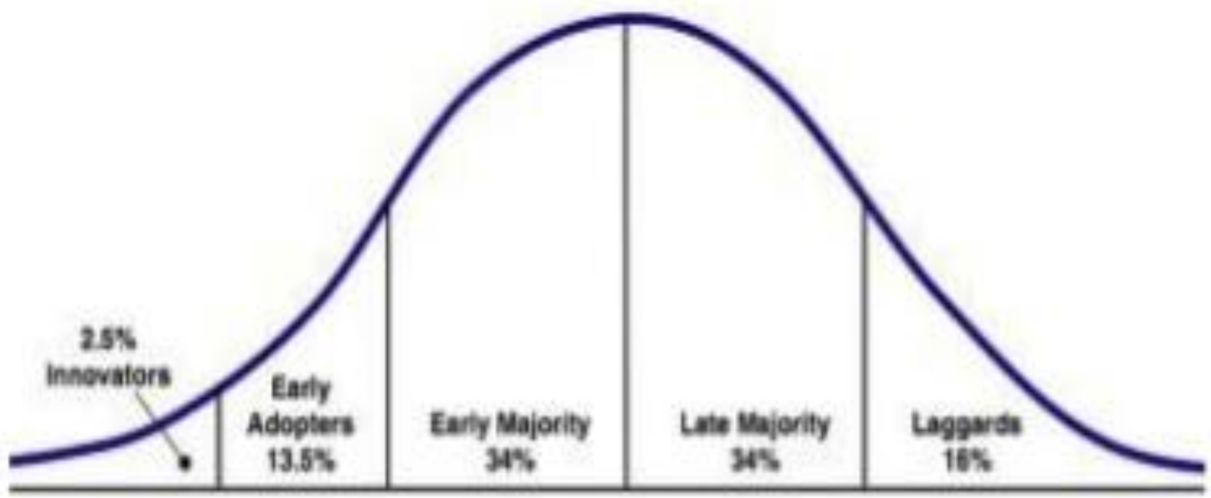
First Mover Advantages and Late Mover Advantages

First Mover Advantages	Late Mover Advantages (or First Mover Disadvantages)
▮ Proprietary, technological leadership	▮ Opportunity for free ride on first mover investments
▮ Preemption of scarce resources	▮ Resolution of technological and market uncertainty
▮ Establishment of entry barriers for late entrants	▮ First mover's difficulty to adapt to market changes
▮ Avoidance of clash with dominant firms at home	
▮ Relationships and connections with key stakeholders such as customers and governments	

First-Mover versus Follower Strategy

First-Mover Being first to market with a new product, service, business model, or technology	*Advantages* • Being monopolistic • Charging price premiums • Experience curve effects • Scale economies • Preemption of scarce resources • Reputation • Creating customer switching costs • Setting new standards disadvantages • Development costs • Market education costs • Risk of failure
Follower Entering a market as a follower with either an improved or lower priced version	*Advantages* • Free-riding • Learning disadvantages • Market entry barriers • Most attractive market position already taken • Most attractive customer segments already taken

FMA …along the Life Cycle



1. First movers should build market share early among innovators and early adopters through technology availability, advances, and targeted messaging
2. First movers should also cater their mass-market messaging to other more mainstream services
3. Finally, first movers should keep a close eye on the market and adapt messaging and offerings once the market moves to the early majority

FMA … advantages

Experience curve benefits

Scale benefits

Pre-emption of scarce resources

Reputation

Buyer switching costs

FMA … advantages

- Early entrants in an industry may deter future entrants if there are first mover advantages
- First mover might be able to
  - set industry standards
  - enter into exclusive arrangements with suppliers of cheap raw materials
  - acquire scarce government licenses to operate in regulated industries

FMA … advantages

- Competitive advantage resulting from market entry timing
  - *consumer-based*
    - *brand preference, standard for product category, positioning in centre of market, customer lock-in, price premiums, higher profits*
  - *producer-based*
    - *economies of scale, learning effects*
    - *technological leadership*
    - *scarce resources (e.g. locations, supplier contracts)*
- Favours those with distinctive capabilities in new product development
- Firms with strong marketing and manufacturing capabilities may be better as followers.

(Lieberman & Montgomery, 1988, 1998)

FMA … pros & cons

- Advantages
  - Create the standard
  - Low-cost position
  - Intellectual property
  - Tie up resources
  - Increase switching costs for producer
  - Increase switching costs for customer
- Disadvantages
  - Advantages can be short-lived
  - Higher development costs
  - Competitors violate intellectual property
  - Greater uncertainty
  - Consumer reluctance

FMA … pros & cons

- Being a first mover can confer the advantages of:
  - Brand loyalty and technological leadership
    - First movers can build a reputation as a leader in that area of technology which can help it maintain a lead even after competition enters the arena
  - Preemption of scarce assets
    - Radio frequency allocation by the FCC for wireless communication services can cause a scarcity of resources for late comers
  - Exploiting buyer switching costs
    - Inertia to change increases the longer a product is around
      - QWERTY keyboard developed to prevent keys from jamming, even though not a problem today other keyboards have not been successful
  - Reaping increasing returns advantages.
    - First mover may rise in market power through increased returns and eventually make it the dominant design
    - Intel become dominant design due to Gate's BASIC, complementary products and adoption of the 8088 by IBM

FMA … pros & cons

- *When* to make a strategic move is often as crucial as *what* move to make
- Timing is especially important when fist mover advantages or disadvantages exist
- Being first to initiate a strategic move can have a high payoff in terms of strengthening market position and competitiveness when:

  → pioneering helps build firm's image and reputation with buyers

  → early commitments to new technologies, new style components, distribution channels and produce cost advantage

  → first time customers remain strongly loyal to pioneering firms in making repeat purchases

  → moving first constitutes a preemptive strike, making imitation extra hard or likely

First Mover Disadvantages …

- ***Moving early*** can be a ***disadvantage*** (or fail to produce an advantage) ***when***
  - When costs of pioneering are more than being an imitative follower and only negligible learning/experience curve benefits accrue to the leader
  - Innovator's products are primitive, not living up to buyer expectations
  - Demand side of the market is skeptical about the benefits of new technology/product of a first-mover
  - Rapid technological change allows followers to leapfrog pioneers

more ... Late Mover advantages ...

The Potential for Late-Mover Advantages or First-Mover Disadvantages

- **Late-mover advantages (or first-mover disadvantages) arise in four instances:**
  - When pioneering leadership is more costly than imitation.
  - When innovators' products are primitive, and do not living up to buyer expectations.
  - When potential buyers are skeptical about the benefits of a first-mover's new technology/product.
  - When rapid market and technology changes allow fast followers and late movers to leapfrog pioneers.

FMA advantages …in videos …

https://www.youtube.com/watch?v=9Dt8-sGkJXs

https://www.youtube.com/results?search_query=firt+mover+advantage

https://www.youtube.com/watch?v=jah9yFTC8dk

https://www.youtube.com/watch?v=eDaQcv9mjTI

https://www.youtube.com/watch?v=GChy+5NdPwk

Markets where brand is a key decision driver, over features.
Messaging, when the subject is new and topical.
Networked industries, where value rises exponentially as users grow.
Product categories (with long development cycles) – more so than services.
Sticky markets, where once a customer is acquired they are slow to leave.
Fast moving technology markets, where advantages are short-lived.
Slow and steady growth markets, where new adopters are not plentiful.
Corporates that position themselves as dynamic leaders.
Smaller companies, with a need to be radically different to stand out.
Challenger businesses that aim to break existing business models.

FMA … pros & cons

Advantages	Disadvantages
• Reputation for being innovative and industry leader • Cost and learning benefits • Control over scarce resources and keeping competitors from having access to them • Opportunity to begin building customer relationships and customer loyalty	• Uncertainty over exact direction technology and market will go • Risk of competitors imitating innovations • Financial and strategic risks • High development costs

FMA … pros & cons

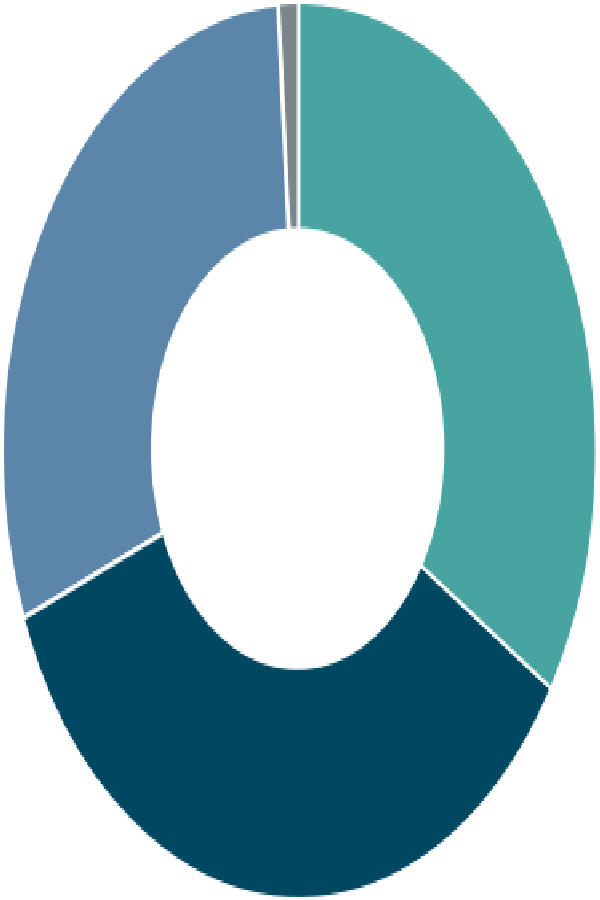
Disadvantages

- However, first movers often bear disadvantages also:
  - Study of 50 product categories showed that market pioneers have a 47% rate of failure and a mean market share of 10%
    - Early followers averaged almost 3x the market share of the pioneers
    - The market may often perceive the first movers as having the advantage but that is because of misperceptions
      - The first mover in the disposable diaper market was Chux. P&G didn't come on the scene until 30 years later but because Chux disappeared history was reinterpreted and P&G were thought of as the first mover.
  - Other studies show first movers earn greater revenues but lower profits because of the higher R&D expenses, development of supplier and distribution channels and marketing costs that they incur
    - A later entrant can capitalize on all the groundwork done by the first mover and improve upon it at less expense

FMA & Technology

Attitude Toward New Technology Adoption

Which one of the following best describes your organization's attitude toward adopting new technology?



34% PIONEERS
STRONGLY BELIEVE IN BENEFITS AND SEEK TO GET FIRST-MOVER ADVANTAGE

35% FOLLOWERS
WATCH LEADERS AND INVEST ONCE BENEFITS ARE PROVEN

30% CAUTIOUS
CAUTIOUS AND GENERALLY WAIT UNTIL TECH IS WELL-ESTABLISHED

1%
DON'T KNOW

What determines first mover advantage?

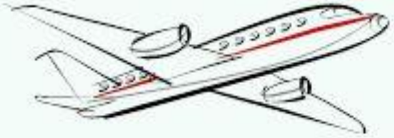
"Luck"... first mover may be simply lucky.

