

SCORPIO[©] Market Strategy

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Business Purpose defined

“The purpose of a business is to
create and keep a customer”

Customers

Levitt

Strategy defined

1. “Strategia” = the art of the general
2. “The tao of survival or extinction” Sun Tzu
3. “Strategy is the art of making use of time and space”
Napoleon Bonaparte
4. The means by which we achieve the objective

Action

Marketing defined

“Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.”

The Chartered Institute of Marketing

What is Market Strategy?

Market Strategy is the process by which the organisation aligns itself with the market(s) it wishes to serve

Alignment

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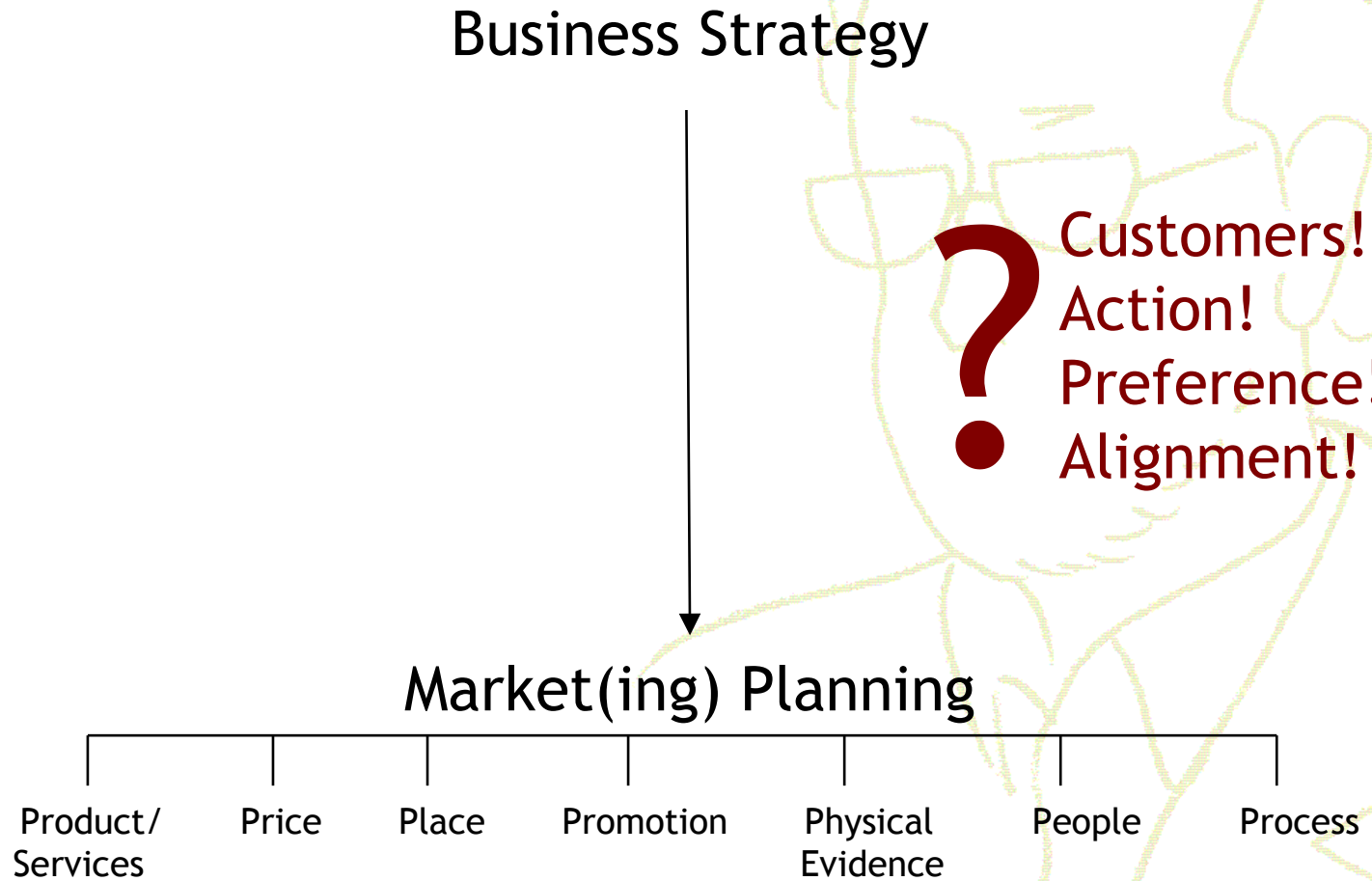
Market Strategy =

