

Industrial Distribution- Distributor Management and Operations

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Pirates of the corporation

by Bob Garrow

What made pirates so good at what they did? They certainly didn't spend millions of gold doubloons on marketing, but they did have stealth and adaptability so they could plan ahead and position themselves close to another ship before it realized what was happening.

Pirates recognized their superiorities and only went after ships they perceived had a weakness they could exploit. Pirates knew when they had The Competitive Advantage.

Thinking like a pirate can help you in the business world. To begin, you need to position your company in the minds of customers by learning what customers really want and determining how you can meet those needs in your particular market.

Realize that you don't have to be the biggest and baddest ship on the sea; you can develop a strategy based on foregrounding and building the strengths you already possess.

Follow these steps to create a strategy that will give you the competitive advantage.

1. Study the waters you're sailing. Bring your management team together to assume the roles of current and potential customers. As a group, determine how your customers perceive and value the following Marketing Mix Factors:

Price—What percentage of a customer's buying decision is based on the product's price? For example, if you produce computer software for the mass market, price is an important consideration—as much as 70 percent or more of the buying decision. General consumers want to pay as little as possible for their software, so they place a high importance on price, while large corporate and government consumers in a different, more specialized market don't care much about price. Other factors are more important to their buying decision.

Product or service—What percentage of a customer's buying decision is based on the quality of the product or service? Are customers in your market most concerned with matters like high functionality, product features, and benefits?

Marketing and promotion—Including your corporate profile, sales, advertising, and promotions, what percentage of importance would customers assign to promotional efforts for the product? How much influence do marketing and advertising have on product sales?

Place—Location of your business doesn't always matter, but it might influence customer perception of value if, for instance, you produce heavy machinery that consumers would buy frequently and therefore routinely needed to pay high shipping costs.

At the end of this first step of the process, you will come to a conclusion such as this: 60 percent of customers' decision to buy product X in your market is based on product quality; 20 percent of their choice is based on price, and only 10 percent each on promotions and place.

After you have allocated an overall percentage to each Marketing Mix Factor, further break down each factor, assigning percentages of customer perceived value to the elements that comprise that factor. For example, you might break down price into levels, quantity discounts, terms, etc.

Assign a rating on a scale of 1 to 10 (10 being the ideal) to each element within the Marketing Mix Factors to indicate how your customers would rate you on each of them. At this point, you may determine that your product is outstanding in terms of X and Y but that you are at a disadvantage in certain areas, like Z. If, however, you've determined that Z doesn't matter that much to consumers in your market, you can focus on beefing up your advantage in the X and Y areas.

The goal is to develop a strategy based on your competitive strengths. Determine where your company is superior, equivalent, and inferior. If you determine that your product is superior, for instance, that's the advantage on which you'll build to create your strategies.

2. Draw up the treasure map. The planning team is now in a position to create a strategy that will build upon your competitive advantages while capitalizing on your competitors' weaknesses. You'll want to include as many of your key people as possible to plan and implement, in order to maximize the level of commitment to the mission.

If you determine a clear competitive advantage within your market in rapid product development, for example, your strategy should plan to grow that further. Similarly, if you have lost a competitive advantage in customer service—if your competition is superior to you in this regard and it's an important factor in customer value perception for the product your company produces—your plan should be to improve

in that area.

3. Steal market share, ship by ship. You need not take your industry by storm and be the biggest and best. Like the pirates, you don't want to fire all of your guns at once, hoping to obliterate competition that's too big for you to take on.

Avoid the big ships—the vessels that can out fire you—until you've developed a fleet of your own. You can do this by finding niches within the overall market where you have competitive advantages. While you increase your sales, your competitor may or may not recognize your gains, or their losses.

Repeat this incremental sales approach in several portions of the market, and you can generate a substantial lead before your competitors even know to react. Airlines such as Southwest did this; instead of openly pursuing the business of the legacy carriers, they developed a niche for economy fliers and incrementally took away market share before their competition even realized it.

By following this three-step strategy, you leave your competitor with only two choices: 1) engage in an expensive counterattack to regain market share, or 2) surrender portions of the market to you.

When you have a sustainable competitive advantage and a flawlessly executed strategy, they often have little choice but to surrender to you again and again.

Bob Garrow is a leadership and business consultant who works with leaders to generate organizational missions, objectives and strategies. He can be contacted at info@pirateleadership.com