"Strategic Trade Policy", or industrial policy

(i.e., Some firms in specific industries are favored, nurtured, promoted and protected from domestic and international competition. - eg. Korean government. – Chaebols)

The game theoretic prediction

- Backward induction implies that Airbus will supply the new plane and Boeing will not
  - Boeing' threat to also supply the new plane if Airbus supplies the plane is not a **credible threat** and therefore it **does not deter** Airbus
- Airbus will make higher profits
  - it has a first mover advantage and take the pre-emptive investment choice



First-Mover Success

- First to move booking retailing online (1994 – Jeff Bezos)
- Brand recognized worldwide, most visited site in USA (2000)
- Simple Business Model:
  - Expensive inventory brick and mortar warehousing not required – Require WEB to interface with customers and take their orders
- **Continuous** Rapid innovation
  - "one-click", search facilities, collaborative filtering, affiliate programs (250,000 partners in 2000), order tracking mechanisms
- Established strong brand presence – created psychological switching costs in consumers (collaborate filtering, privacy policies, builds trust)
- Pillars (quality of service, value for money, trust worthiness)
- WEB site easy to use, easy to find, and fast

- Netflix's triple advantage over competitors:
  - Largest selection of titles
  - Largest network of distribution centers
  - Largest customer base

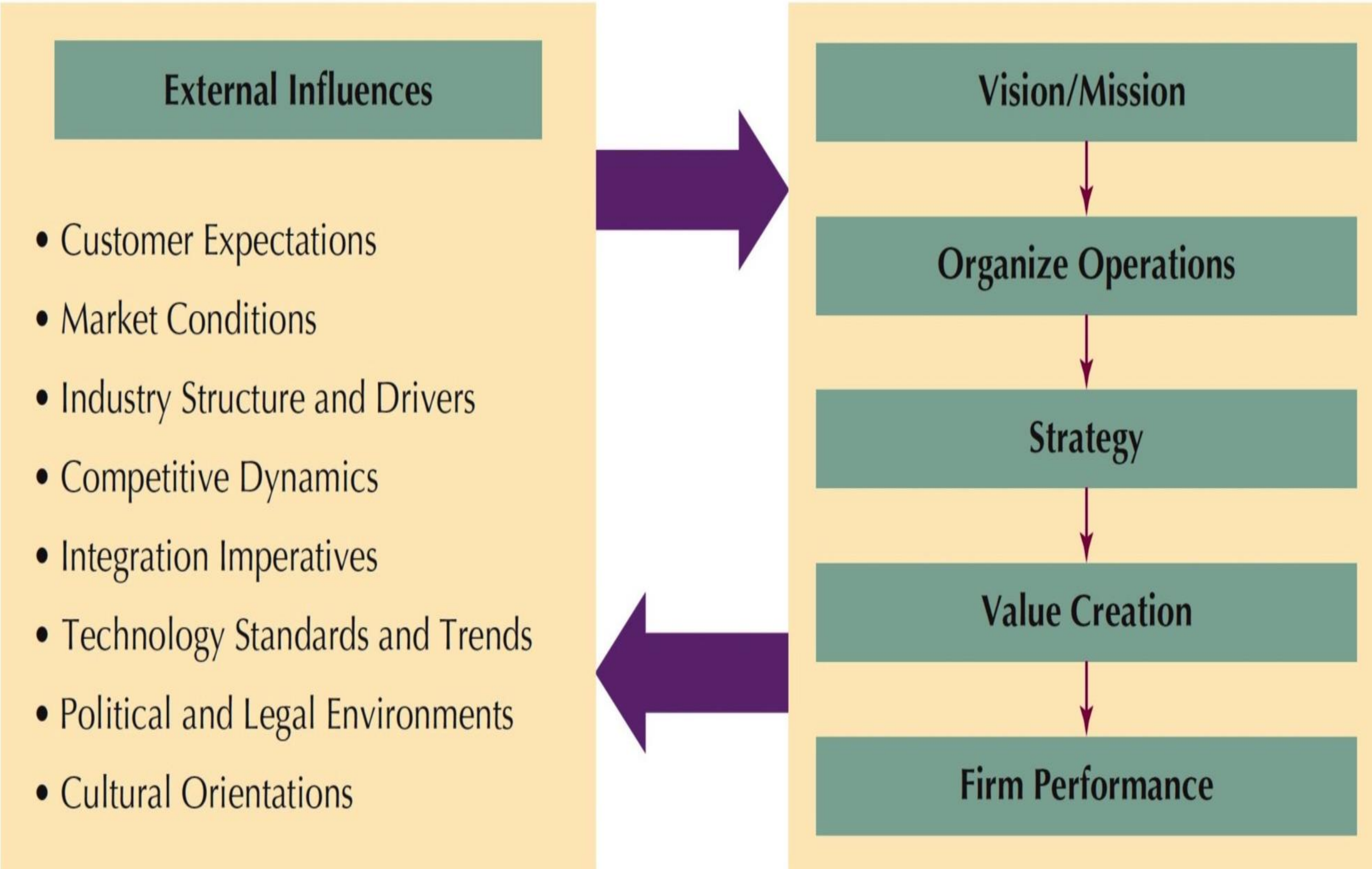
Economy of scale advantage

** Netflix was also had the first-mover advantage**

II) Global Strategic Marketing

Process of Global Strategy....

Figure 12.1 The Role of Strategy in IB



Prerequisites of Global Strategy…

- Understand how firms can profit by expanding globally
- Understand how pressures for cost reductions and local responsiveness influence strategic choices
- Be familiar with different strategies for competing globally and their pros and cons
- Explain the pros and cons of using strategic alliances to support global strategies

Global Integration or Local Responsiveness?

Table 12.6 Motivations of Global Integration and Local Responsiveness

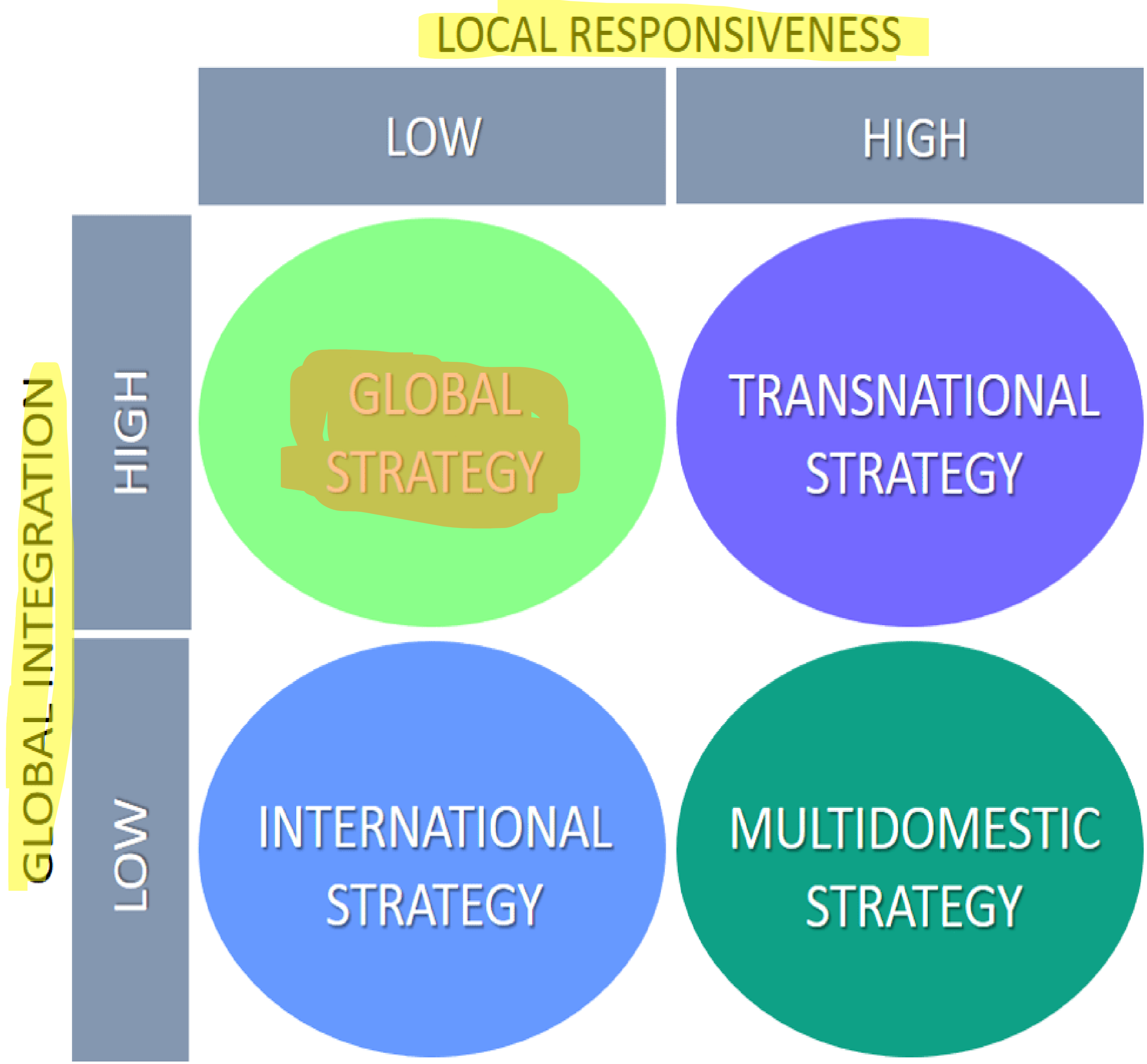
Motivations for Global Integration	Motivations for Local Responsiveness
• Standardize products and processes to maximize scale, experience, and learning effects	• Customize products and process to local customer preferences to optimize scale, experience, and learning effects
• Maximize productivity of resources, capabilities, and competencies	• Satisfy host government requirements and regulations
• Exploit location effects	• Tap local resources, capabilities, and competencies
• Capitalize on converging consumer preferences and universal needs	• Promote a local profile to placate national stakeholders
• Provide uniform service to all customers	• Directly engage local competitors
• Accelerate consumers' quest to maximize purchasing power parity	• Adjust to local political, economic, and cultural circumstances
• Source materials and inputs globally	• Increase sensitivity to new product and process options
• Directly engage global competitors	• Tailor marketing message to local ideals
• Build global image with universal message	• Build local goodwill by supporting national agenda
• Exploit integration efforts of transnational institutions	• Accommodate differences in distribution channels and service systems
• Leverage expanding cross-national technological connectivity	• Respond to historical or geographic imperatives
• Respond to the progressive, ongoing globalization of markets	• Adjust products and processes to the digital divide