1. Customers!
2. Action!
3. Preference!
4. Alignment!

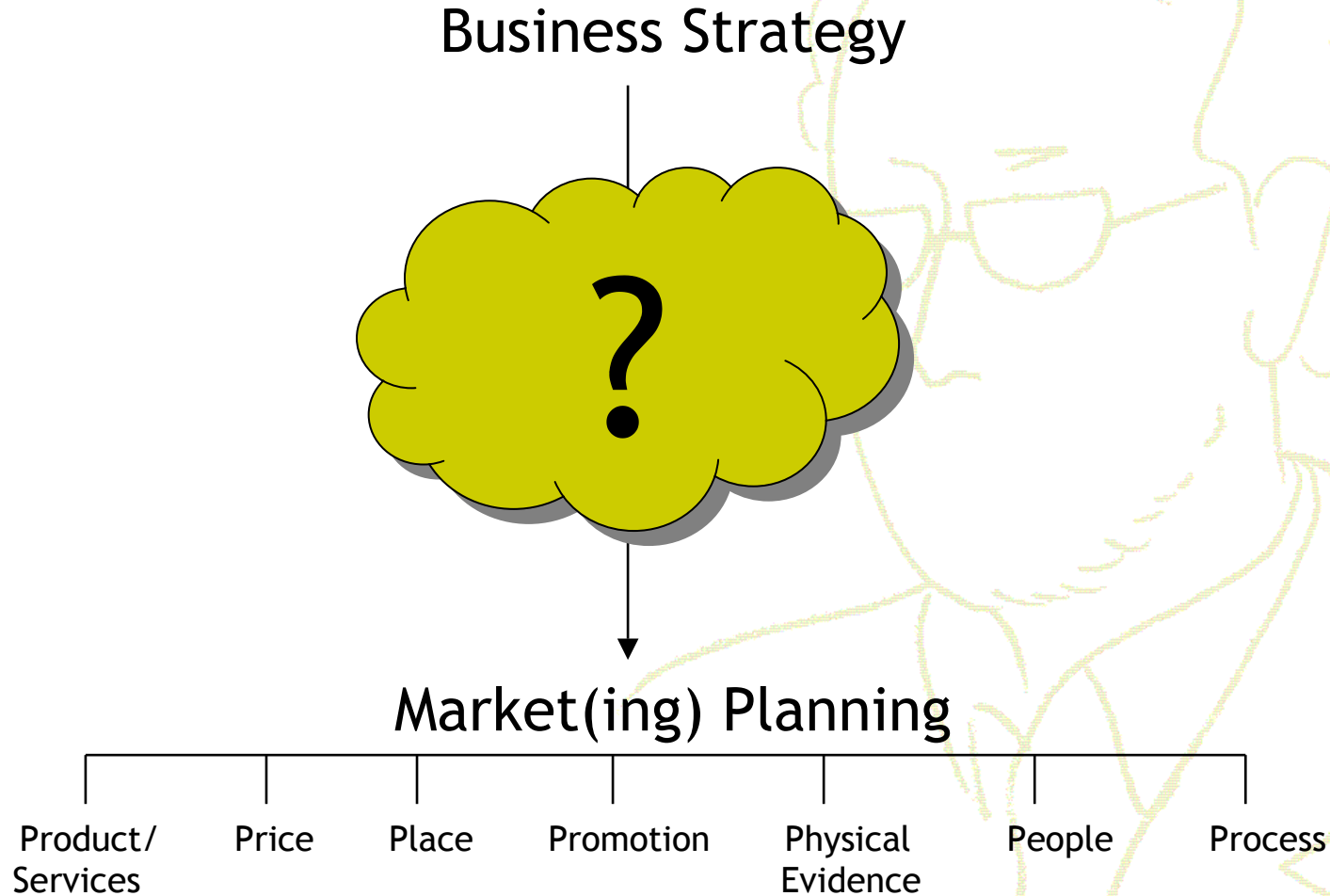
**Big
Urgent
Important**



Strategy and Marketing



Strategy and Marketing

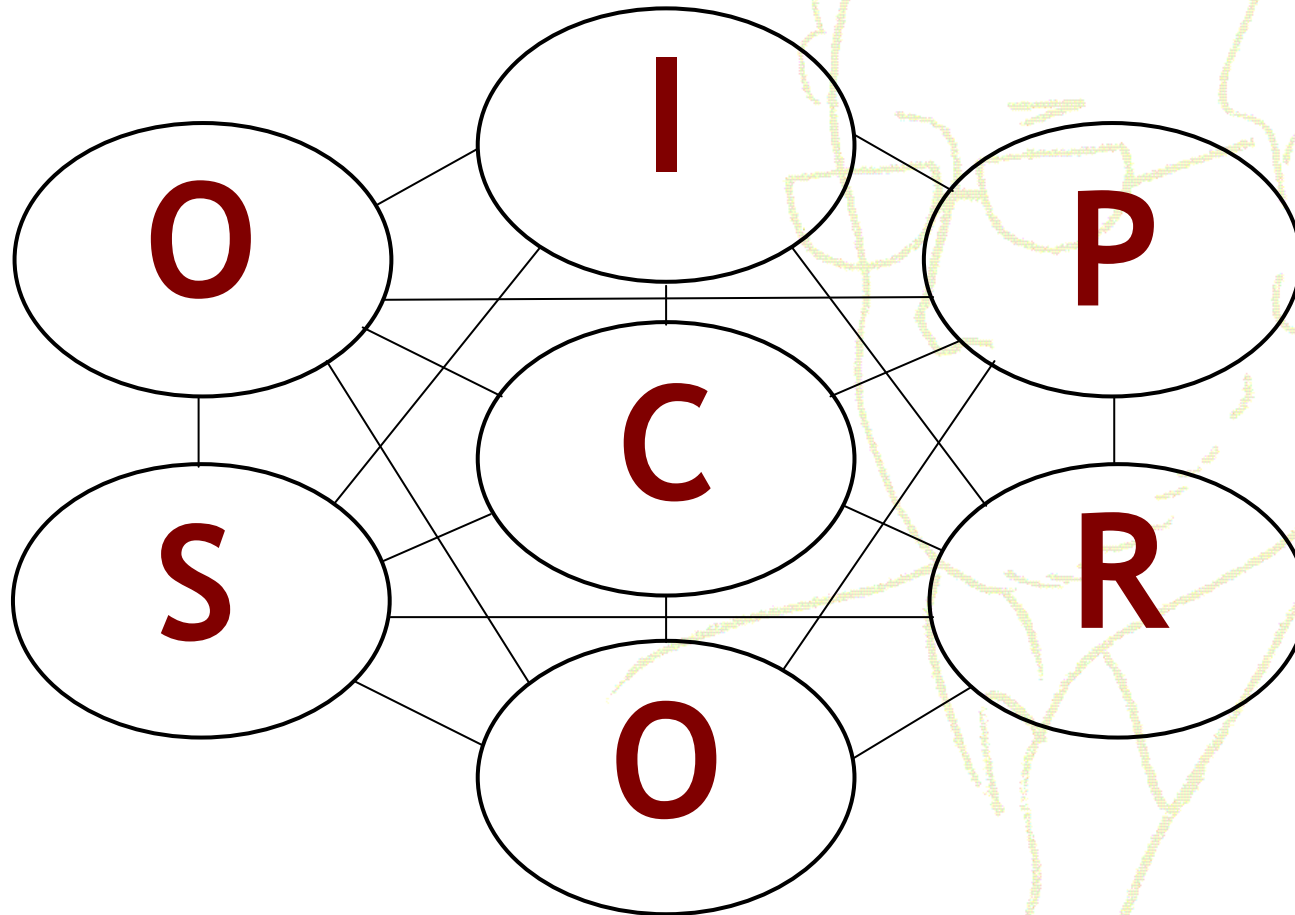


Strategy and Marketing

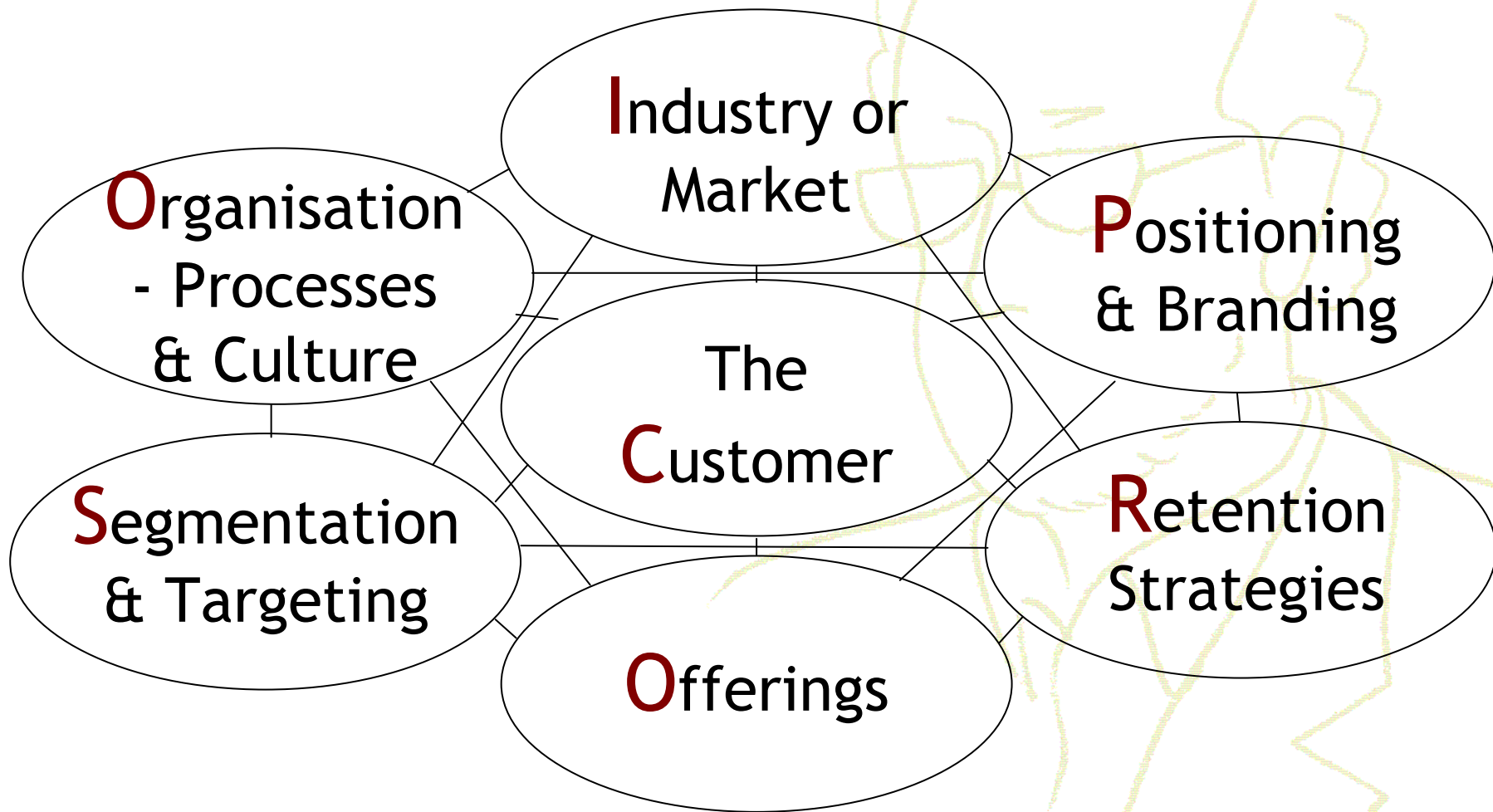


SCORPIO

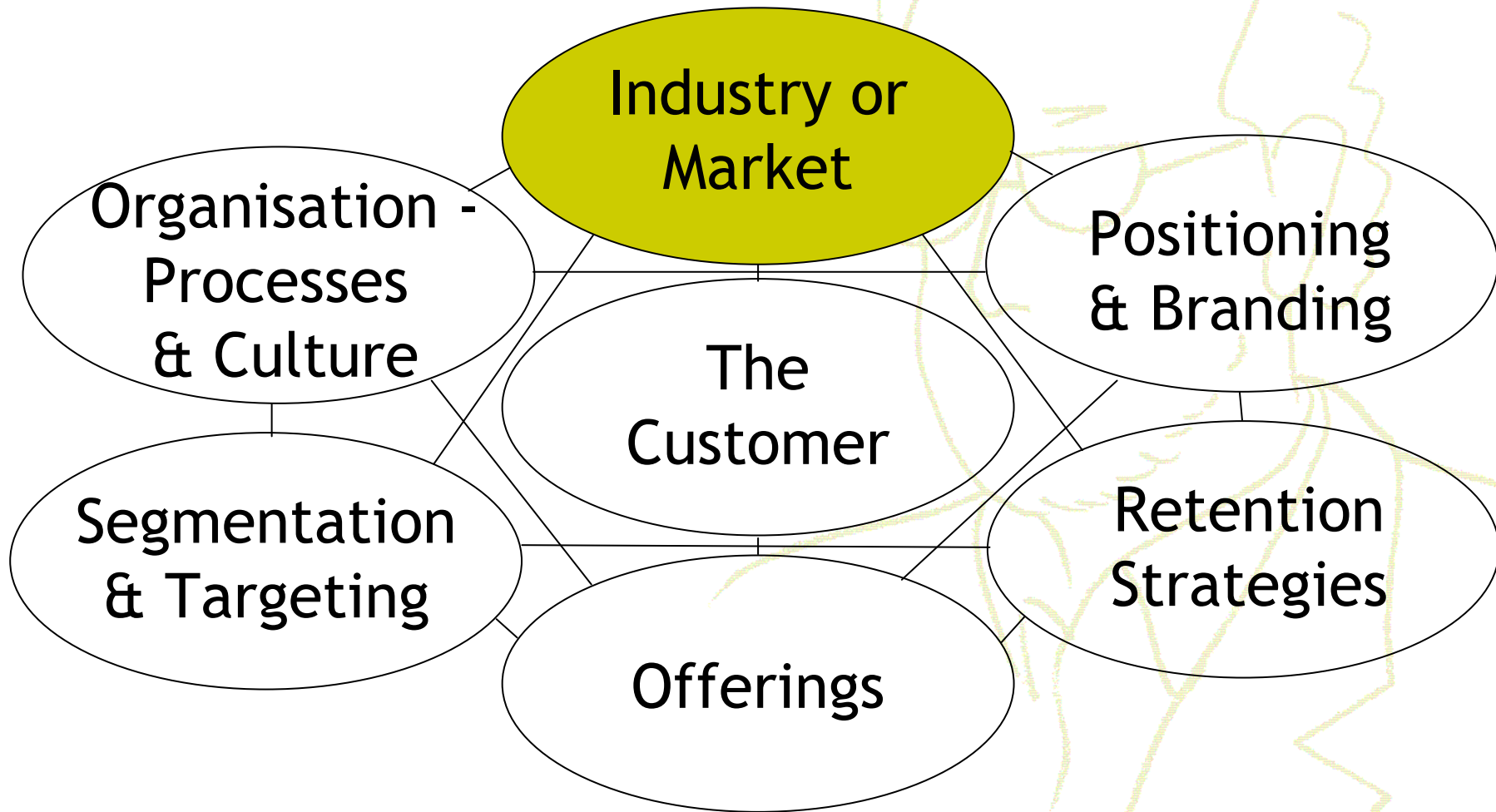
The SCORPIO model drives market strategy



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Scorpio - 1. Industry or Market?



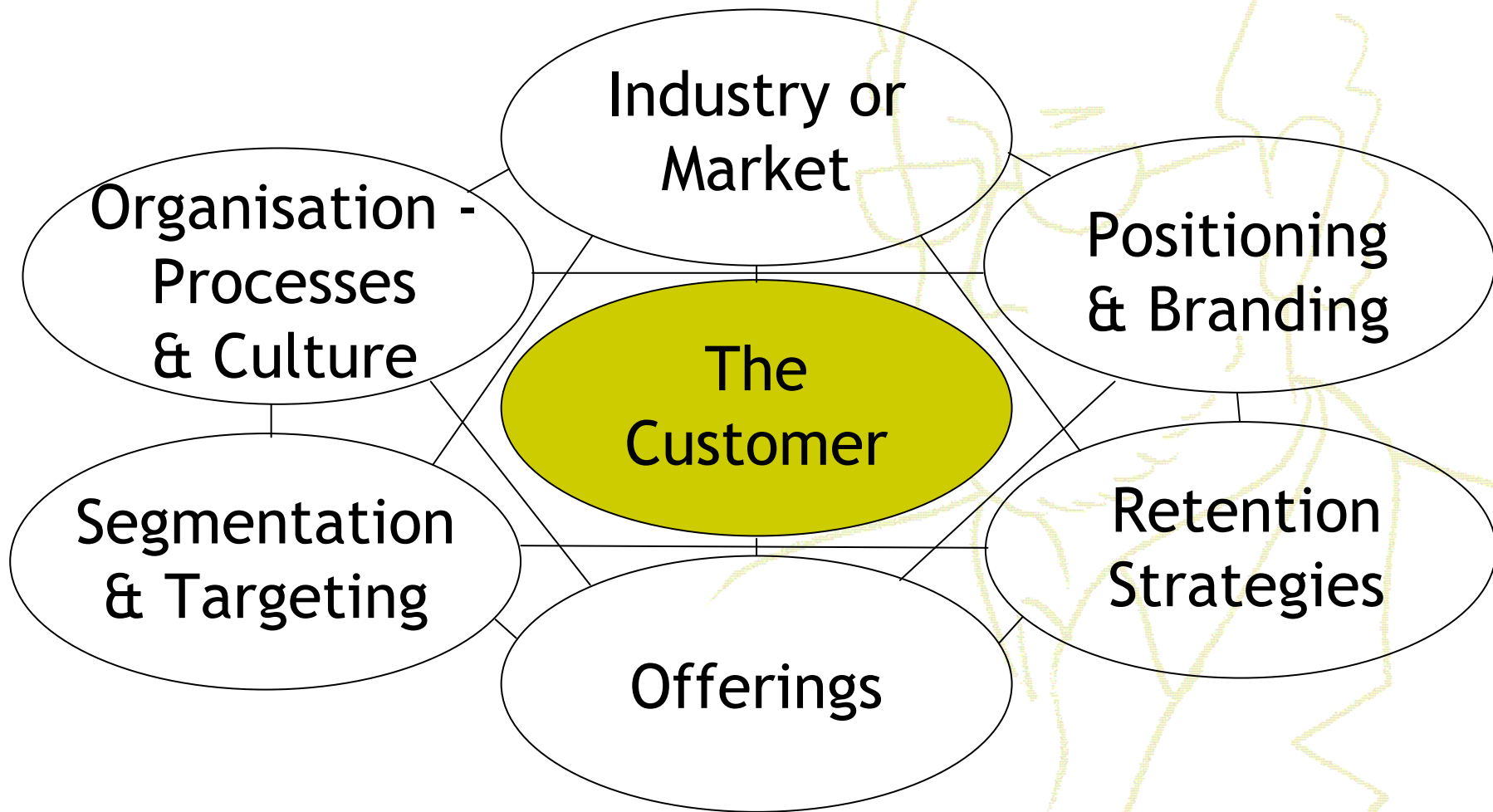
What business do we want to/should we be in?

| “Product led” | Company | “Market led” |
|--------------------|--------------------|---------------------------|
| Motor Cycles | Harley Davidson | Big Boys’ Toys |
| Watches | Swatch | Fashion Accessories |
| Electric Motors | B&D | DIY |
| Railroads | Amtrak | Transport |
| Electronics | Sony | Entertainment |
| Cars | Jaguar | Status |
| Watches | Rolex | Jewellery |
| Beer | A Busch | Friendship |
| Cosmetics | Revlon | “Hope” |
| Search engine | Google | Organise the world’s info |
| Coffee Shops | Starbucks | The Third Place |
| Luggage | Louis Vuitton | The art of travelling |
| Encyclopedias | Britannica | Parental guilt |
| Our Product | Our Company | Our Business |

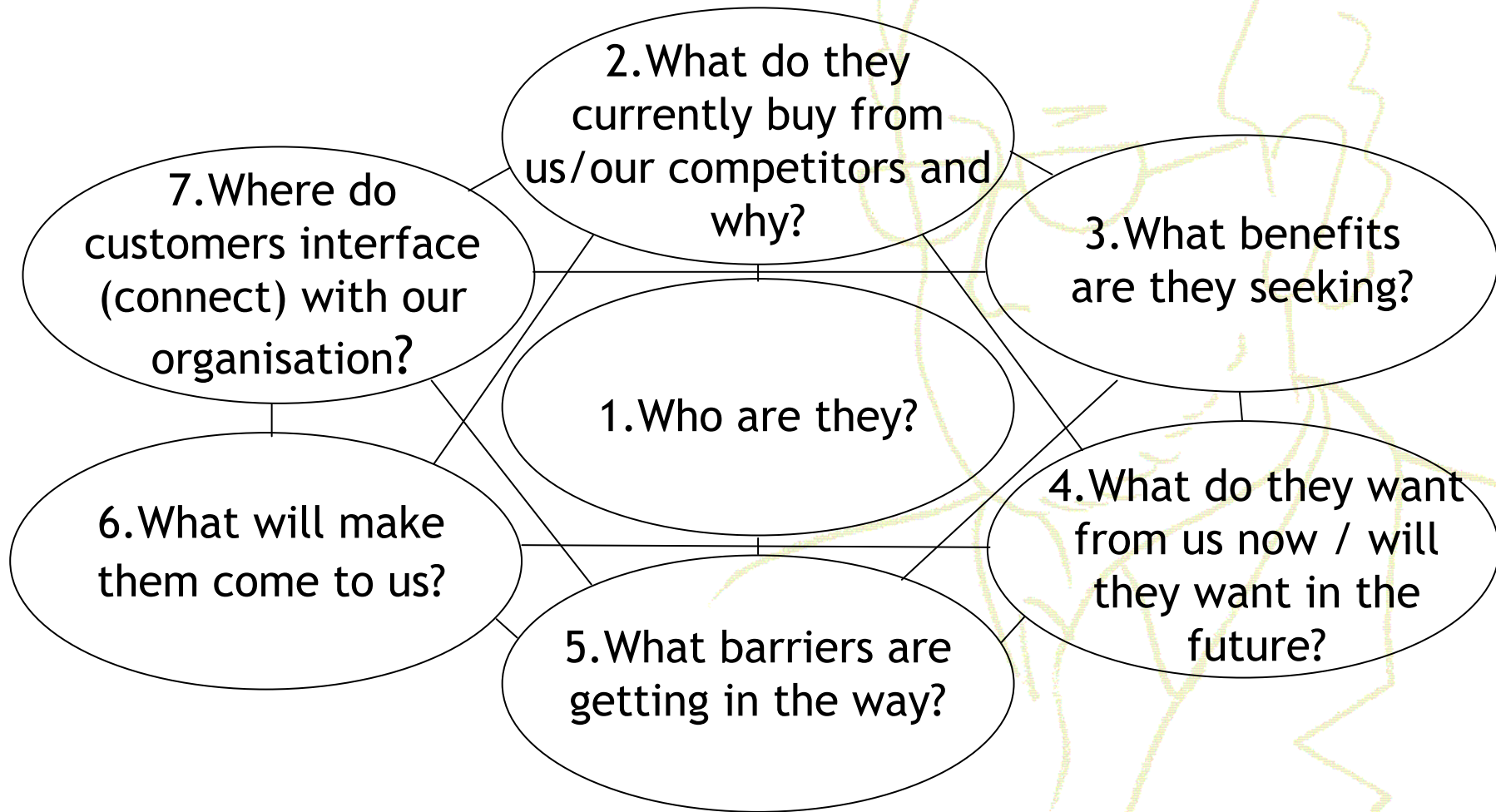
The decision defines:

1. The Customers' needs
2. Which customers to serve (segmentation)
3. The (real) Competition
4. Strategic threats and opportunities
5. Potential to differentiate
6. Focuses the organisation on needs satisfied (benefits)
7. Establishes directions for growth
8. Establishes boundaries for effort
9. Organisation processes and culture

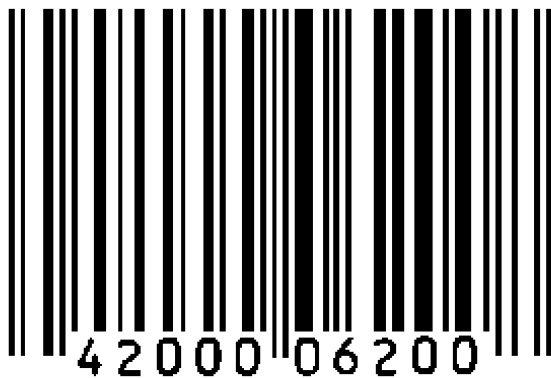
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Scorpio - 2. The Customer