Global Strategy Choices …

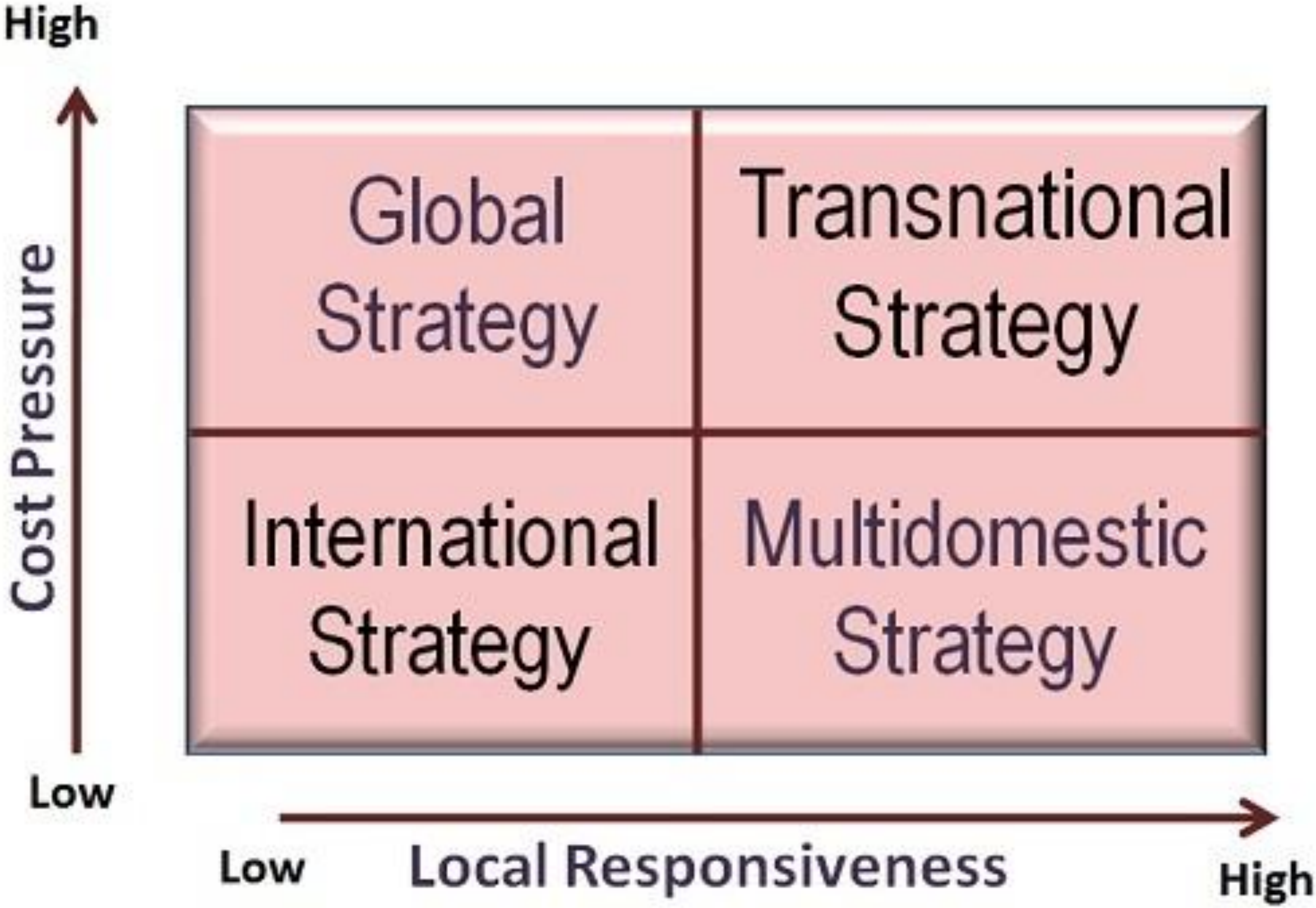
Four basic strategies to enter and compete in the international environment:

- International strategy
- Multi domestic strategy
- Global strategy
- Transnational strategy

In terms of Strategic Intent....



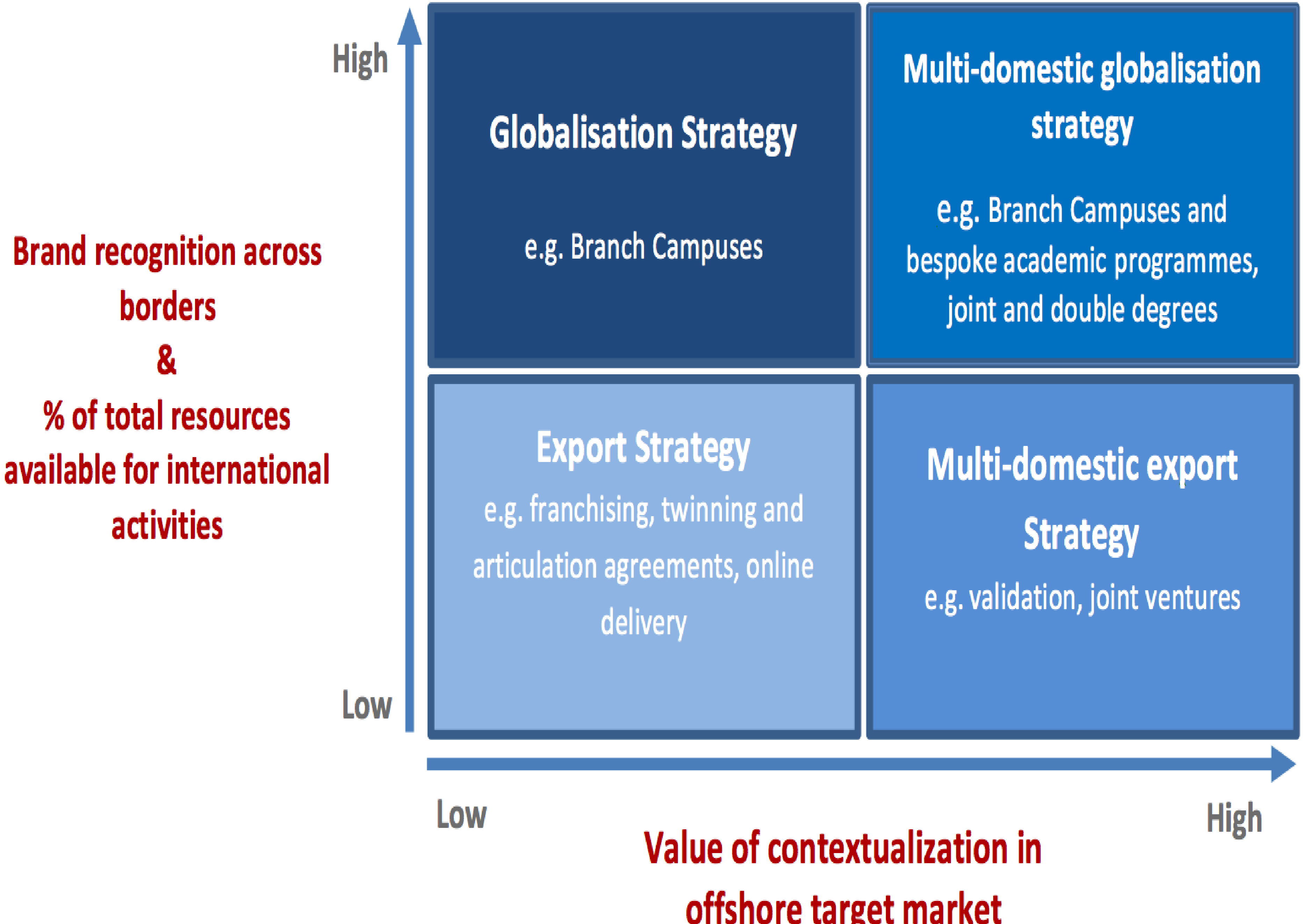
Corporate Level …International Strategies



Corporate Level …International Strategies

Pressure for Global Integration	Low (Pressure for National Responsiveness)	High (Pressure for National Responsiveness)
High	GLOBAL Views the world as a single market. Tightly controls global operations from headquarters to preserve focus on standardization.	TRANSNATIONAL Prefers a flexible value chain to facilitate local responsiveness. Adopts complex coordination mechanisms to facilitate global integration.
Low	INTERNATIONAL Uses existing core competence to exploit opportunities in foreign markets.	MULTIDOMESTIC Relies on foreign subsidiaries operating as autonomous units to customize products and processes for local markets.

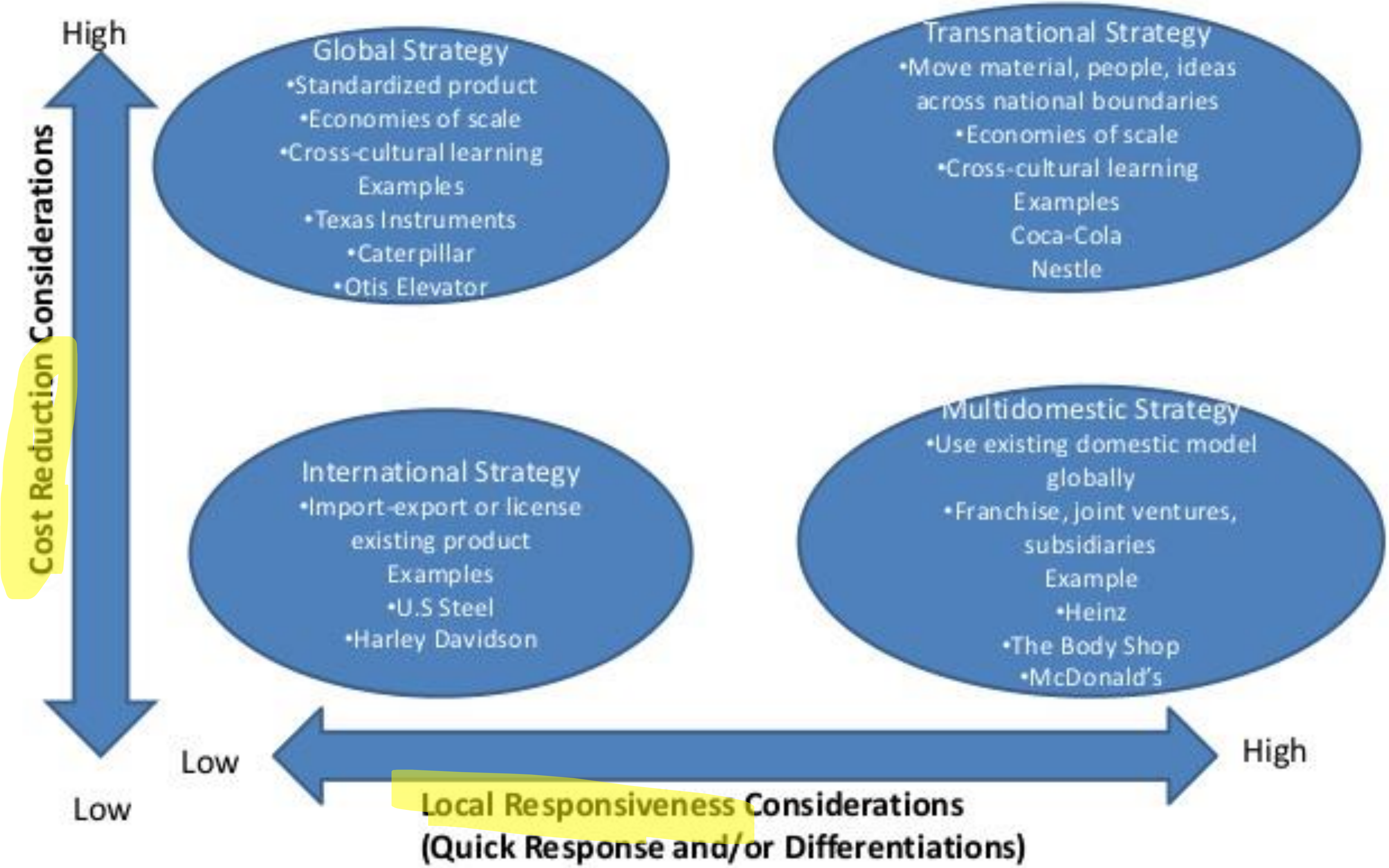
Pressure for National Responsiveness


Brand recognition across borders & % of total resources available for international activities
High
Low
Globalisation Strategy
e.g. Branch Campuses
Multi-domestic globalisation strategy
e.g. Branch Campuses and bespoke academic programmes, joint and double degrees
Export Strategy
e.g. franchising, twinning and articulation agreements, online delivery
Multi-domestic export Strategy
e.g. validation, joint ventures
Low
High
Value of contextualization in offshore target market

Advantages and disadvantages of the four strategies

Strategy	Advantages	Disadvantages
Global	Exploit experience curve effects Exploit location economies	Lack of local responsiveness
International	Transfer core competencies to foreign markets	Lack of local responsiveness Inability to realize location economies Failure to exploit experience curve effects
Multidomestic	Customize product offerings and marketing in accordance with local responsiveness	Inability to realize location economies Failure to exploit experience curve effects Failure to transfer core competencies to foreign markets
Transnational	Exploit experience curve effects Exploit location economies Customize product offerings and marketing in accordance with local responsiveness Reap benefits of global learning	Difficult to implement due to organizational problems

Four International Operations Strategies



Approaches to Internationalization

International Products are developed for the domestic market and sold abroad with no alteration	*Advantages* • Scale economies • Consistency in brands and offerings • Ability to transfer products quickly and efficiently • Simple organization • Effective control *Disadvantages* • Differences in customer needs, markets, and competition ignored • Full potential of foreign market not exploited
Multinational Each foreign market develops customized strategies and offerings to fully adapt to the local requirements	*Advantages* • Full adaptation to and exploitation of local market *Disadvantages* • High product development and marketing costs • Little economies of scale • No consistent brand image, quality, etc. • Duplication of efforts • Little control over subsidiaries
Global Products are developed for the global market and companies sell "the same thing, the same way, everywhere"[7]	*Advantages* • Same as for international strategy, plus product developed for a global segment with the same needs everywhere • Centralized control and decision making *Disadvantages* • Assumes that national tastes and preferences are similar, and markets are homogenized
Transnational As much standardization as possible, as much adaptation as necessary	*Advantages* • Combines advantages of global and multinational strategy *Disadvantages* • Leads to complex organizational structures and a high need of coordination

Timing & Entry Modes

Imperative....**Timing** ....

- Increasing returns suggests that timing of entry can be very important. First movers don't always have the advantage.
- There are a number of advantages and disadvantages to being a first mover, early follower or late entrant. These categories are defined as follows:
  - **First movers** are the first entrants to sell in a new product or service category ("*pioneers*")
  - **Early followers** are early to market *but not first*.
  - **Late entrants** do not enter the market until the product begins to penetrate the mass market or later.

....Timing....

Timing and Competitive Advantage

Principle 1

Being a first-mover holds potential for competitive advantage in some cases but not in others

Principle 2

Being a fast follower can sometimes yield as good a result as being a first mover

Principle 3

Being a late-mover may or may not be fatal -- it varies with the situation

....Timing....

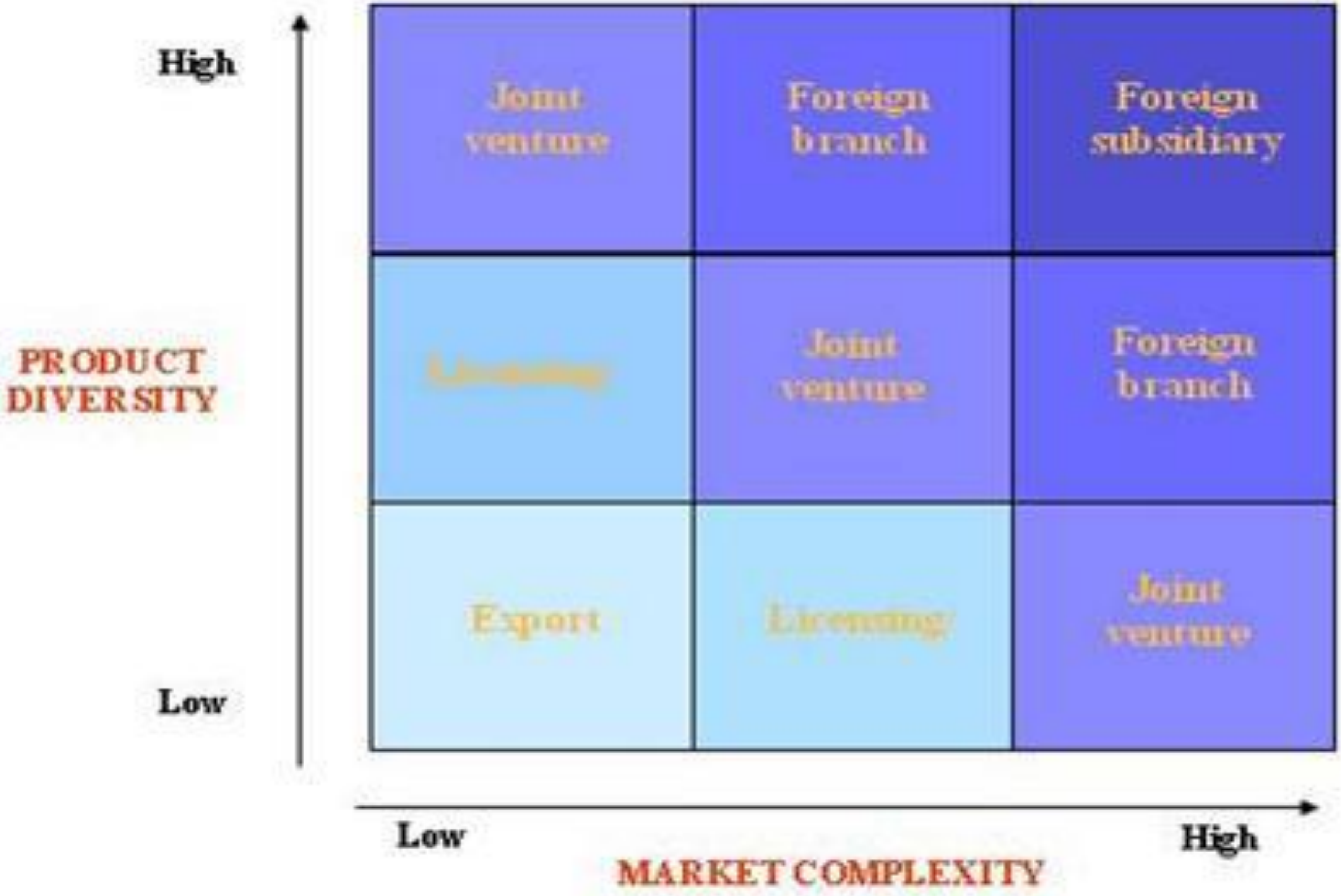
Timing of Entry: First Mover Advantages & Disadvantages

- Advantages
  - Higher brand recognition
  - More positive brand image
  - More customer loyalty
  - Create switching cost (e.g. lock-in)
  - First choice of sites & distribution channels
  - Experience curve (Longer experience)
- Disadvantages
  - Pioneering costs: arise due to different business system=> devote time, effort and expense to learning the rules of the game
    - Ignorance of foreign environment, trial and error
    - Cost of educating customers
    - Cost of educating suppliers/distributors
    - Change in regulations (rules governing business practices in many developing countries are still evolving)

….Timing….of Entry in Global markets ….

- Advantages in early market entry:
  - First-mover advantage.
  - Build sales volume.
  - Move down experience curve and achieve cost advantage.
  - Create switching costs.
- Disadvantages:
  - First mover disadvantage – pioneering costs.
  - Changes in government policy.

Entry Mode focused Strategies



Market Entry Strategies

Exporting Indirect—through independent intermediaries Direct—through home-based export department, foreign subsidiary, sales representatives, or agents	*Advantages* • Low risk • Few resources needed • Little organizational complexity *Disadvantages* • Not suitable for complex products that need high levels of service • No customer contact when indirect export • Low exploitation of foreign market • Exchange rate risks
Licensing Issuing a license to a foreign company to use a process, trademark, patent, or product	*Advantages* • Low risk and few resources needed • Allows quick entry in many markets simultaneously • Licensee's knowledge of local market *Disadvantages* • Little control over activities of licensor • Might create and educate a future competitor • Low profits
Franchising Offering a complete brand concept and operating system to a franchisee against a fee	*Advantages* • Same as licensing, however higher control over franchisee • Economies of scale through standardization • Franchisee's knowledge of local market Disadvantages • Only for products and concepts that can be standardized • Control of franchisee necessary
Joint Ventures Joint venture with a local investor with shared ownership and control	*Advantages* • Pooling of competences (e.g., market access, technology) • Lower risk and capital needed as for fully owned subsidiaries • In many countries local partner required *Disadvantages* • High conflict potential regarding strategy, reinvestment, etc.
Direct investment Direct ownership of a foreign production or assembly plant	*Advantages* • Full control • Good relationships and better image with local authorities due to job creation *Disadvantages* • Highest risks • High resource commitment

III) Offensive vs Defensive Strategic Marketing

What is the Best Offense?

The best offense

is

intelligence

Offensive Strategy Principle

The chances for a successful offensive initiative are improved when it is based on a company's resource strengths and strongest competencies and capabilities!

Offensive strategy

- firms engage in offensive marketing strategies to improve their own competitive position by taking market share away from rivals. Offensive strategies include direct and indirect attacks or moving into new markets to avoid incumbent competitors
- If a firm possesses superior resources a direct attack may be called for. However, if a firm faces superior rivals, indirect attacks are more appropriate than direct, frontal attacks.

OFFENSIVE STRATEGIES

1) Frontal attack

- direct confrontation
- most difficult and dangerous

2) Flanking attack

- addresses gaps in competition's market coverage
- Niche market

3) Encirclement

- forcing competitor to spread resources thin by probing on many fronts at once

4) Bypass attack

- avoids confrontation
- diversification

5) Guerrilla warfare

- small, intermittent attacks

Offensive Strategies

1. Launch a frontal attack
2. Launch a flanking attack
3. Launch a guerrilla attack
4. Engage in strategic encirclement
5. Engage in predatory strategy
6. Seek undefended markets
7. Engage in underdog strategy
8. Engage in Judo strategy
9. Engage in the pivot and the hammer strategy

COMPETITION AND OFFENSIVE STRATEGIES

TWO OFFENSIVE PRINCIPLES:

1. CHALLENGING LARGER, ENTRENCHED COMPETITORS WITH AGGRESSIVE PRICE-CUTTING IS FOOLHARDY….UNLESS YOU HAVE EITHER A **COST ADVANTAGE** OR **GREATER FINANCIAL STRENGTH**, DON'T COMPETE HEAD-TO-HEAD.

2. CHALLENGING RIVALS WHERE THEY ARE LESS COMPETENT IS MORE LIKELY TO SUCCEED THAN CHALLENGING THEM WHERE THEY ARE STRONGEST, ESPECIALLY IF WE HAVE SIGNIFICANT ADVANTAGES IN AREAS WHERE RIVALS ARE WEAK.

SOME COMMON OFFENSIVE TACTICS

PRICE-CUTTING

COMPARISON ADS

CREATE NEW FEATURES THAT APPEAL TO A RIVAL'S CUSTOMERS

CREATE NEW PLANT CAPACITY IN A RIVAL'S BACK YARD

CREATE NEW MODELS THAT MATCH OR MIMIC THE RIVAL'S

Offensive Strategies : Reconfiguration

Product Changes

Superior product performance

Low cost product design

Outbound logistics and service changes

More efficient logistics system

More responsive after sales support

Enhance order processing

Operational Changes

Marketing Changes

Increased spending in an under marketed Industry

New positioning

New type of sales organization

Downstream Reconfiguration

Pioneer a new channel

Pre-empt an emerging channel

Defensive Strategies

- The purpose of DS is to make a possible attack unattractive and discourage potential challengers from attacking another firm.
- Incumbents try to shape the challenger's expectations about the industry's profitability and convince them that the return on their investment will be so low.
- Incumbent needs to take timely action to discourage a challenger from making any substantial commitment.
- Marketing managers and business strategists have developed a number of defensive marketing strategies.

Offensive vs. Defensive Strategies

A business may pursue an Offensive Strategy or Defensive Strategy based on portfolio analysis and business performance objectives.