Lesson One - These are NOT customers

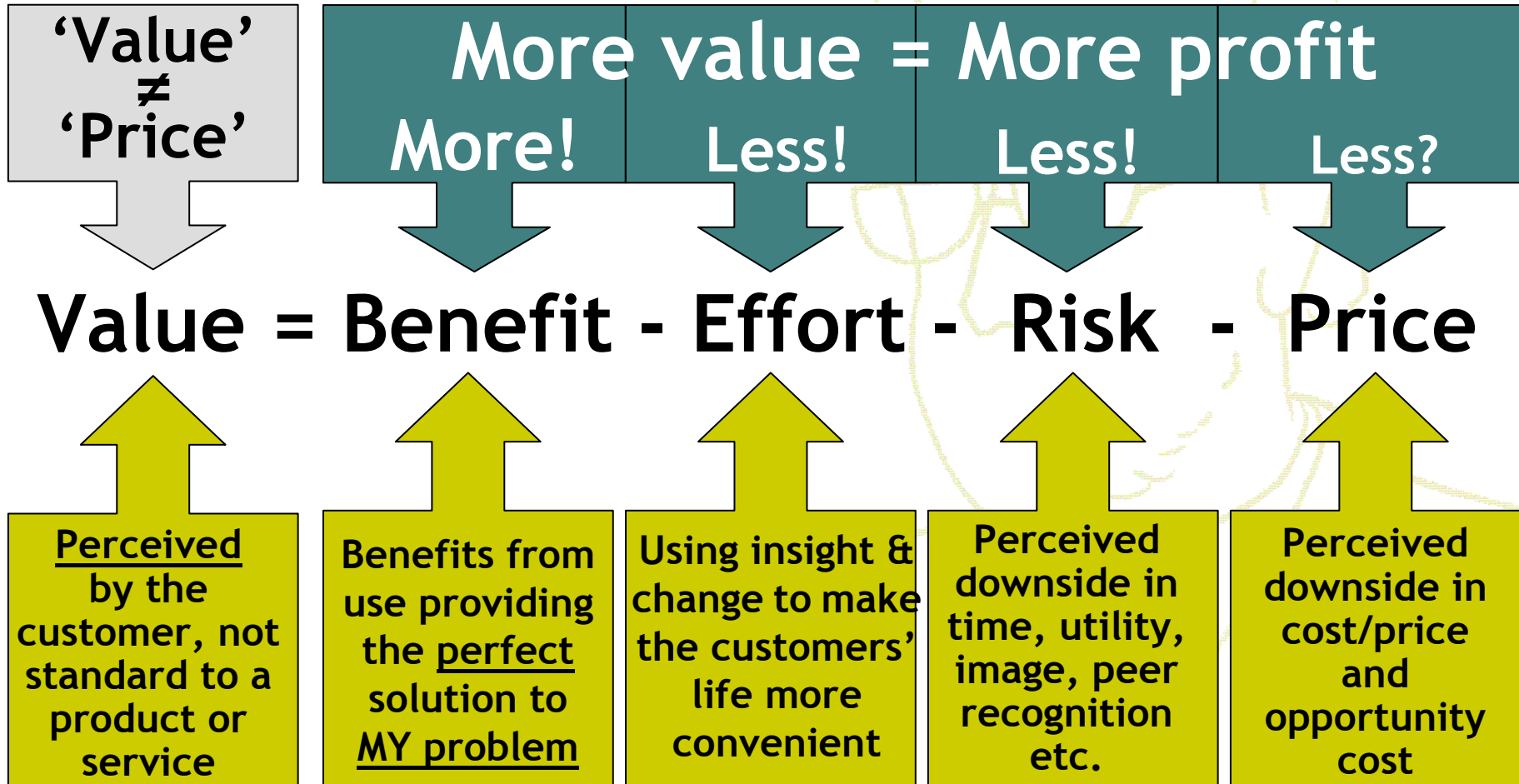


So, what is marketing all about?

1. Remembering that it's not all about building the best product or service
2. It's about Customers - Why?
3. Because the money isn't hidden in the product, its hidden in the customers' pockets!

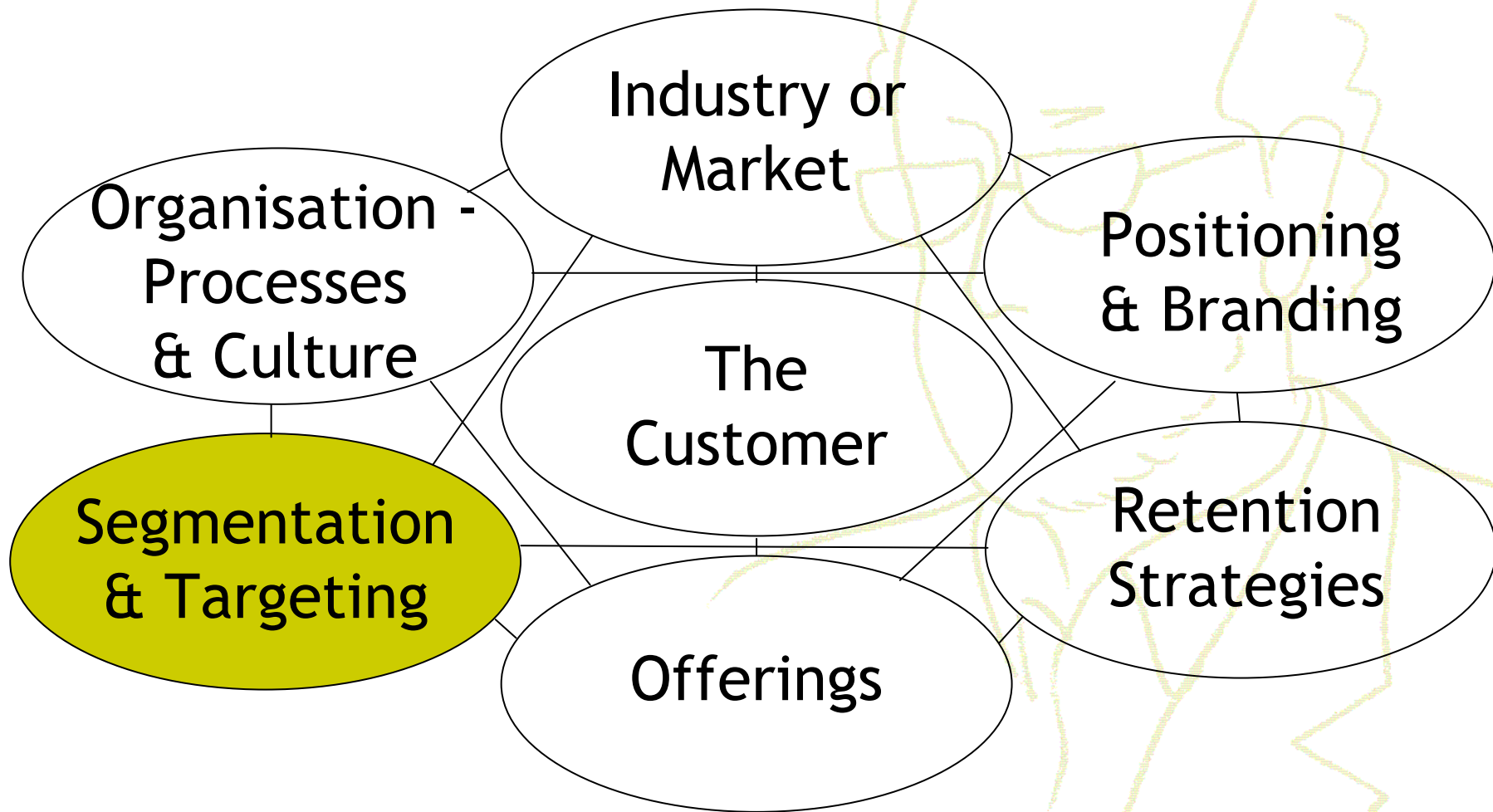


Its all about CUSTOMER VALUE

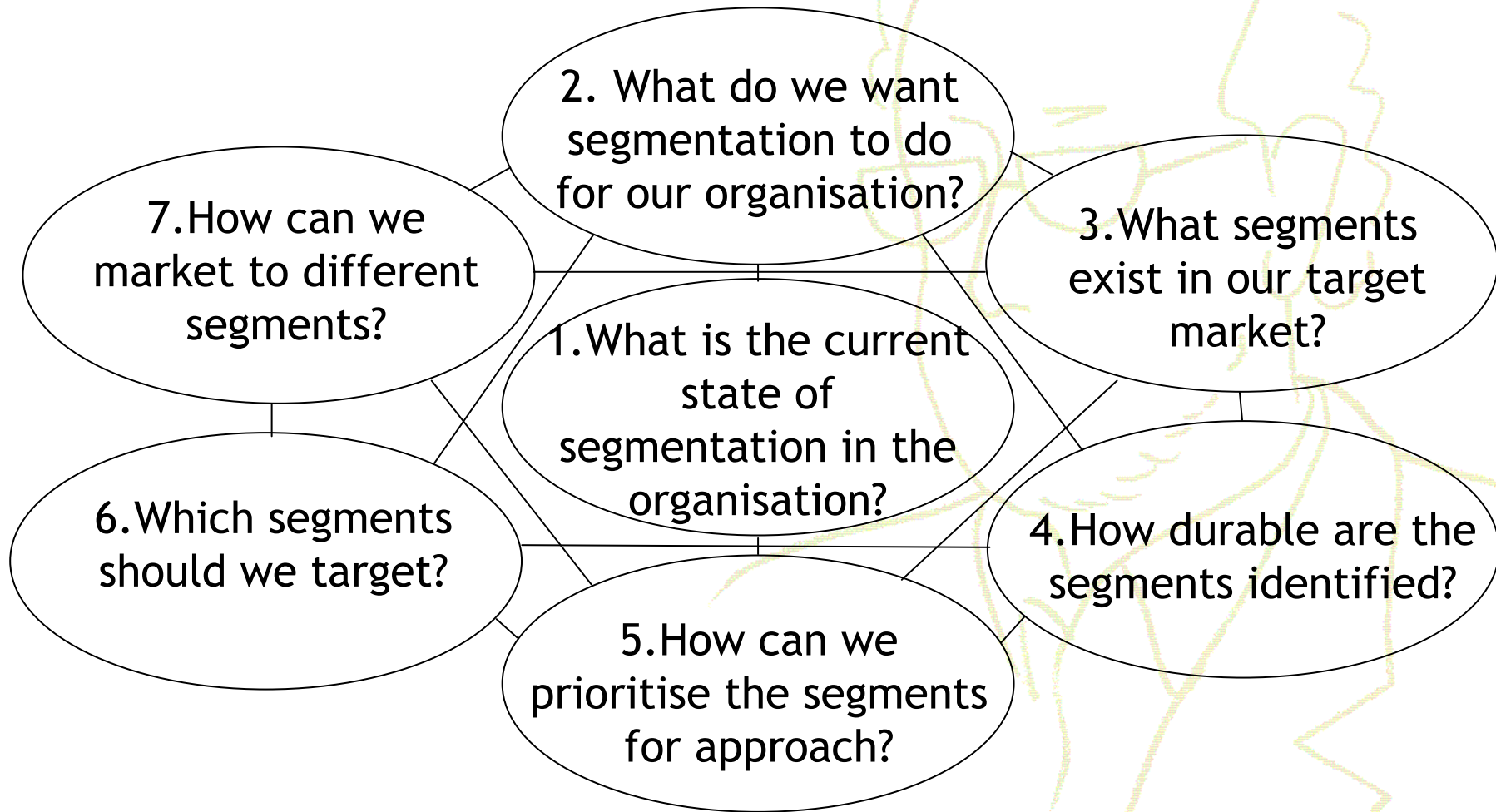


Adapted from Osterwalder & Pigneur, 2003

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Scorpio - 3. Segmentation & Targeting

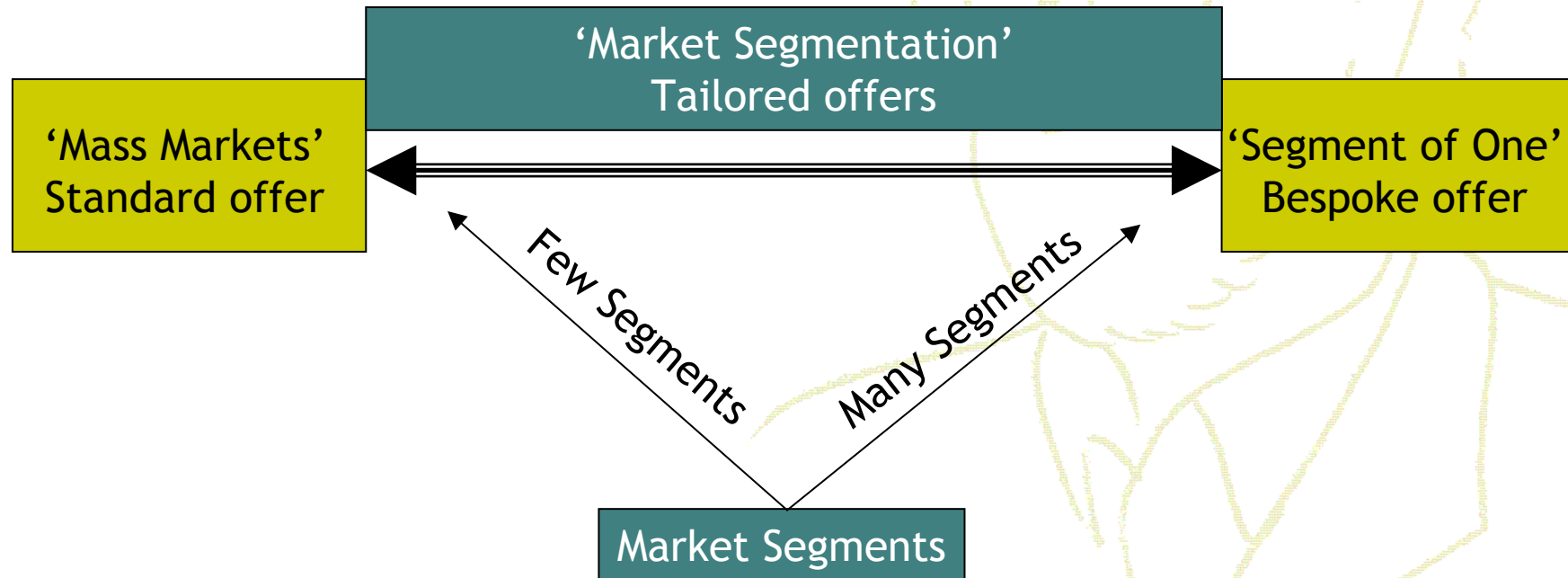


Segmentation is..

- *“The subdividing of a market into homogeneous subsets of customers, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix.” - Kotler*
- Accepting that the 'Mass Market' is DEAD
- Identifying groups of customers and prospects who are alike in some important way
- Understanding the differences
- Marketing to the segments separately
- Increasing 'value' if not 'volume'

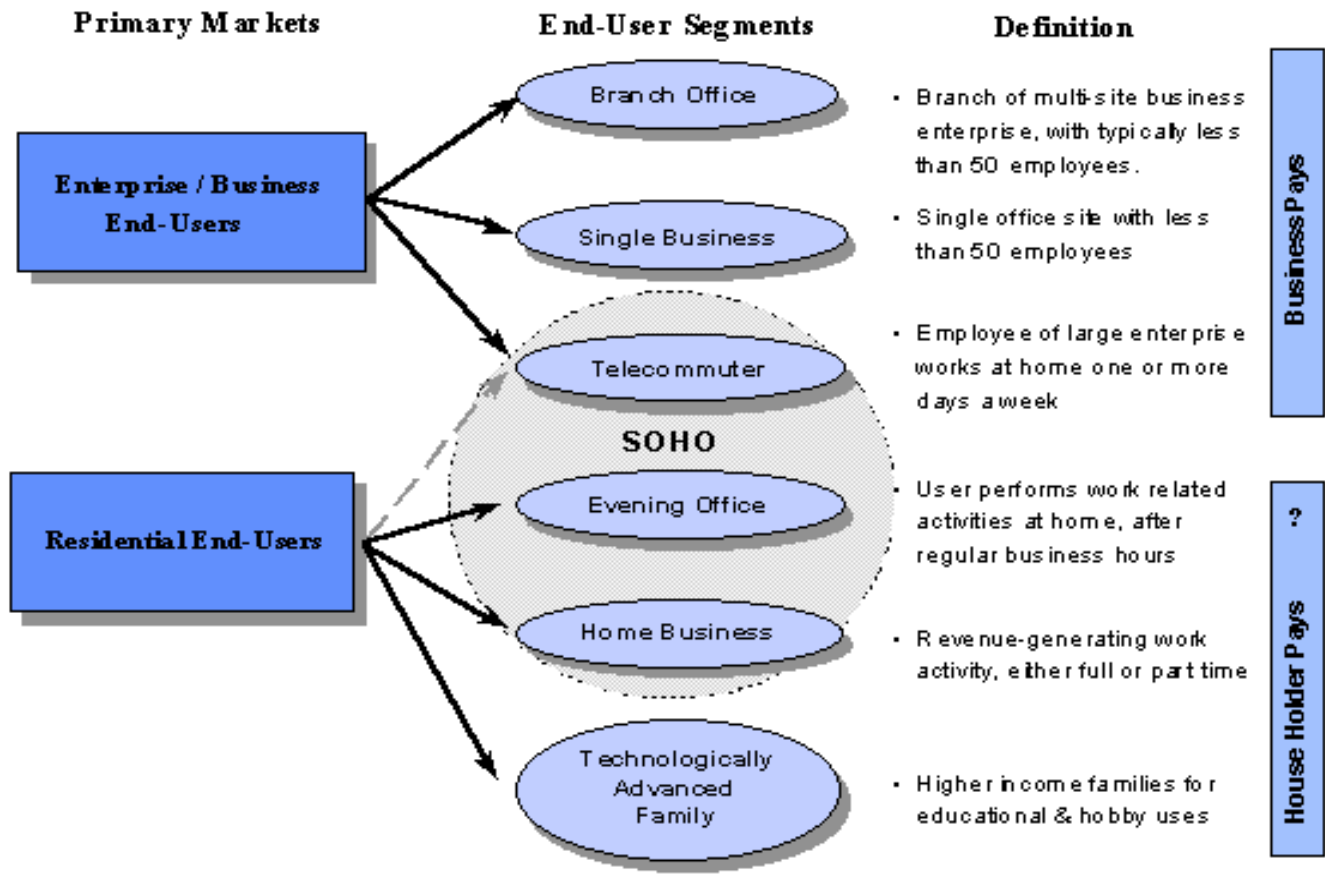
One size does NOT fit all!

The Market Segmentation 'Compromise'



This is NOT segmentation

Market Segmentation



Some segmentation bases

| | | | | | | |
|--|--|--|--|--|--|---|
| C O N T E X T | Business to Consumer bases | | | | | C O M M O D I T Y |
| | Motivations Personality Needs Wants Emotions | Purchase situation Store usage Behavioural Benefits | Family roles Psychographics Reference groups Sagacity | SEG Class Neighbourhood Cultural | Geography Sex/Age Race/Ethnicity Regions Urban/Rural | |
| | Business to Business bases | | | | | |
| | Buyer-seller relationship Risk perception Brand | Urgency Application Order size Importance of purchase | Organisation DMU Purchasing policies Purchasing criteria | Technology User status Customer capabilities (financial) | Industry or 'Vertical' Company size Location SIC | |
| MOTIVATIONS ← | | | → DESCRIPTORS | | | |
| Segmentation Difficult but Effective Longer Term Strategic Wider Organisational Change | | | Classification Easy and Efficient Quick Wins Tactical Little Organisational Change | | | |

What can segmentation do for you?

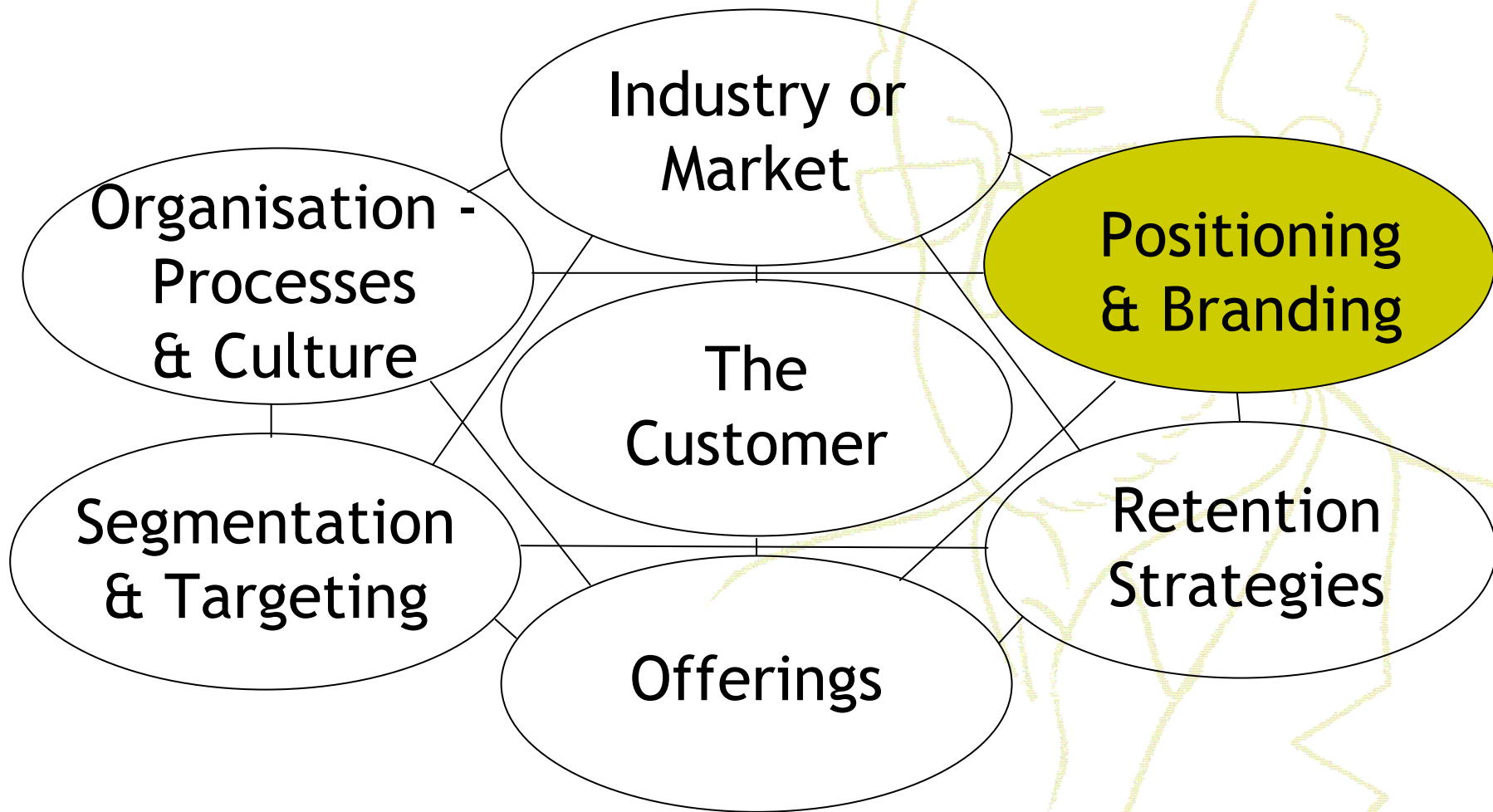
| THE PAIN | | THE GAIN |
|---|--|---|
| Investment | Tactics | Strategy |
| <ul style="list-style-type: none"> • More Research • Higher Costs of multiple markets • Complicated administration • Possible re-organisation costs • ‘Inefficient’ production system • Lower economies of scale • Changing ‘habits’ of the organisation | <ul style="list-style-type: none"> • Better targeting • More efficient promotion • Less marketing ‘wastage’ • Improved retention • Improved ‘service’ levels • More effective production • Higher prices • Focused NPD | <ul style="list-style-type: none"> • Unique customer propositions • Clear market positioning • Differentiation • Brand values & Personality • Retention, ‘Loyalty’ & ‘Relationships’ • Sustainable competitive advantage • Market influence • Market leadership • Premium prices & Margin • Profitability |

No Segments = No Brands!

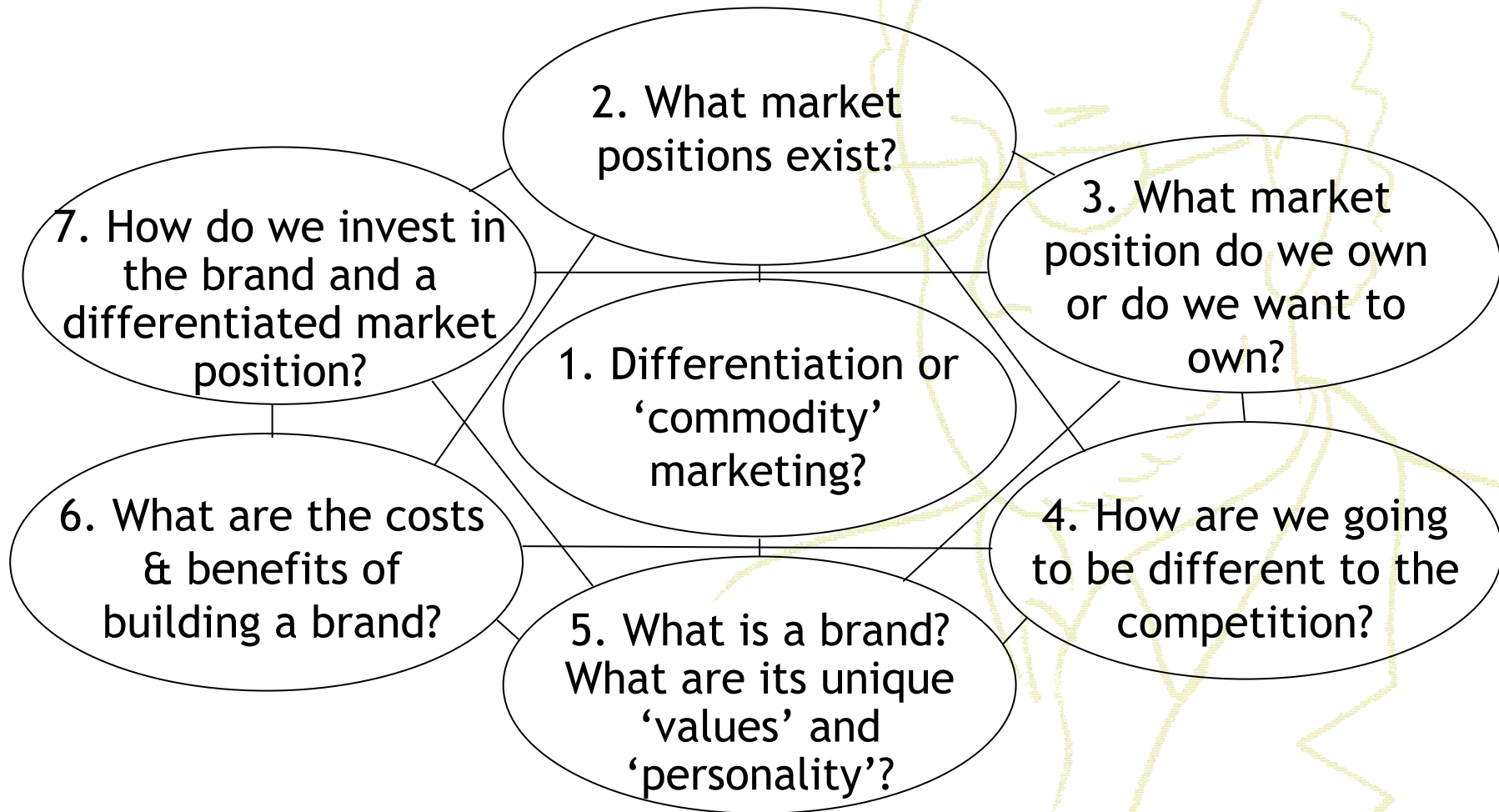
- A brand cannot exist in the 'mass market'
- A brand is unique
- A brand needs a special area of the market to flourish
- A market segment is a group of prospects and customers with a common need
- Segments form the only 'growing base' for successful segments



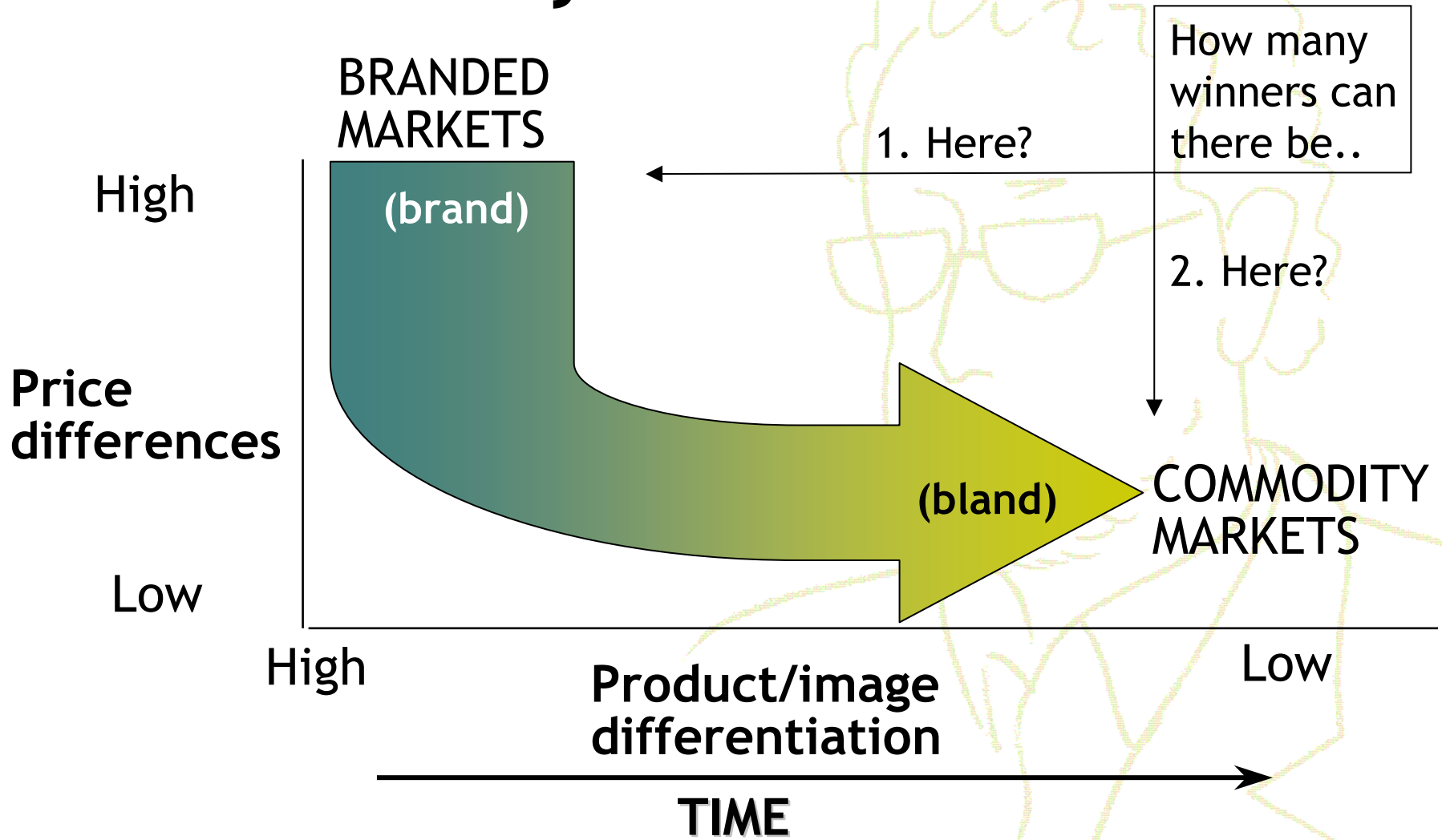
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Scorpio - 4. Positioning & Branding