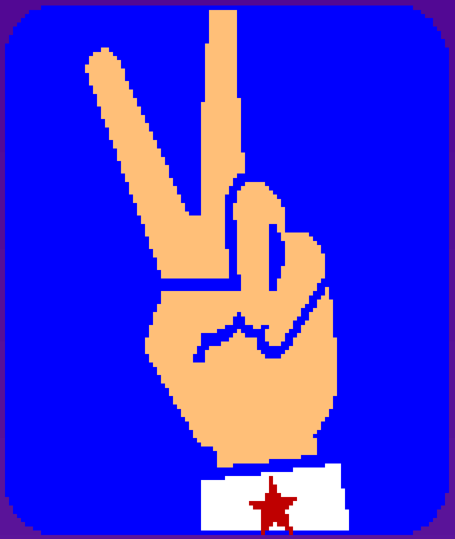
Types of Offensive Strategy Options

1. Offer an equally good or better product at a lower price
2. Leapfrog competitors
3. Pursue continuous product innovation
4. Adopt and improve on the good ideas of other companies
5. Deliberately attack market segments where a key rival makes big profits
6. Attack competitive weaknesses of rivals
7. Maneuver around competitors and concentrate on capturing unoccupied or less contested market territory
8. Use hit-and-run or guerrilla warfare tactics
9. Launch a preemptive strike

Types of Offensive Strategies

1. Initiatives to match or exceed competitor strengths
2. Initiatives to capitalize on competitor weaknesses
3. Simultaneous initiatives on many fronts
4. End-run offensives
5. Guerrilla offensives
6. Preemptive strikes

Stay-on-the-Offensive Strategies



- Best defense is a good offense
- Be a first-mover
- Relentlessly pursue continuous improvement and innovation
- Force rivals to scramble to keep up
- Launch initiatives to keep rivals off balance
- Grow faster than industry, taking market share from rivals

Offensive Strategies

- Direct attacks: Price cutting, adding new features, or going after poorly served markets
- End-run offensives: Seeking unoccupied markets
- Preemptive competitive strategies: Being first to obtain particular advantageous position
- Acquisitions: Buying out a competitor

Offensive and Defensive Strategies

- **Offensive Strategies**
- Used to ***build new*** or ***stronger market position*** and/or ***create competitive advantage***
- **Defensive Strategies**
- Used to ***protect competitive advantage***

Offensive and Defensive Strategies

Offensive Strategies

Used to ***build new*** or ***stronger market position*** and/or ***create competitive advantage***

Defensive Strategies

Used to ***protect competitive advantage*** (rarely lead to creating advantage)

USING OFFENSIVE STRATEGIES TO BUILD COMPETITIVE ADVANTAGE

THREE PHASES:

BUILD-UP PERIOD

SHORT FOR NEW SERVICES

LONG FOR CAPITALLY-INTENSE TECHNOLOGIES

Ideally, an offensive move should build competitive advantage quickly, before rivals see it and respond to it.

BENEFIT PERIOD

HOW LONG DOES IT TAKE RIVALS TO CLOSE THE COMPETITIVE GAP?

IS THERE ENOUGH TIME TO EARN BACK THE INVESTMENT MADE IN CREATING THE ADVANTAGE?

The best strategic offensives produce BIG competitive advantages and LONG benefit periods.

EROSION PERIOD

RESOURCEFUL, COMPETENT COMPETITORS WILL RESPOND WITH COUNTEROFFENSIVES WHICH ERODE THE FIRM'S COMPETITIVE ADVANTAGE

Thus, to sustain a competitive advantage, a firm must stay a step ahead of rivals by mounting one creative offensive after another.

Offensive vs. Defensive Plans

Strategic Market Plans

Offensive Strategies	
Invest to Grow	Invest marketing resources to grow the market or market share
Improve Position	Invest to improve and/or strengthen competitive position
New Market Entry	Invest to enter new attractive markets or develop new product-markets
Defensive Strategies	
Protect Position	Invest to protect market share and competitive advantage
Optimize Position	Optimize price-volume and marketing resources to maximize profits
Monetize	Manage market position for maximum cash flow with limited marketing resources
Harvest/Divest	Manage the product for maximum short-run cash flow or minimum losses

Offensive Strategies

- Purposes of offensive strategies
  - Improve market position
  - Build a competitive advantage or widen an existing one
  - Whittle away at a strong rival's competitive advantage

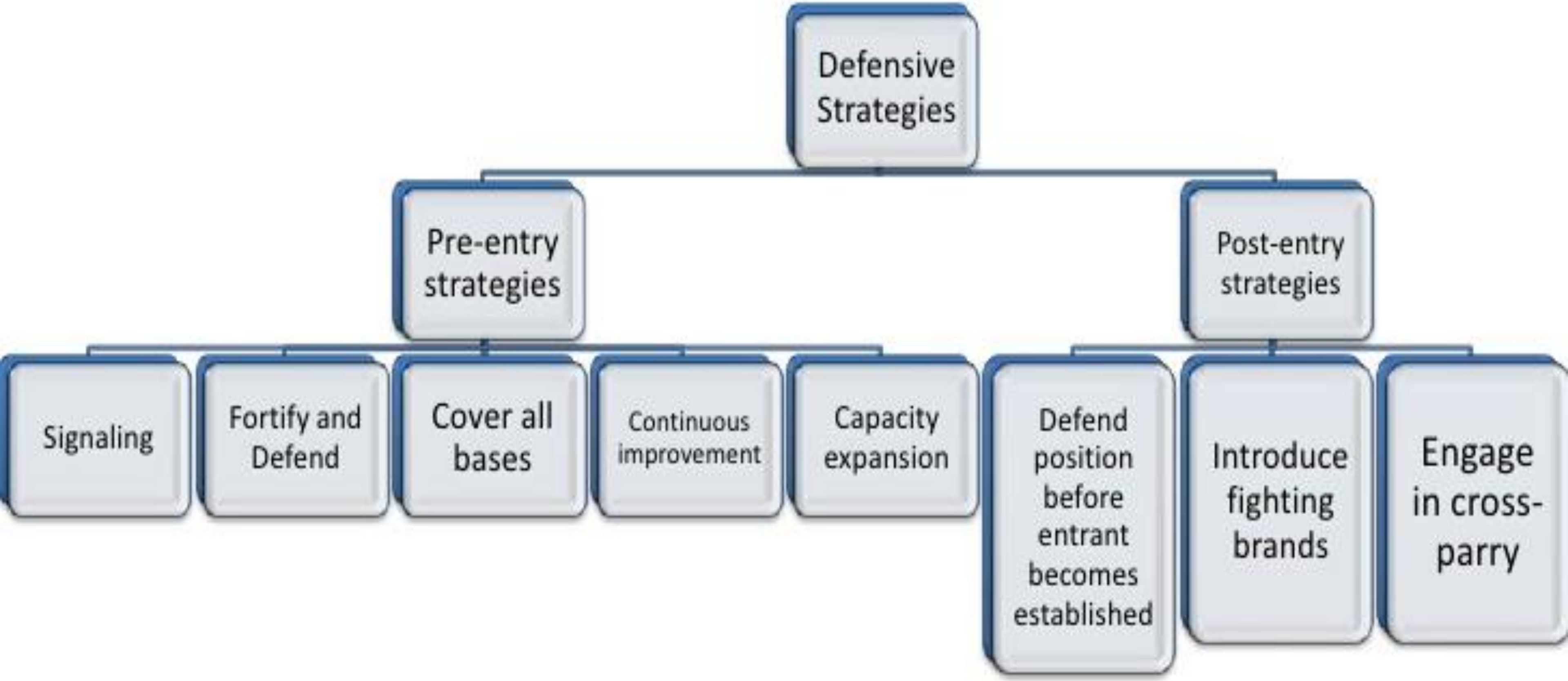
Offensive and Defensive Strategies

Offensive Strategies

Used to ***build new or stronger market position*** and/or ***create competitive advantage***

Defensive Strategies

Used to ***protect competitive advantage*** (rarely are they the basis for creating advantage)



Defensive Strategies
Pre-entry strategies
Post-entry strategies
Signaling
Fortify and Defend
Cover all bases
Continuous improvement
Capacity expansion
Defend position before entrant becomes established
Introduce fighting brands
Engage in cross-parry

Offensive Strategies

- Relentless focus on advantages
- Element of surprise
- Apply resources where rivals have limitations
- Swift and decisive actions to break the status quo

Offensive & Defensive Strategies

- Offensive strategy is focused on achieving competitive advantage.
- Defensive strategy is focused on attacking the competitor in order to take him off.

Offensive Strategy II : Improve Competitive Position

- ***Offensive Strategy IIA : Improve Customer Loyalty*** Business spend money to attract new customers to growing markets, but if they don't retain these customers, they will experience higher marketing expenses and lower marketing profit.
- ***Offensive Strategy IIB : Improve Differentiation Advantage*** One of the major customer's complain in the wireless communication market is reliability. To address this problem and turn it into differentiation advantage, ***Verizon Wireless*** created a team of 50 "road warriors" in specially equipped cars to test the reliability of networks.
- ***Offensive Strategy IIC : Lower Cost / Improve Marketing Productivity*** Sony found its profit margins were shrinking in consumer electronic as prices eroded faster than manufacturing cost could be lowered.
- ***Offensive Strategy IID : Build Marketing Advantage*** Nautilus was a pioneer brand in the $ 5 billion home-fitness equipment market

Using Offensive Strategy to Achieve Competitive Advantage

- ***Strategic offensives offering*** strongest basis for ***competitive advantage*** entail

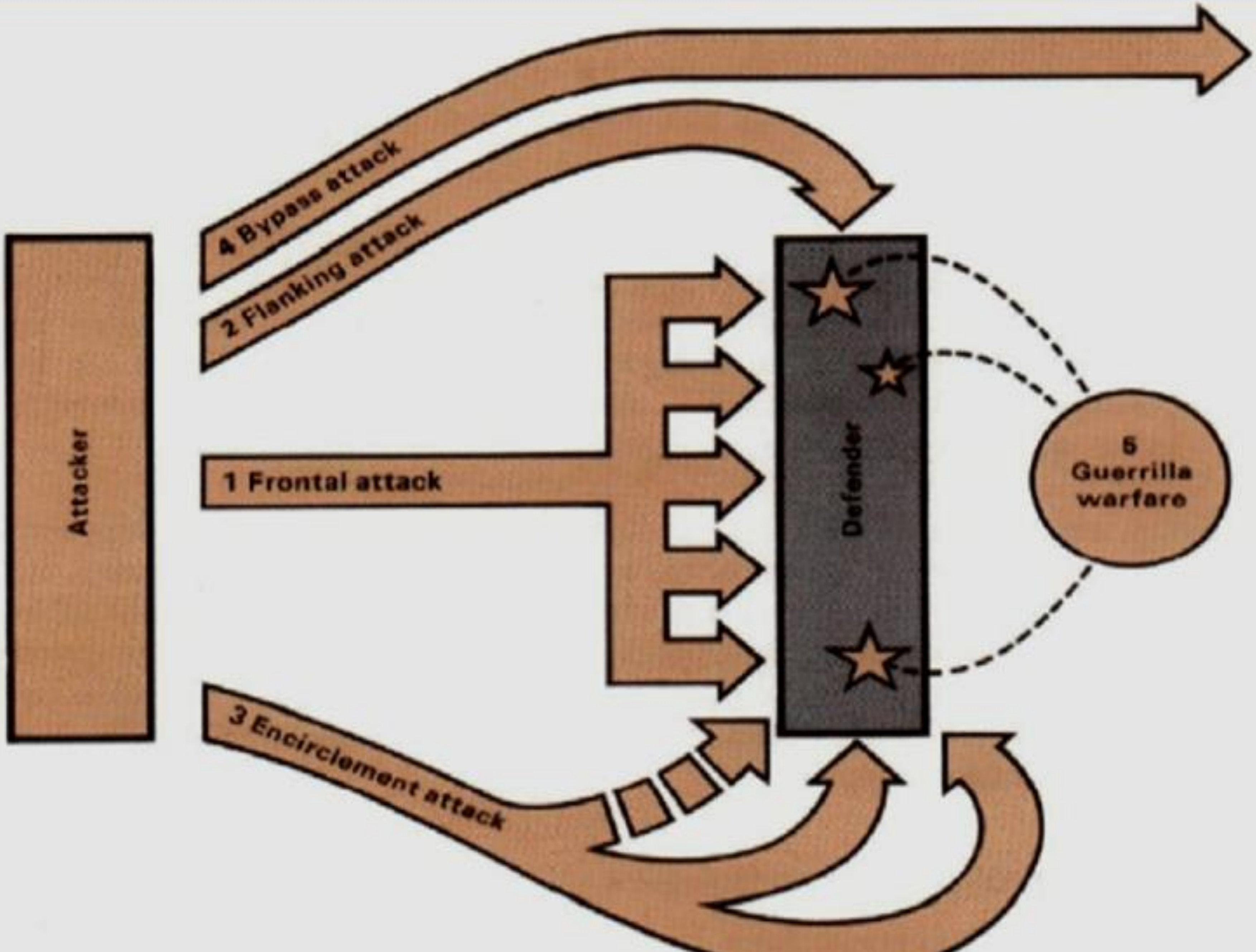
  - ➔ An important core competence
  - ➔ A unique competitive capability
  - ➔ Much-improved performance features
  - ➔ An innovative new product
  - ➔ Technological superiority
  - ➔ A cost advantage in manufacturing or distribution
  - ➔ Some type of differentiation advantage

Strategy Options: Industry Leaders

Stay-on-the-offensive strategy

Fortify-and-defend strategy

Muscle-flexing strategy


Attacker
4 Bypass attack
2 Flanking attack
1 Frontal attack
3 Encirclement attack
Defender
5
Guerrilla
warfare

Signaling

- Companies often use signaling to announce their intention to take an action.
- Announcements can be made through interviews with the press, press releases, speeches, trade journals, newspapers, and other means.
- A defending firm can effectively keep potential entrants out of the industry by using the threat of retaliation.
- The higher the perceived probability of retaliation and its degree of severity, the lower the probability of attack by a challenger.