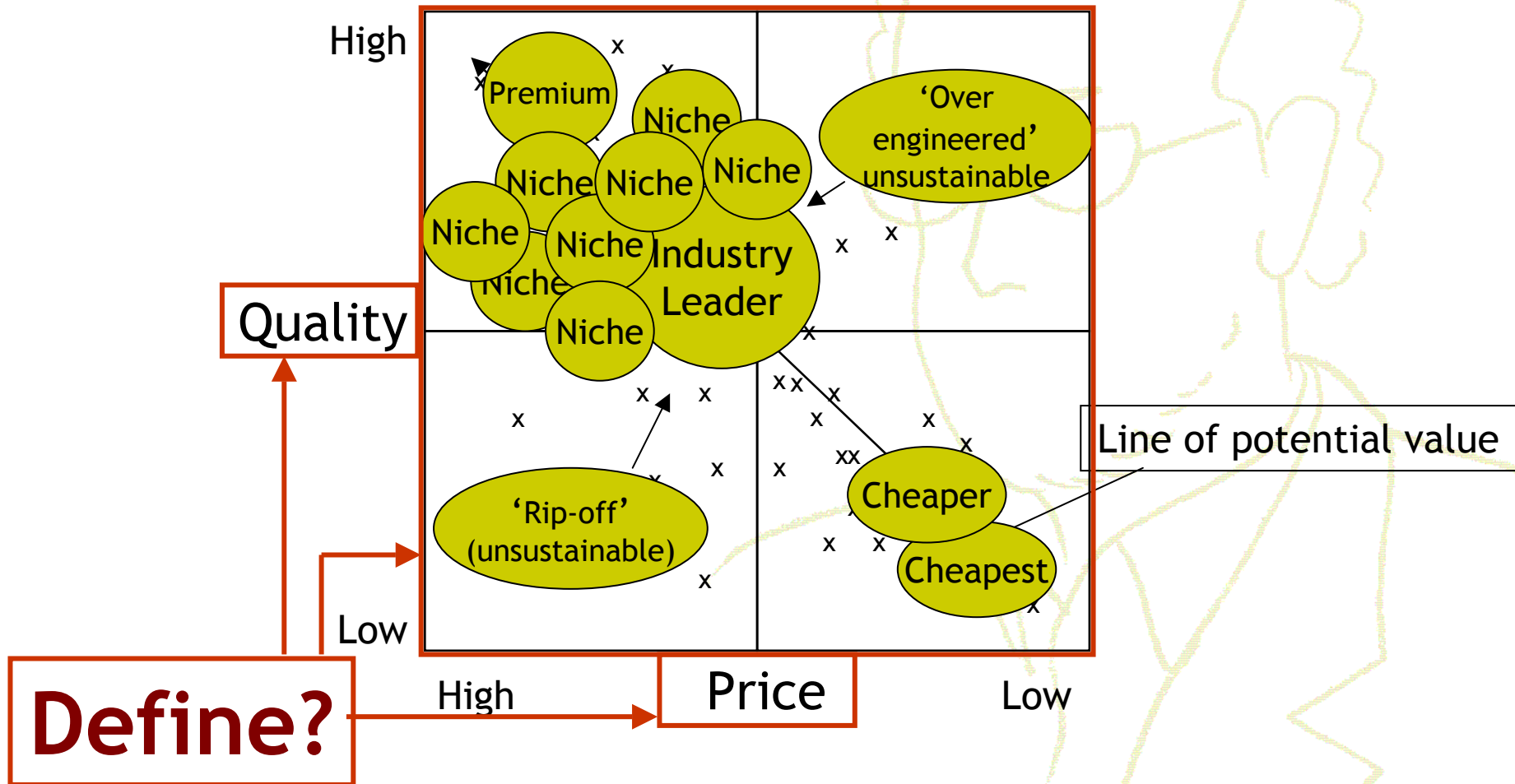
The commodity slide



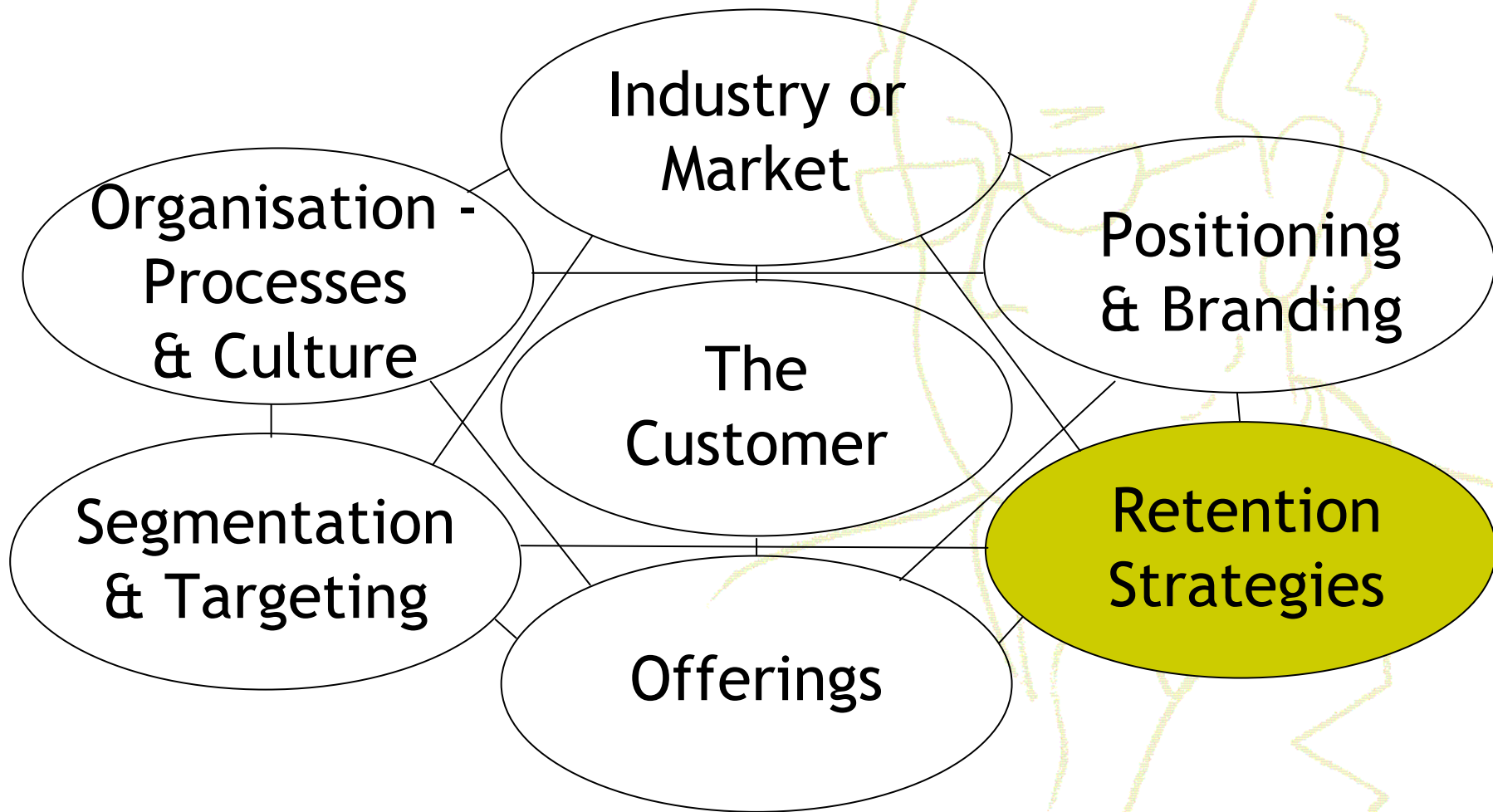
Some “winning” positions

| | | | |
|--------------------------|---------------------|---|--------------------|
| Best quality | <i>Rolls Royce?</i> | Attribute (eg <u>size</u> , speed, colour, age, complexity) | <i>Microsoft?</i> |
| Best service | <i>Mercedes?</i> | Benefit (eg <u>easiest</u> , <u>fastest</u> , <u>strongest</u>) | <i>Porsche?</i> |
| Lowest price | <i>Skoda?</i> | Use/application (eg for holidays, for <u>celebrations</u>) | <i>Bollinger?</i> |
| Best value | <i>Volkswagen?</i> | User (eg for <u>young/old</u> , for experts, commuters) | <i>iPod? Saga?</i> |
| Safest | <i>Volvo?</i> | Competitor (eg <u>better</u> than ‘x’, cheaper than y) | <i>Nokia?</i> |
| Fastest | <i>Porsche?</i> | Product category (eg yoga holiday, <u>computer game</u>) | <i>PS2?</i> |
| Most customised | <i>Morgan?</i> | Quality/price (eg best, most expensive, <u>cheapest</u>) | <i>Easyjet?</i> |
| Most convenient | <i>Ford?</i> | | |
| Most advanced technology | <i>Audi?</i> | | |

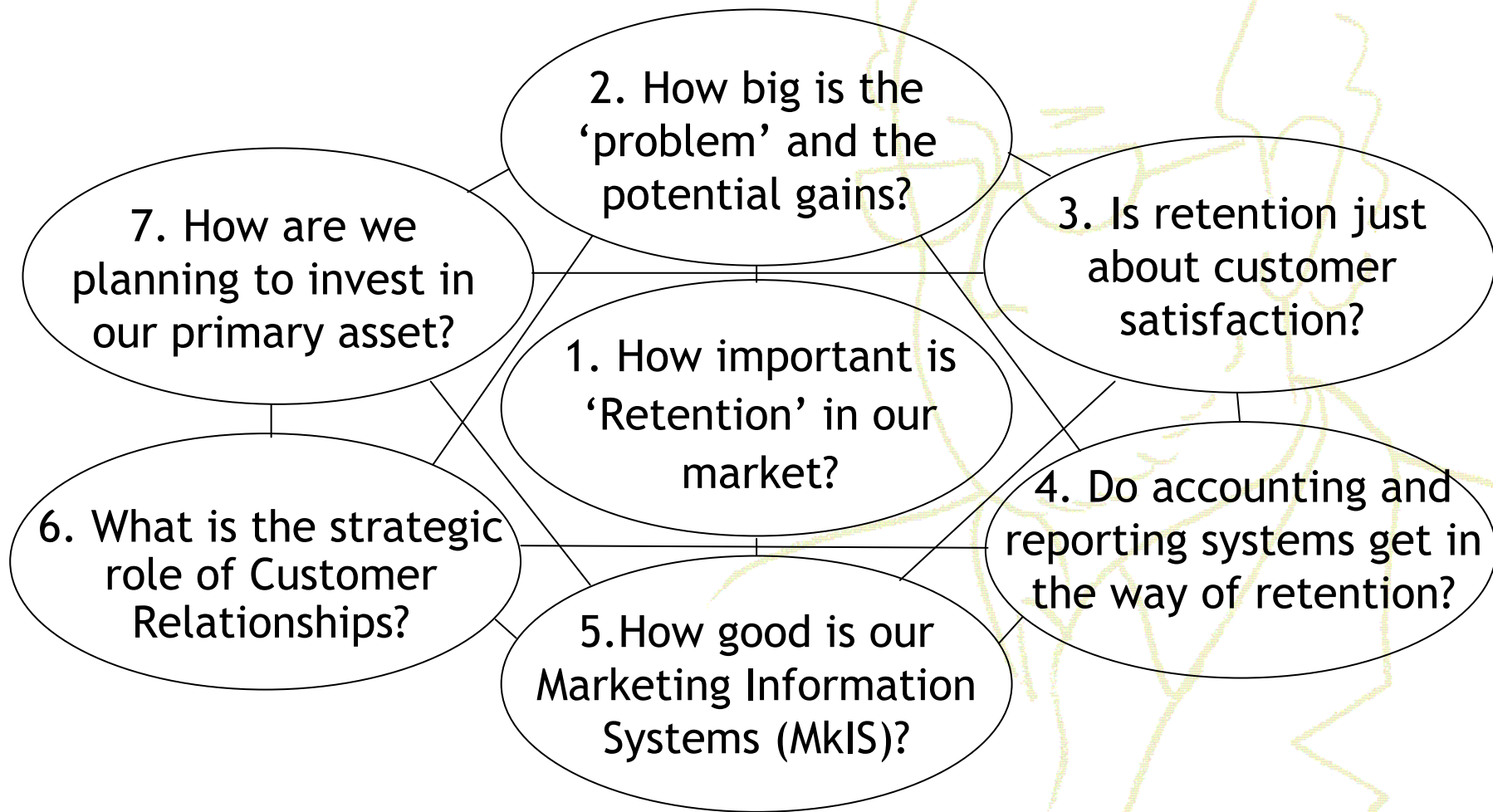
Positioning in practice



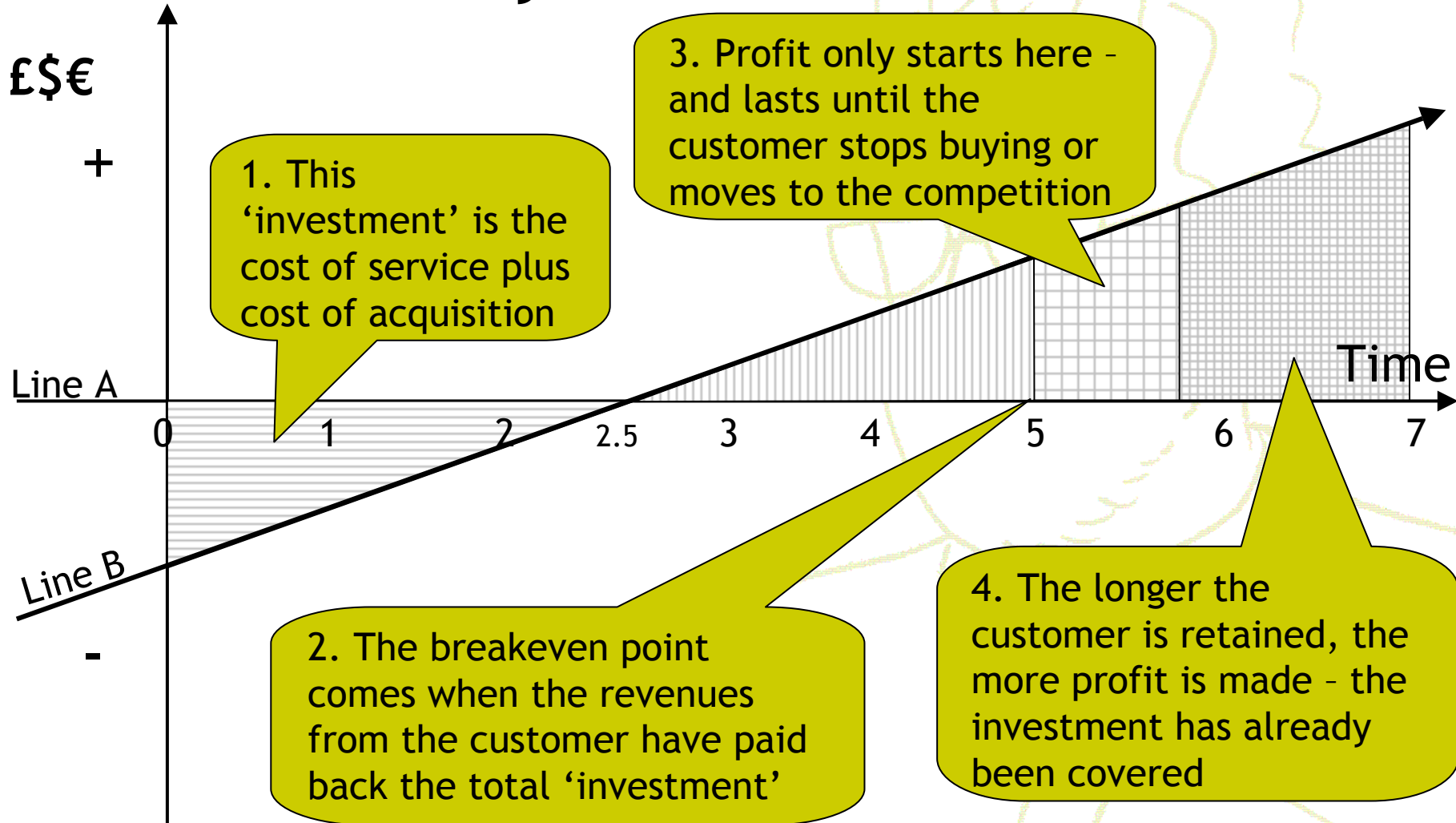
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Scorpio - 5 Retention Strategies



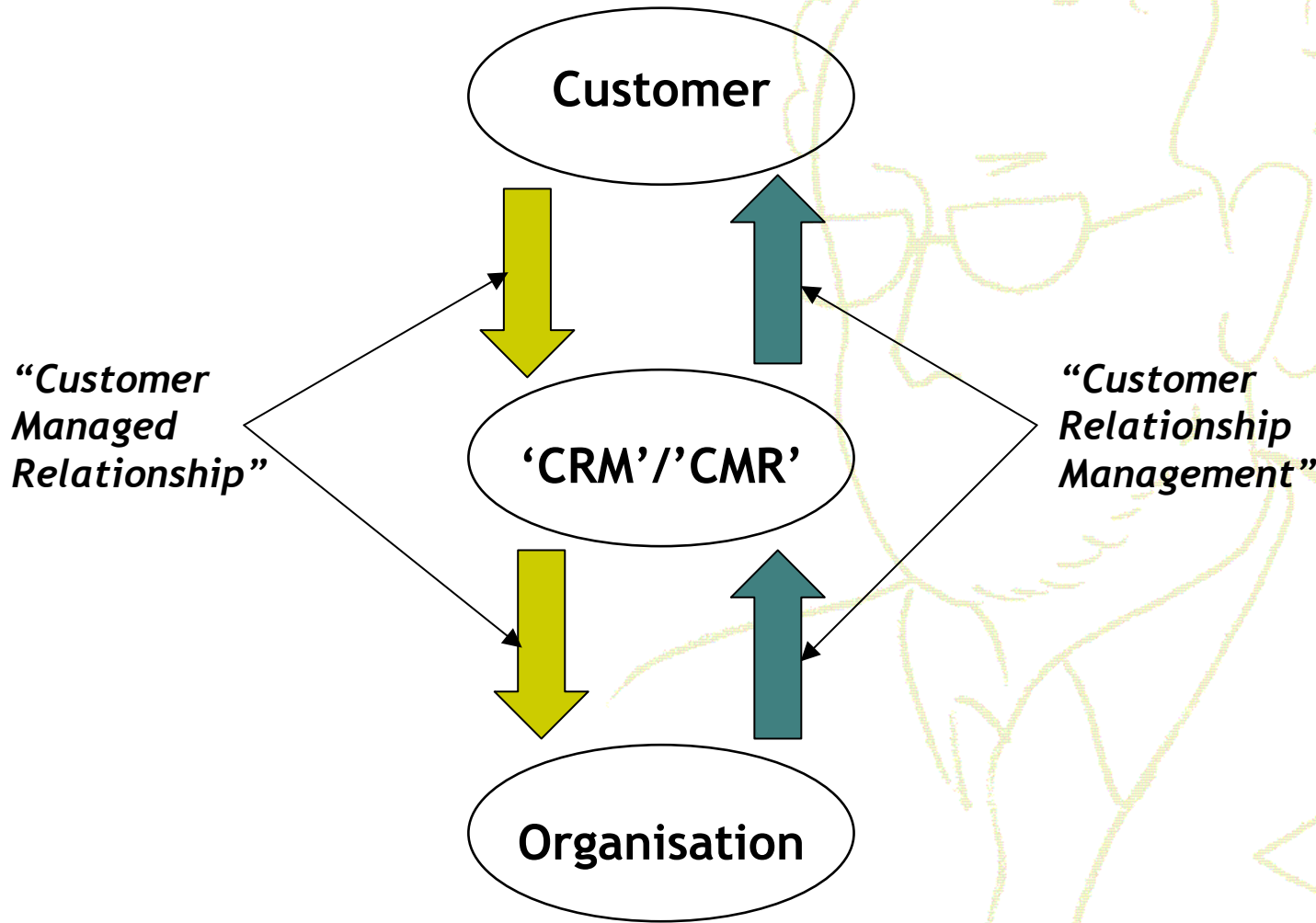
Retention - Why bother?

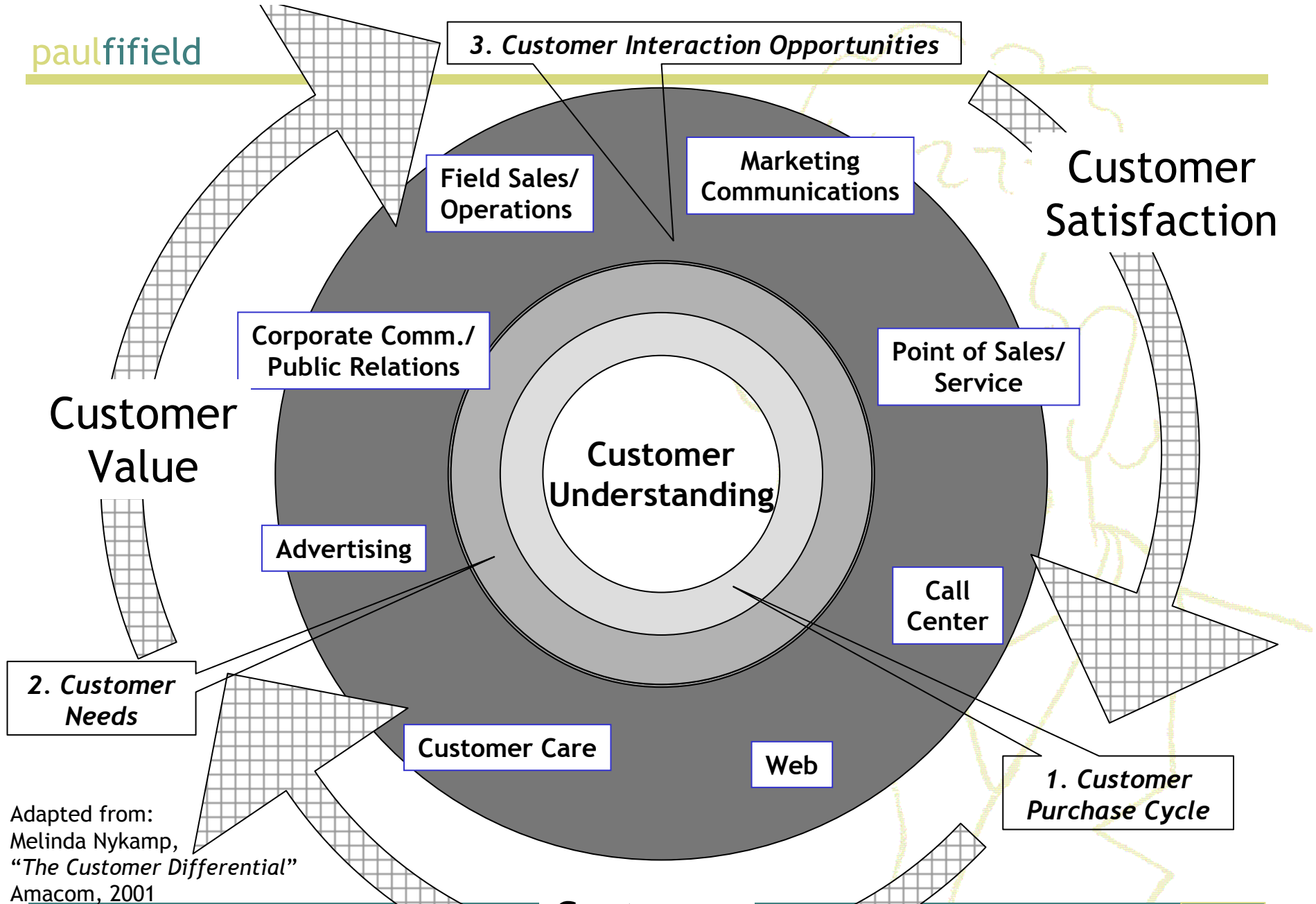


Calculating the opportunity

| | | |
|---|--|--------------------------|
| Total expenditure on new customer acquisition | | #1 |
| Total number of new customers acquired | | #2 |
| What is the cost per new customer acquired | | #3 ($=\#1 \div \#2$) |
| How long does an average customer stay with us (time periods) | | #4 |
| Average net income* received per customer per time period | | #5 |
| Number of (time periods) before acquisition cost repaid (break-even) | | #6 ($=\#3 \div \#5$) |
| How many customers do we lose per (time period) | | #7 |
| What is the financial cost per (time period) of all lost customers | | #8 ($=\#7 \times \#5$) |
| How much additional revenue would be achieved by 5% reduction in lost customers | | #9 ($=\#8 \div 20$) |
| | | |
| * <i>Net of direct costs</i> | | |

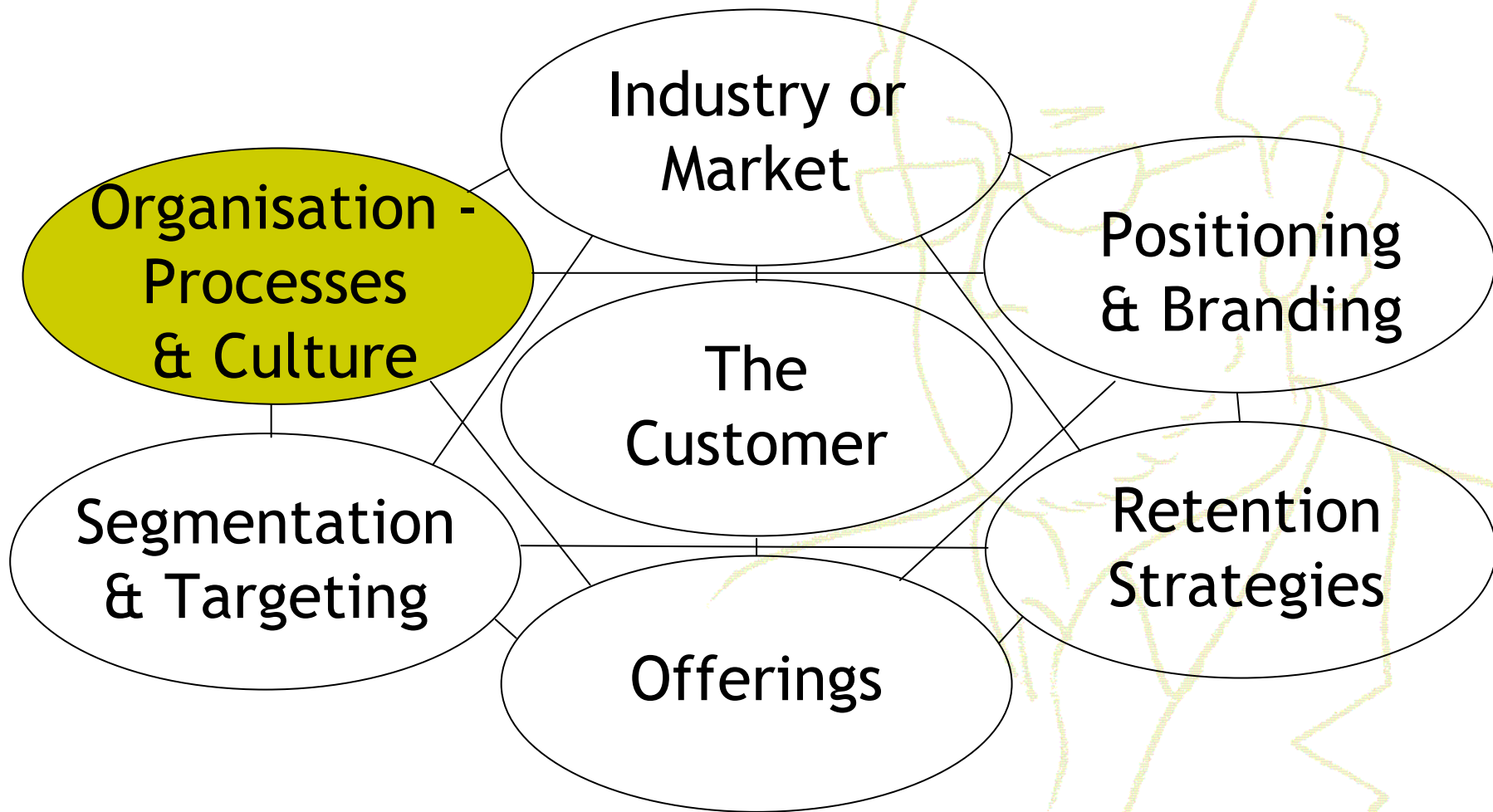
Customer Relationship is a two-way bridge