Advantages of Defensive Strategy

1. Increasing your marketing and advertising
2. Typically less risk-laden than offensive strategies
3. Enhance the value of your products or services.

Principal Offensive Strategy Options

- Use a cost-based advantage to attack competitors on the basis of price or value.
- Leapfrog rivals as a first adopter of technology or by being first to market with products.
- Adopt and improve on the good ideas of other firms (rivals or otherwise).
- Use hit-and-run or guerrilla warfare tactics to grab sales and market share.
- Launch a preemptive strike to secure an advantageous position that rivals cannot easily duplicate.


Flank
Encircle
Frontal attack
Challenging Strategies
Bypass
Guerrilla

1

Organization-centric | Strategic/ instrumental

Strategic Management: Freeman (1984)

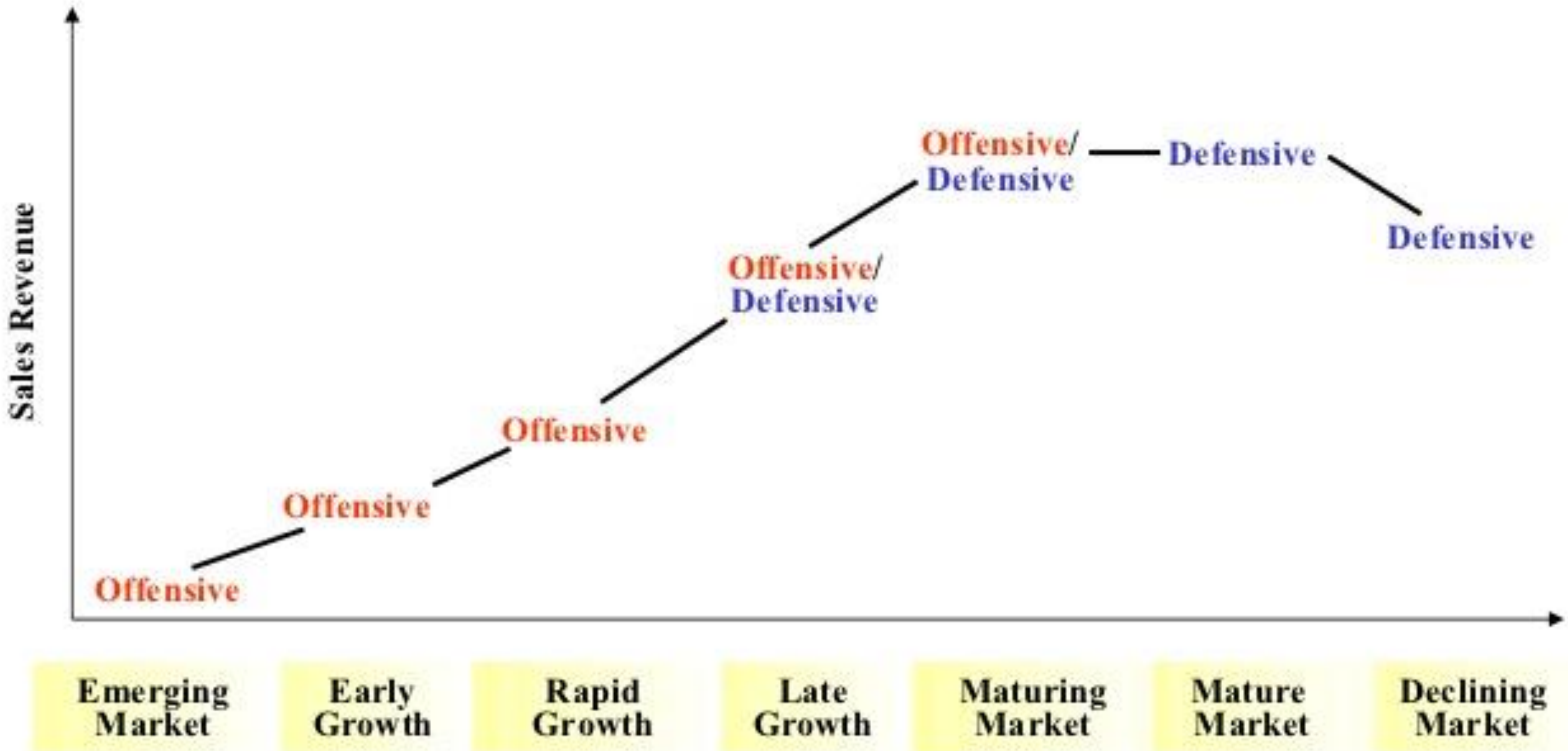
Offensive Strategies

- Should be adopted if a stakeholder group has relatively high cooperative potential and relatively low competitive threat in order to bring about stakeholder's cooperative potential.
- Examples: Attempts to change stakeholder objectives or perceptions, or to link the program to others that the stakeholder views more favorable.

Defensive Strategies

- Should be adopted if a stakeholder group has a relatively high competitive threat and relatively low cooperative potential to prevent competitive threat on the part of these stakeholder.
- Example: Reinforcing current beliefs about the firm, maintaining existing programs, letting the stakeholder drive the transformation process.

Product Life Cycle and Offensive and Defensive Marketing Strategies



Blue-Ocean Strategy—
A Special Kind of Offensive

- The business universe is divided into:
  - An existing market with boundaries and rules in which rival firms compete for advantage.
  - A yet-to-be "blue ocean" market space with no rivals and a wide-open long-term growth and profit potential for a firm with the right strategy and product.

What is "Competitive Strategy"?

- Consists of a company's market initiatives and business approaches to
  - ➔ ***Attract and please*** customers
  - ➔ ***Withstand*** competitive pressures
  - ➔ ***Strengthen*** market position

- Includes offensive and defensive moves to
  - ➔ ***Counter actions*** of key rivals
  - ➔ ***Shift resources*** to improve long-term market position
  - ➔ ***Respond*** to prevailing market conditions
- ***Narrower in scope*** than business strategy

Competitive Response

<u>Offensive Strategies</u>

- Trademark "Flav-O-Meter" and "Daily Pak"
- Copyright Daily Pak packaging
- Placement near frozen food aisle
- Placement in shelf stable aisle at "eye level"
- End cap displays
- In-store coupons
- In-store taste tests
- Continue product development to ensure new products and line extensions are in the pipeline

14 Offensive Tactics of Manipulators

- Lying
- Denial
- Shaming
- Diversion
- Seduction
- Minimization
- Guilt Tripping
- Rationalization
- Covert Intimidation
- Vilifying the victim
- Selective Inattention
- Playing the Victim Role
- Playing the Servant Role
- Projecting the Blame (Blaming Others)

COMPETITIVE ADVANTAGES THAT ENHANCE AN OFFENSIVE STRATEGY

DEVELOP A LOWER-COST PRODUCT DESIGN

MAKE PRODUCTION CHANGES THAT LOWER COSTS OR ENHANCE DIFFERENTIATION

DEVELOP PRODUCT FEATURES THAT DELIVER SUPERIOR PERFORMANCE OR LOWER USER COSTS

GIVE BUYERS MORE RESPONSIVE AFTER-SALE SUPPORT

PIONEER A NEW DISTRIBUTION CHANNEL

BYPASS WHOLESALE DISTRIBUTORS & SELL DIRECT TO END-USERS

DEVELOP A STRONG ADVERTISING/MARKETING EFFORT IN AN UNDERMARKETED INDUSTRY

A strategic offense must be tied to what firm does BEST – it's competitive strengths and capabilities.

What Is "Competitive Strategy"?

- Deals exclusively with a company's business ***plans*** to ***compete successfully***
  - Specific ***efforts*** to ***please customers***
  - ***Offensive and defensive moves*** to ***counter maneuvers*** of rivals
  - ***Responses*** to prevailing ***market conditions***
  - ***Initiatives*** to ***strengthen its market position***
- ***Narrower in scope*** than business strategy

Choosing Who to Attack

- Four types of firms can be the target of an fresh offensive
  - Market leaders
  - Runner-up firms
  - Struggling rivals on verge of going under
  - Small local or regional firms not doing a good job for their customers

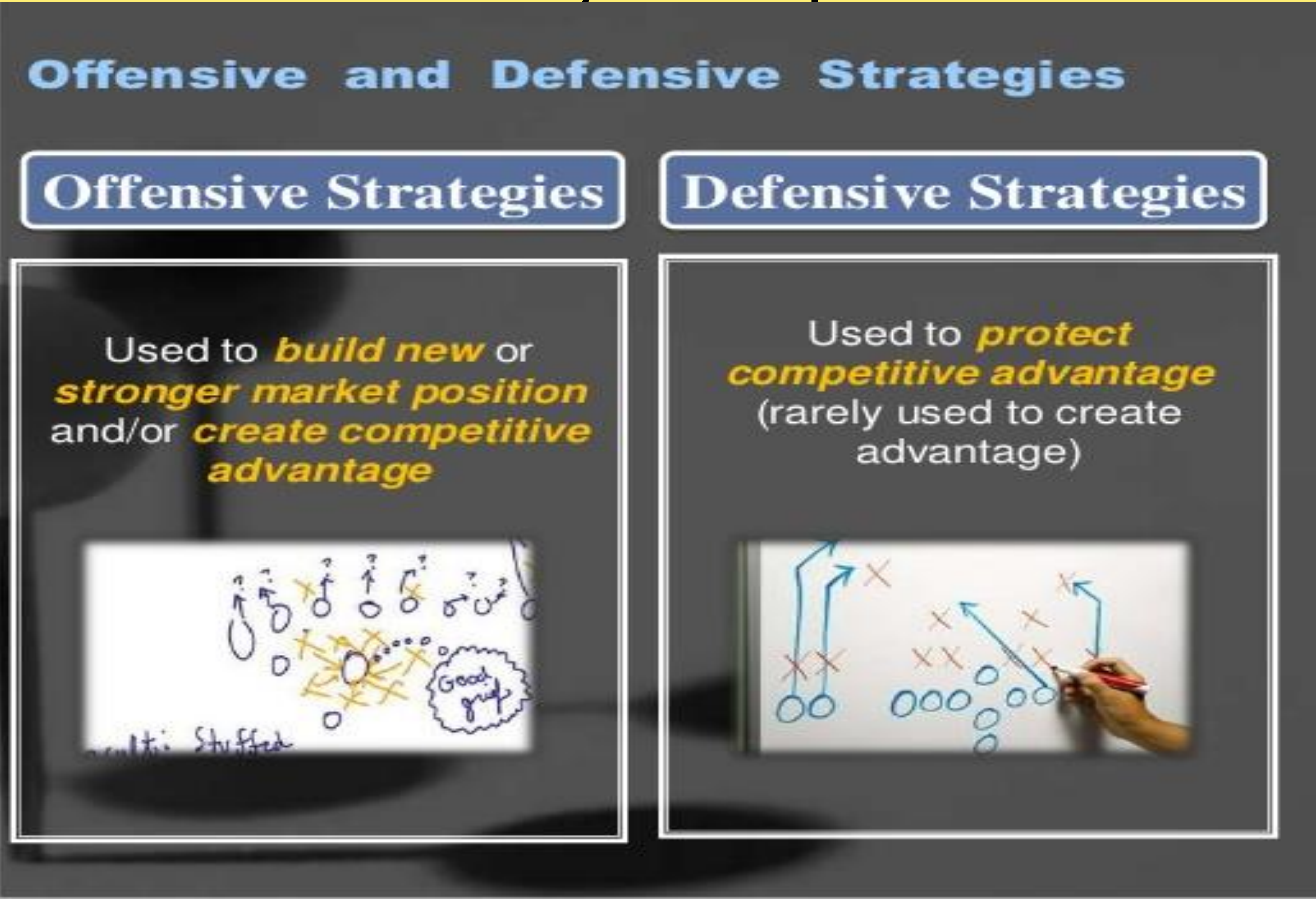
Commandments for Crafting Successful Strategy