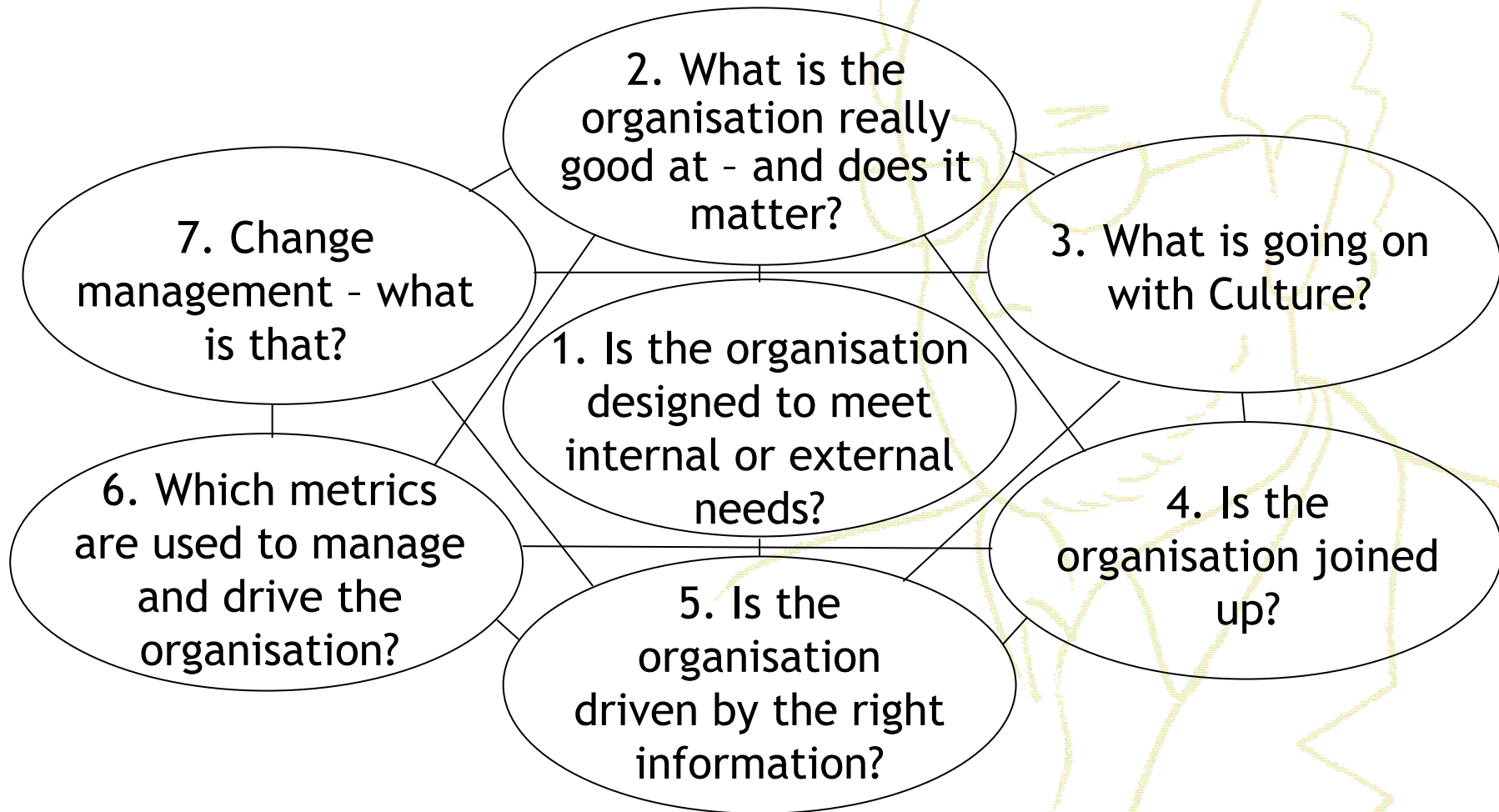


Adapted from:
Melinda Nykamp,
"The Customer Differential"
Amacom, 2001

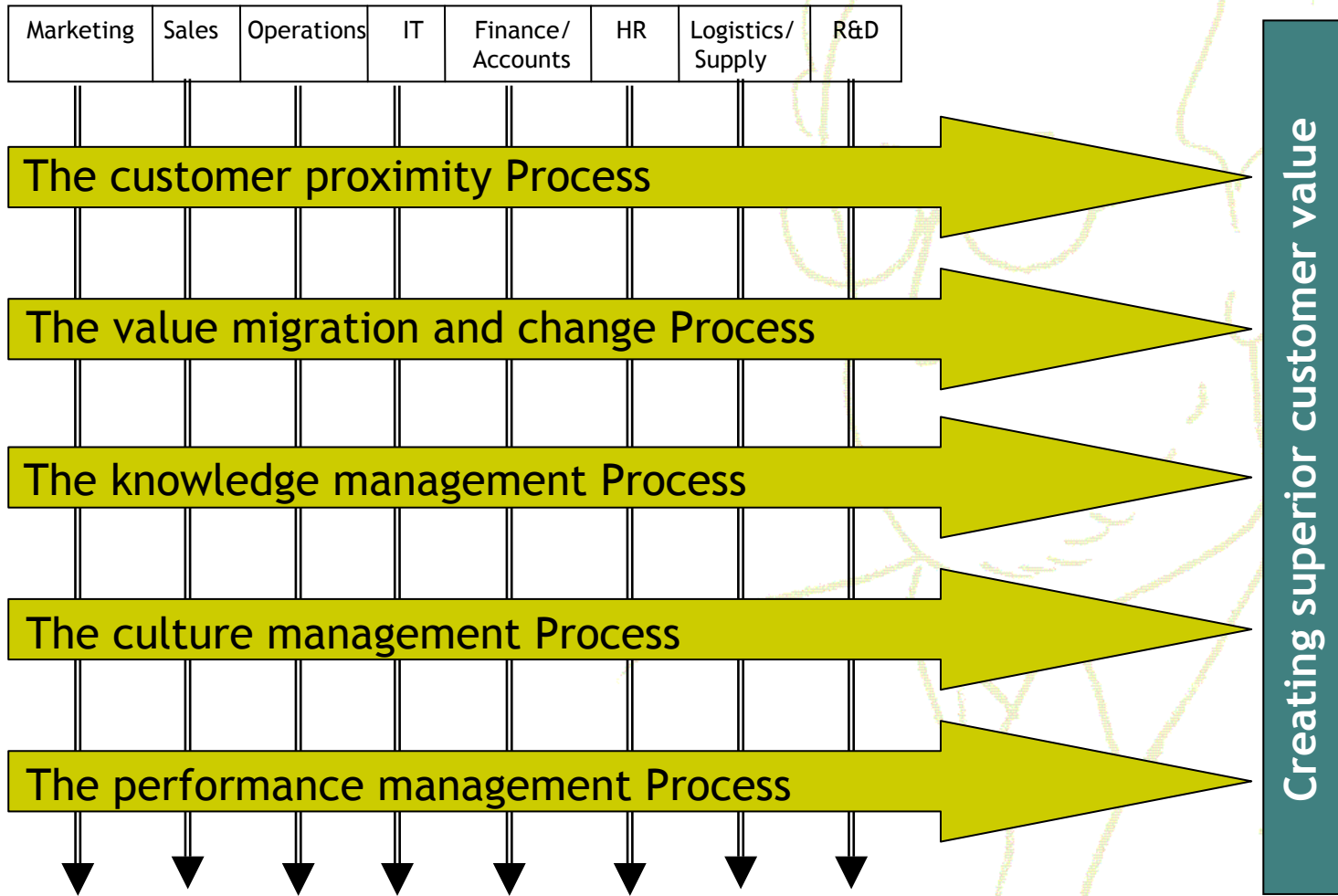
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Scorpio-6 Organisation - Processes & Culture