- Think of the long term
- Consistency...
- Avoid ‘stuck in the middle’ strategies
- Invest in creating, building & defending a sustainable c.advan.
- Be prepared...
- Be flexible...
- Look for opportunities...
- Well thought out, integrated strategies

Conclusion

- Creating a strong defensive strategy requires deep planned out thinking and a distinct set of activities.
- Programs that make no sense as growth initiatives might be highly effective defensive tactics.
- Focusing on growth is good but companies should prioritize defensive strategy; when the core business struggles it is almost impossible to support growth programs.
- Any defensive strategy you employ should be balanced with a long-term strategy for growing your business …. **Defense matters most**.

Cases / Examples



ROVERS Offensive Strategies

1. All players Must have Hands Up and pointing at the man passing to them

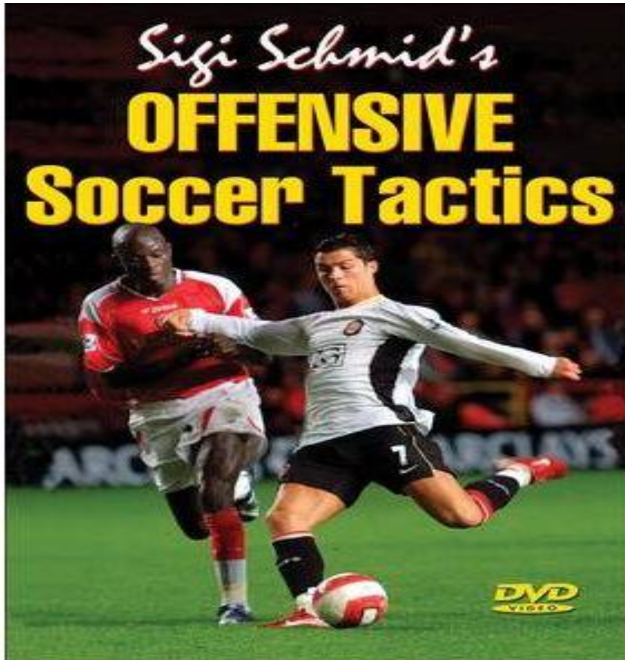
2. Player Footwork is paramount! All players must instinctively place their Outside Foot Forward in any line in order to maintain spacing and direction.

3. All players must learn to effectively Power Step via a Bent Arm tor Arm Shield (nipple, nipple, bellybutton) technique to create space.

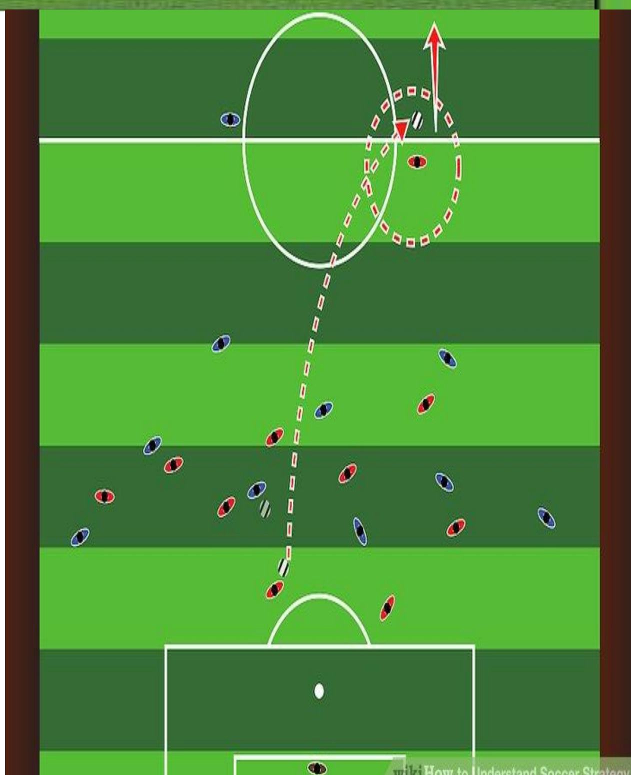
4. Players must Set The Ball to create a Narrow Gate for defenders to come through by implementing a Pass Through the Legs and/or Jack Knife Technique.

5. All Designed Plays to be run off of Penalties, Scrum Downs, and Line-Outs ONLY! On second phase ball the players can decide on the fly what play to run and IMPROVISE.

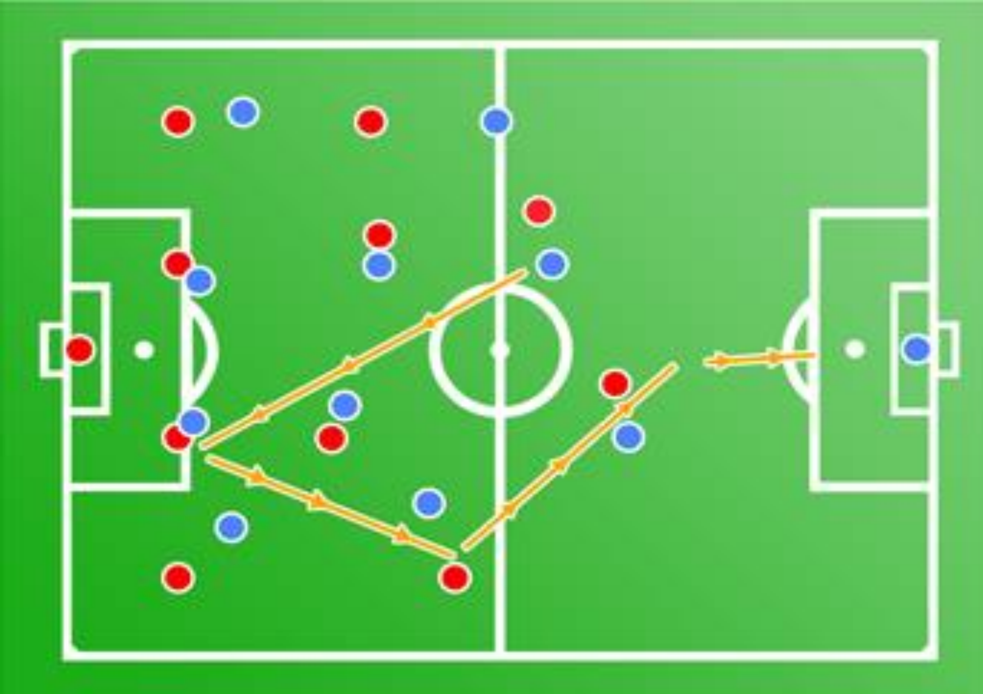
6. Utilize a Standard CRASH play to test tackling of opposing defense. Inside Crash or Outside Crash where we protect the ball and set up 2nd phase. No scissor play to set up crash.