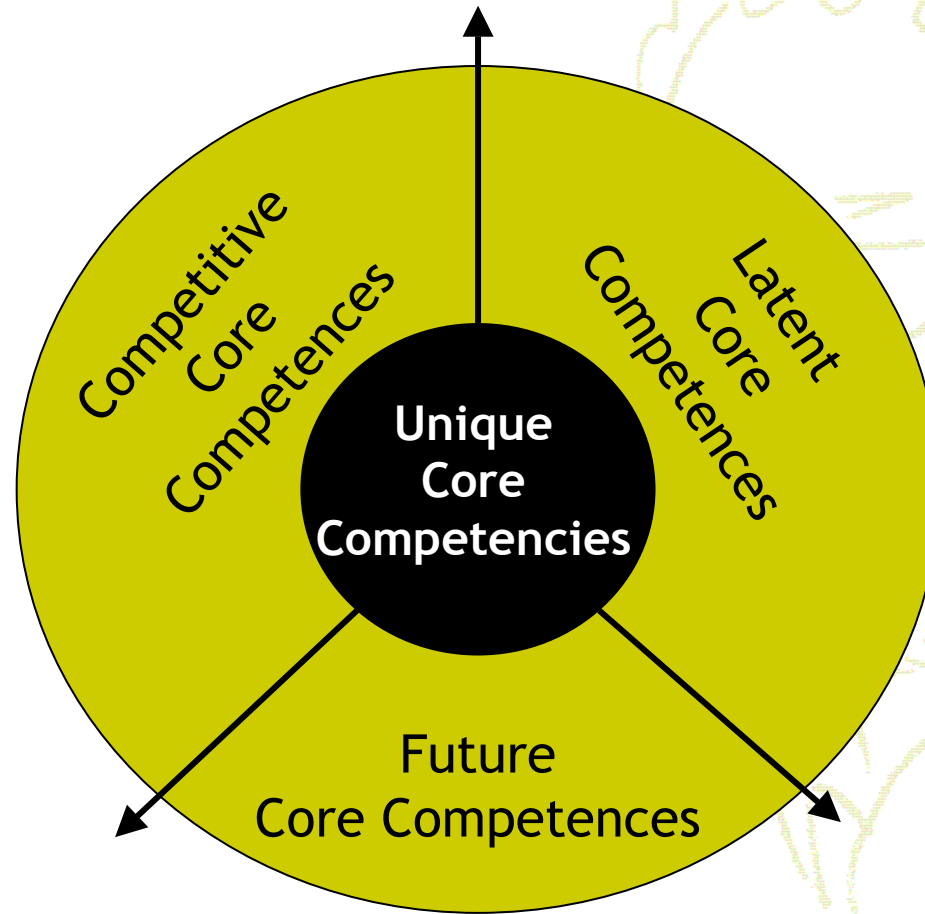


Organisations and Processes

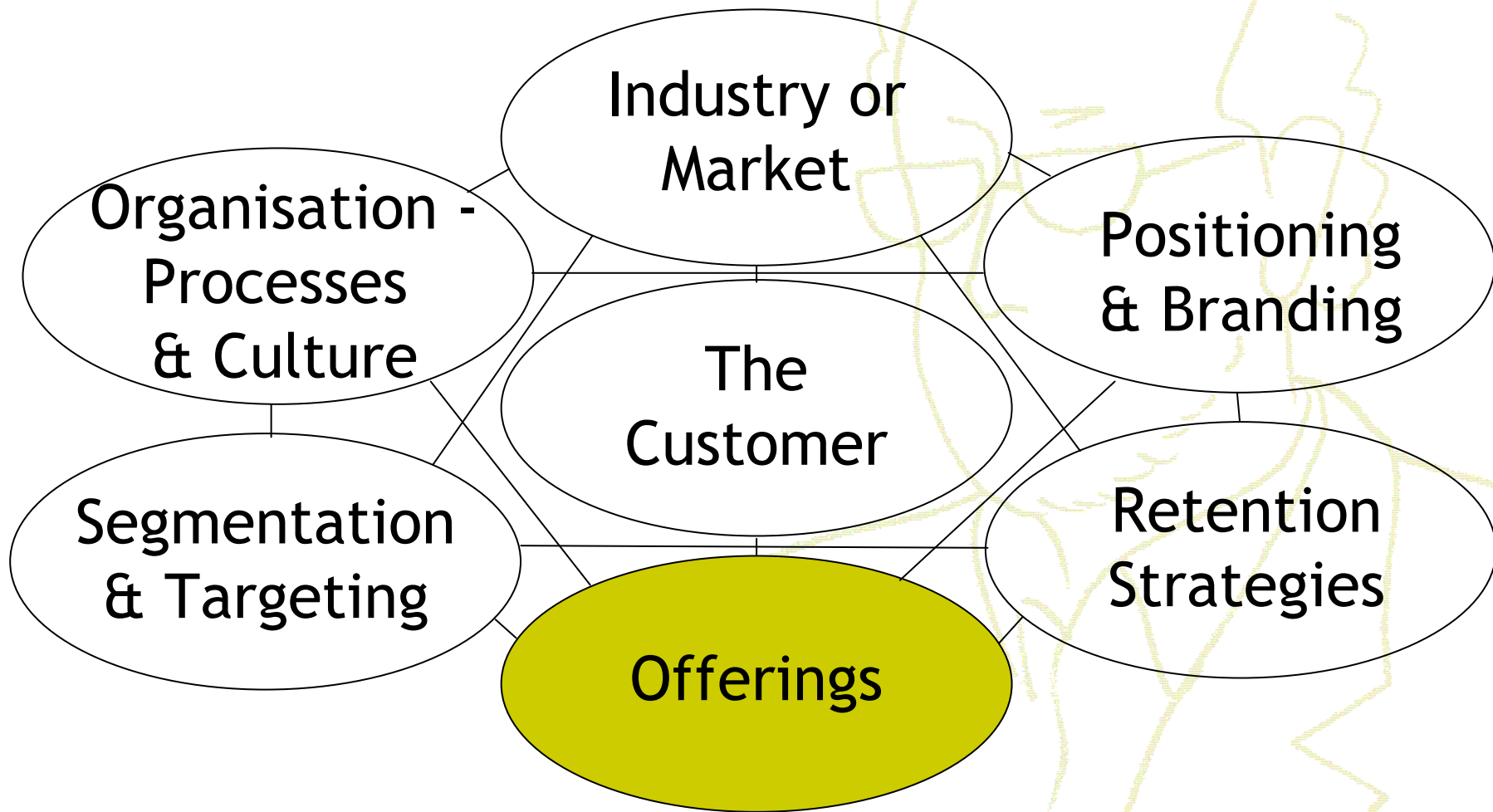


Source: Fifield & Mackay

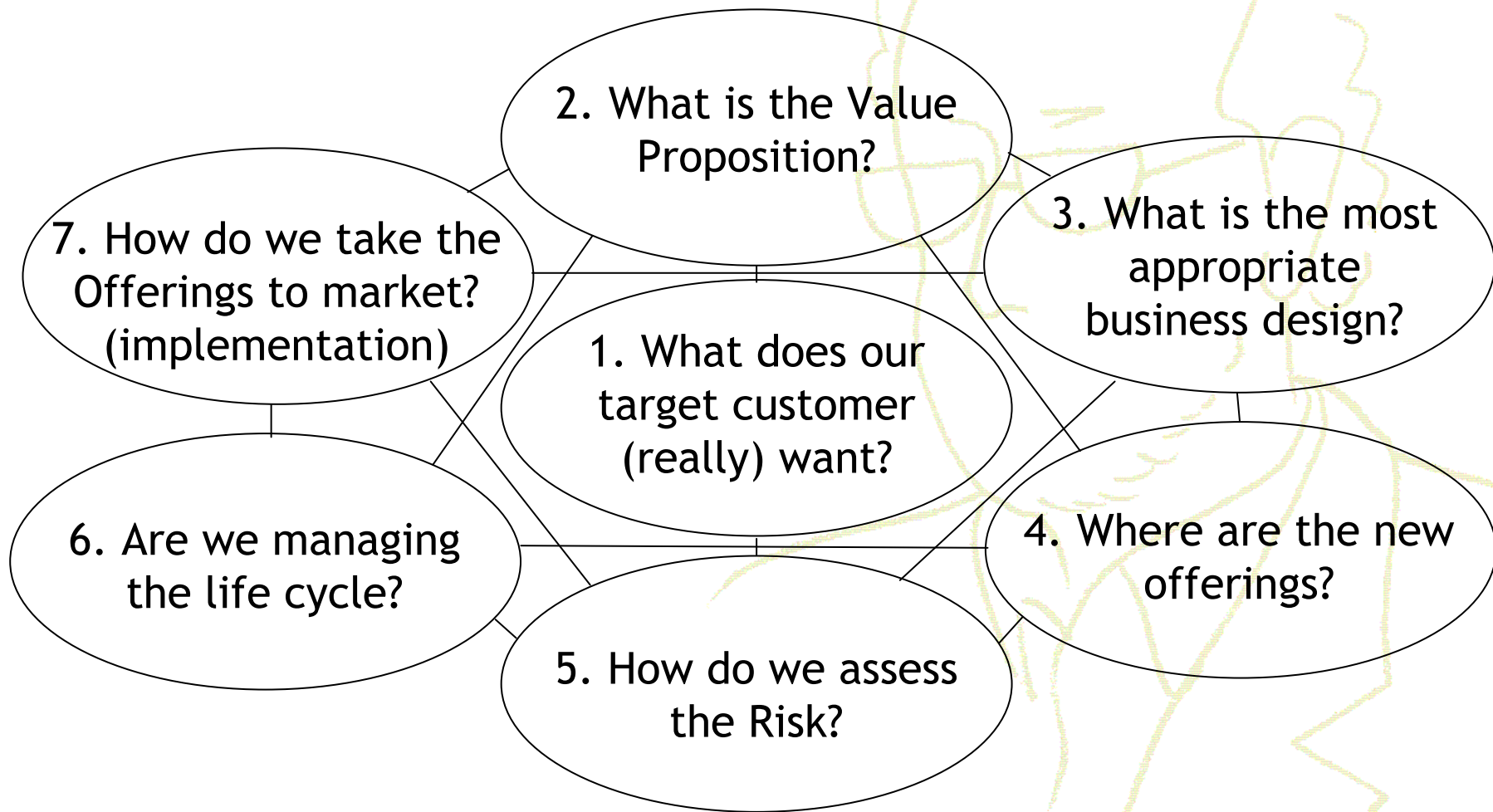
Manage Core Competences



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Scorpio - 7. Offerings



1 Innovate

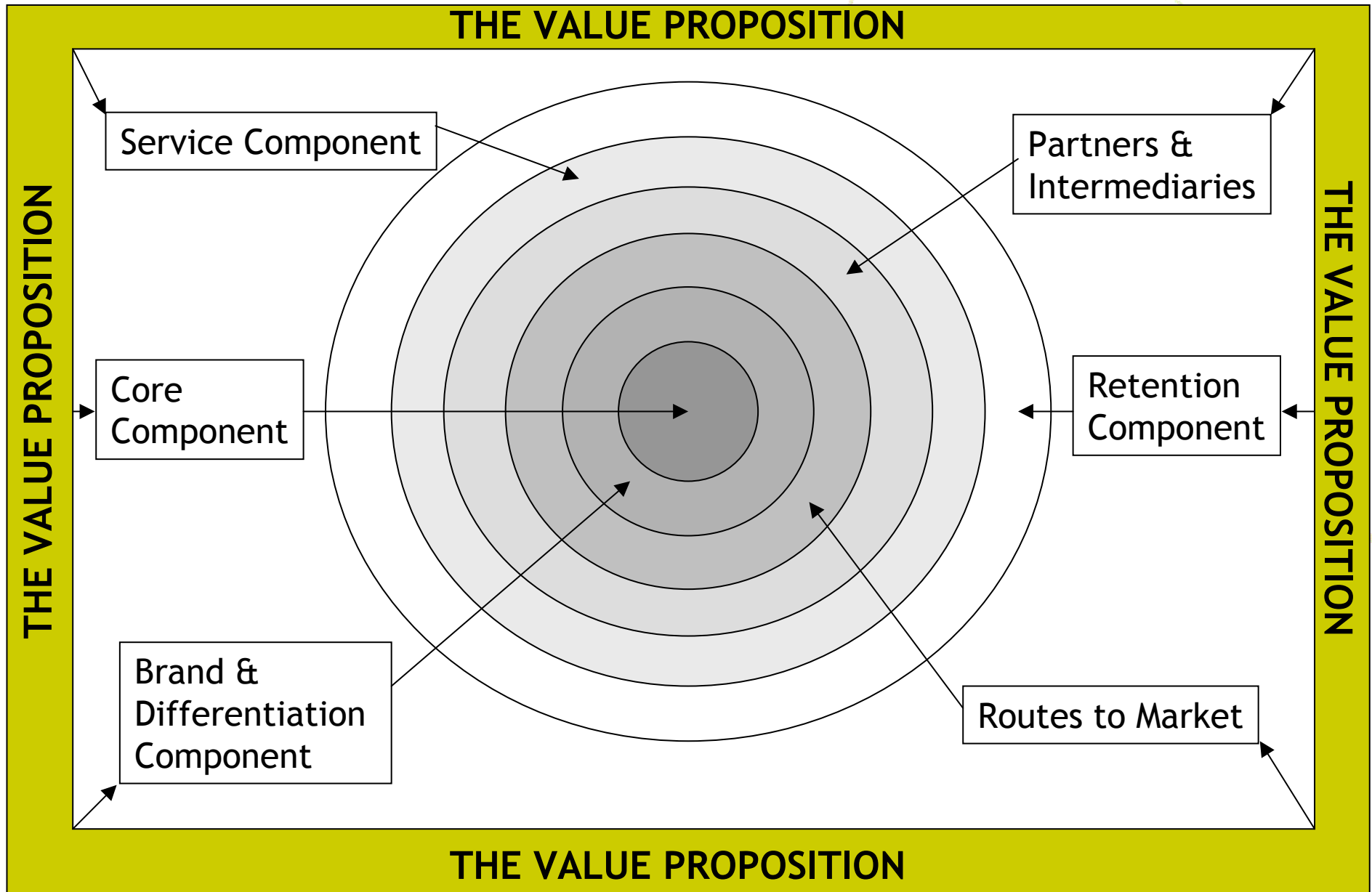
NEW product/service development comes from:

1. Changing the Business definition
2. Looking at different customer Segments
3. Tracking customer value (Kano model)
4. Working with your leading customers (Innovators)

Why bother? Because Value MIGRATES in a market

- What customers want and value today
- They probably won't want and value tomorrow

paulfifield **2 Control implementation**



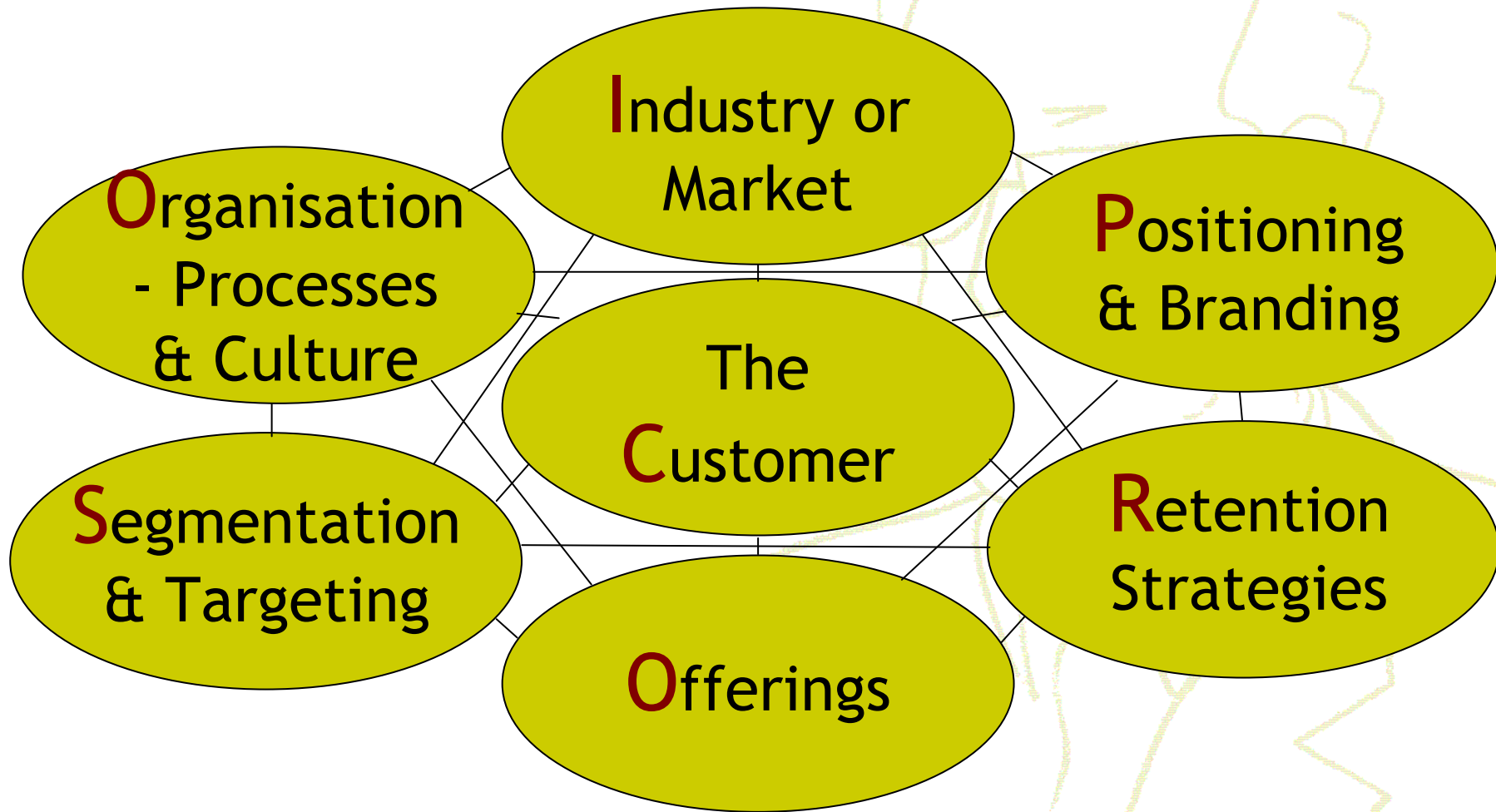
3 Your weapon is the value proposition

| | |
|---|--|
| Who is your target market? | |
| What are their needs or problems? | |
| What will your product or service do for them? | |
| How is your offering unique? (in customer perception terms) | |
| Why should they prefer your offer over the competition? | |
| So your statement is: | |
| The ‘elevator pitch’ | |

Another version...

| ISSUE | QUESTION | ANSWER |
|--------------------|--|--------|
| Market description | Who is our target market? | |
| Market sizing | How big is our target market (segment) | |
| Needs & Wants | What are this particular segment's needs and/or wants? | |
| The Benefits | What will our product or service do for them? | |
| Differentiation | How is our offering unique? (in customer perception terms) | |
| Competition | Who is the closest competitor? | |
| Preference | Why should they prefer our offer over the competition? | |
| Brand | What will be the brand promise to this market (segment)? | |
| Offering | The (minimum) key elements which are fundamental for any offering to be credible | |
| Route-to-market | What are the (customer) preferred routes to market/partners? | |
| Alliances | What are the critical partnerships/ alliances required | |
| Price | The strategy of pricing the service packages | |
| 'Elevator pitch' | Strip the proposition down to the essentials | |

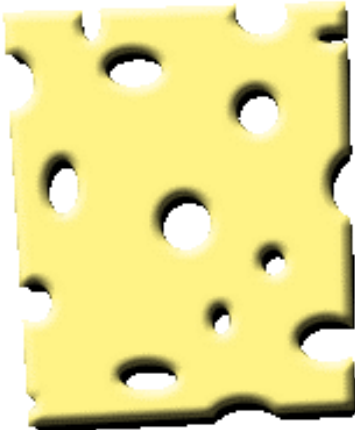
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Summary - 'Where is the cheese?'

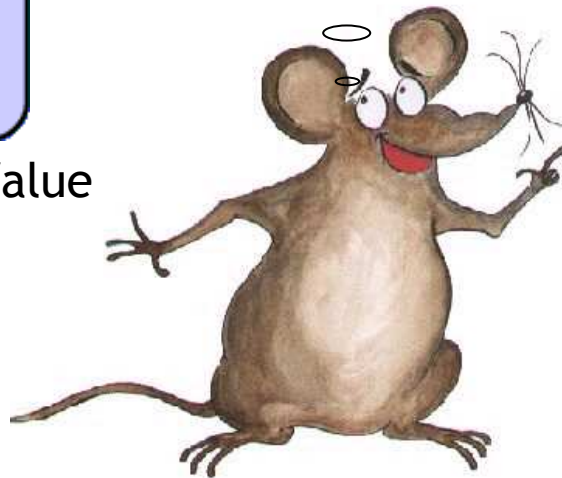


2. Identify Customer Value

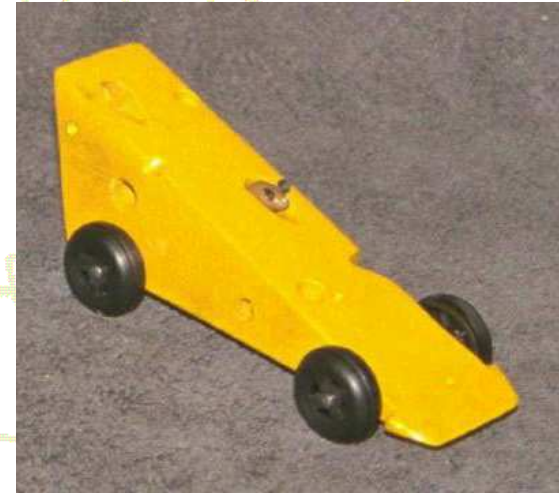


4. Extract the value properly

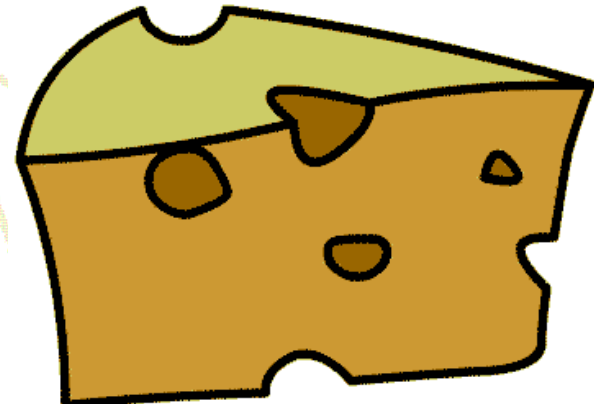
"I Prefer"



1. Understand Customer Needs




5. Predict the value migration



3. Choose the right value to extract

And Finally

*“When a finger points to
the moon, the imbecile
looks at the finger”*



Chinese proverb

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