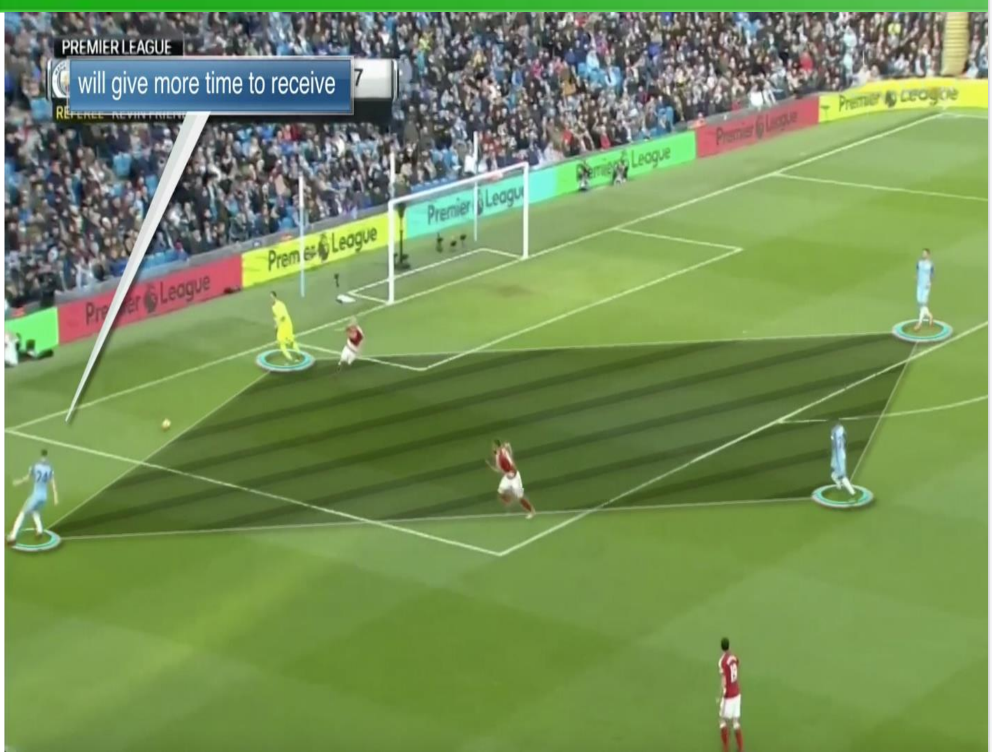

Sigi Schmid's
OFFENSIVE
Soccer Tactics
DVD


soccer-training-guide.com

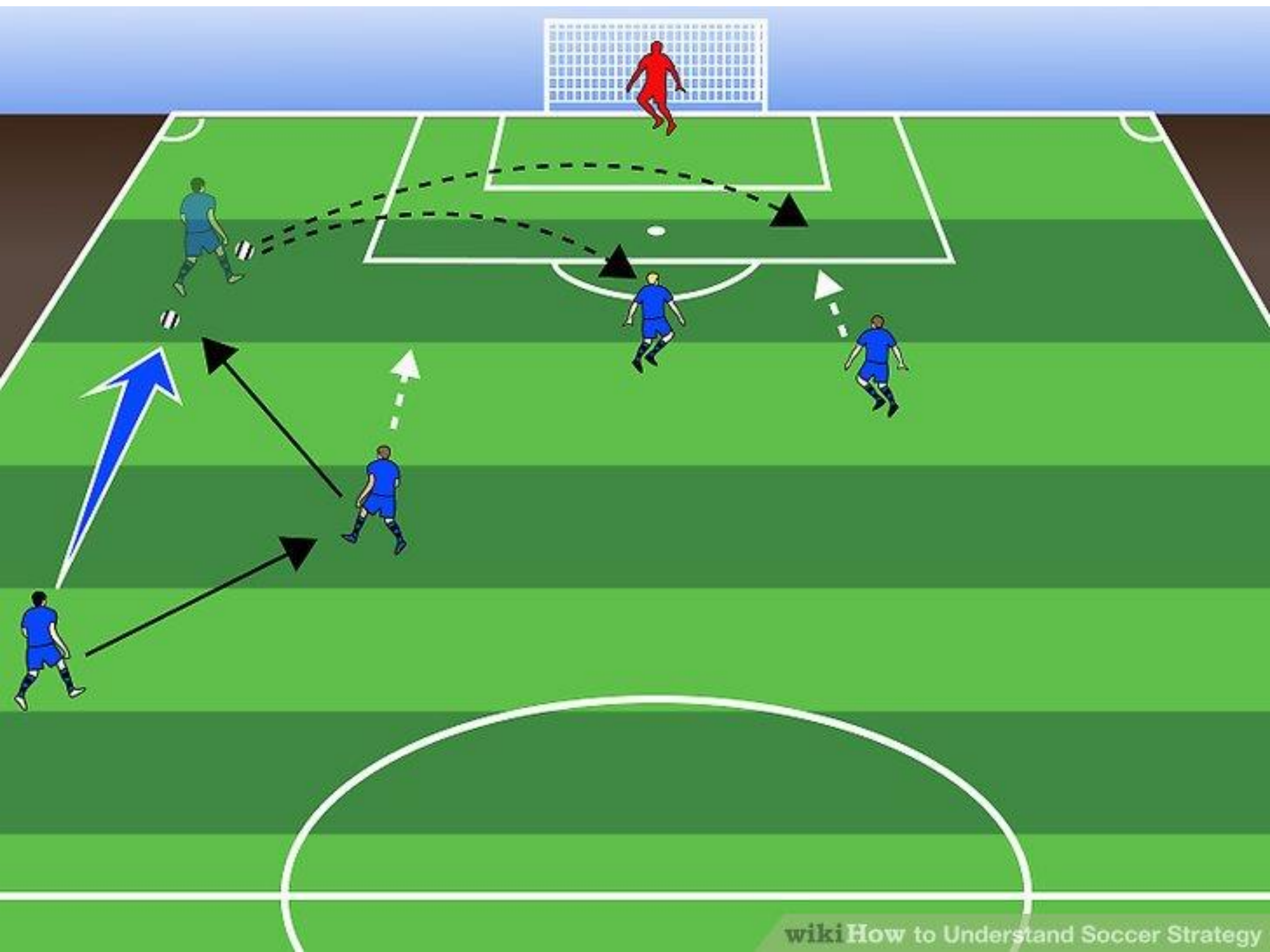


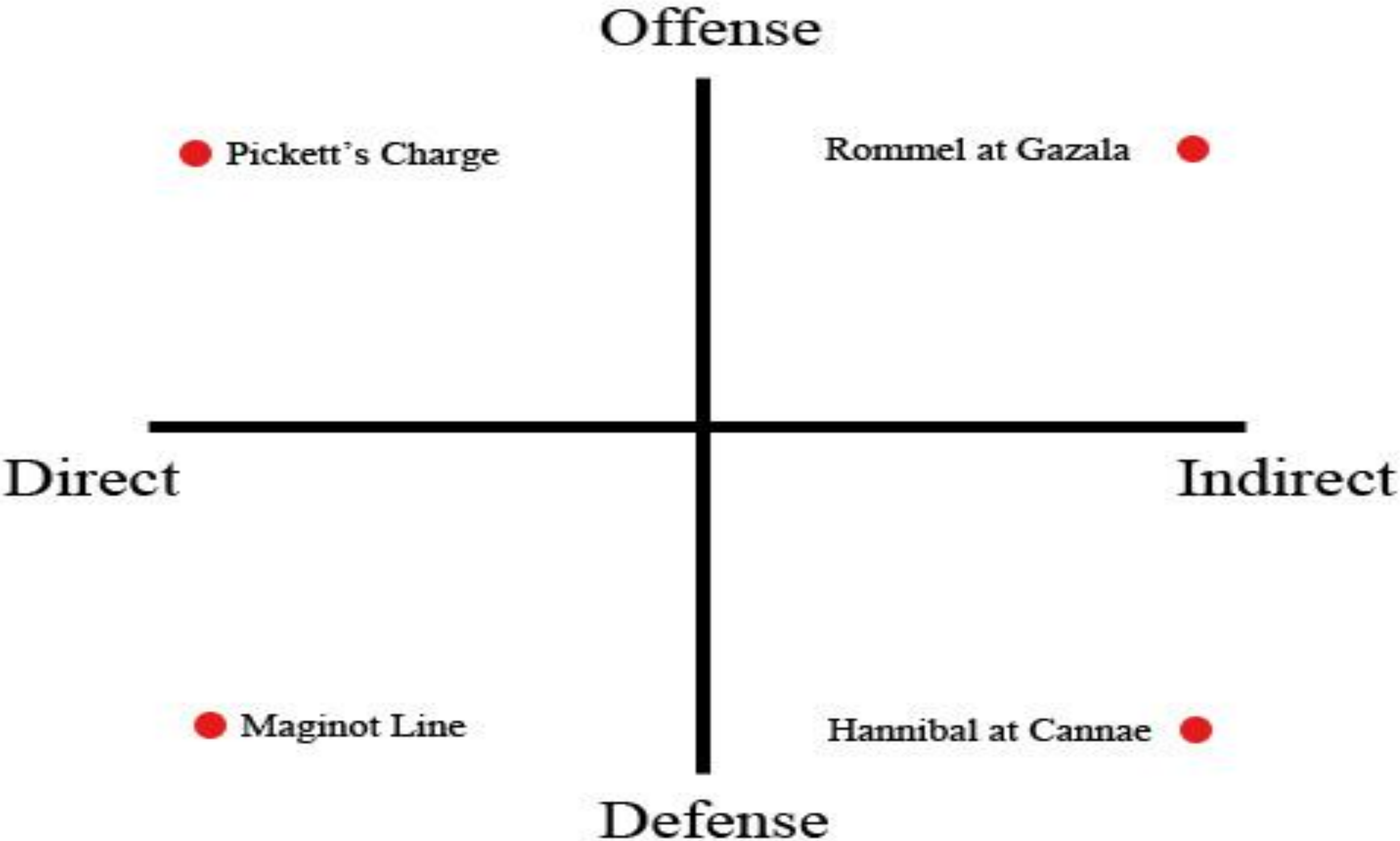

team squad
tactical plan
game strategy
4/3/3
play maker
box to box
4_4_2
assist
3/5/2
GOAL
4/5/1
target
up
X
half
5/3/2
pass
long
Long Passing
teamwork
Attacking
shoot
Defence
4/5/3
free kick
heading
back
offside line
touch
Press
creative
Passing
Dribling




PREMIER LEAGUE
will give more time to receive


Starting Tactic
Alternative Tactics
Offensive
Familiarity
Add Tactic
Up to three different tactics can be prepared at any one time.
AF A
T A
BBM S
BBM S
WB A
BWM D
WB A
CD X
CD C
CD X
G D
Mentality
Standard
Fluidity
Balanced
Team Instructions
Be More Disciplined
Shorter Passing
Exploit The Middle
Look For Overlap
Lower Tempo
Retain Possession
Work Ball Into Box
Play Out Of Defence
Drill Crosses
Hassle Opponents
Use Tighter Marking
Get Stuck In
Play Wider
Drop Deeper
Edit...
Player Instructions


wikiHow to Understand Soccer Strategy


Offense
Pickett's Charge
Rommel at Gazala
Direct
Indirect
Maginot Line
Hannibal at Cannae
Defense

The "Cola War"

1915 Coca-Cola introduced its unique 6-1/2 ounce bottle that became closely associated with the brand. The size and shape was just right to fit the
hand, and this bottle and its association with Coca-Cola was a major strength.
However, when Pepsi introduced a larger bottle for the same price as the
smaller bottle of Coke, Coke did not have many options to respond. Because
of the way the size and shape of the bottle fit the hand, it could not be enlarged easily. Furthermore, the dispensing machines for Coke were designed for nickels only, so the price could not easily be changed.
These weaknesses were a direct result of Coke's strength: **the challenger**

- **should seek a weakness in the leader's strength.**

Defensive Strategy

The fight to regain lost market share is costlier than retaining market share it possesses

• Utilised cost improvement strategy's - quality teams, assembly line automation, less labour intensive product designs.	
• Changed attitude on profitability – foregoing short term results in favour of long term profitability & market share expansion	Reducing Profits
• Slashed prices on certain models to recapture market share	Reducing Profits
• Introduced new line of copiers	Fill Product gaps
• Increased R&D spend on new product development	Fill Product gaps
• Attacked Japanese home markets through its joint venture with Fuji Xerox.	Coalitions

An Offensive Strategy for Today's Cyber Warzone: Winning With Cyber Campaigns

Presented by Chris Inglis,
Former Deputy Director, NSA

Hosted by Al Corchuelo,
Recruit Leaders LLC
www.recruitleaders.net

The "burger war"

McDonald's was the leader, and Burger King tried offensive maneuvers. The moves
that were unsuccessful were those that extended the product line and that copied
McDonald's. The campaigns that were **successful differentiated** Burger King from
McDonald's. For example, "Have it your way" attacked a weakness in McDonald's
consistent production line process that had the flip side of being inflexible. Even more
successful were the advertisements emphasizing the fact that Burger King's burgers
were flame-broiled while McDonald's were fried.
Wendy's successfully flanked McDonald's by **targeting adults rather than children**,
offering adult-size portions and launching the highly successful "Where's the beef?"
campaign.

German Offensive Begins

- 1939 – September 1st
- German *luftwaffe* stormed over Poland dropping bombs.
- German Tanks blitzed across the Polish countryside
- *Blitzkrieg* – new German military strategy meaning "lightning war."

Offensive Strategies

Frontal attack Massing one's forces against the strengths of the competitor	• Must have a clear advantage (price, quality, financial strength, etc.), i.e., 3:1 advantage • Competitor should not be able to retaliate
Flanking Attacking segments or addressing needs that are neglected by the competitor	• Concentration of forces on competitor's weaknesses • Find segments that are not served well and develop them into strong segments
Encirclement Attacking at several fronts simultaneously	• Must have enough resources for a frontal attack in several segments where competitor has weaknesses • The encirclement must be comprehensive enough to overwhelm the competition
Bypass Gain strength in unserved markets to attack later	• Unserved or neglected markets must be found • They must allow to gain strength (develop and refine product, create brand awareness, gain financial strength, etc.) • These strengths must be transferrable to competitor's core market for an attack
Guerrilla Minor attacks on multiple fronts to demoralize competitor	• Find several weakly defended markets • Have enough resources to attack these "blind" spots • Be able to demoralize competitor to eventually prepare for a massive attack

Defensive Strategies

Position Building a "fort" around the current product	• All resources are used to defend the current product • A "fortification" is built • It is very risky to put all eggs into one basket (or behind the walls of one fort)
Mobile Diversify into new products and or markets to launch retaliatory strikes	• Defend current product • Exploit current strengths to diversify into new domains (products and or markets) • Defend or attack out of these new domains
Preemptive Defending by attacking	• Weaken competitor before he attacks
Flank positioning Develop defenders for uncertain eventualities	• Identify points of weaknesses • Develop defenders for potential attack
Counteroffensive Directly attacking aggressor	• Use all resources and strengths to attack competitor frontally or at selected points of weaknesses
Strategic withdrawal Withdraw from unimportant segments to concentrate resources for a counterattack	• Define unimportant segments and withdraw • Cumulate and concentrate resources on core products or segments • Counterattack out of core