1 Grow by Building Your Market Share

Poor firms ignore their competitors; average firms copy their competitors; winning firms lead their competitors.

In a recent survey, the Conference Board asked CEOs to rank various business priorities and found unsurprisingly, that the top priority was business growth. Procter & Gamble (P&G) CEO Bob McDonald highlighted the point by saying "We've got to grow; that's the main thing."[1] Growth is the goal in normal times, and is especially the goal in depressed times.

Growth, however, is not that easy to achieve, even in normal times. And even before the Great Recession started in 2008, times were far from normal. Excess supply existed in almost every industry. Companies found it hard to raise or even hold prices. Their margins were low and in danger of getting lower.

The onset of recession and its slow recovery have only worsened the situation. Companies find that they don't merely need a growth strategy; they need a *defense* strategy. However, they're far more lax about defense than about growth—since growth is where the action is and where the rewards go. CEOs don't get kudos for keeping what they have in place; they get kudos for expanding it.[2] Yet in hard times, the attacks on one's core business will increase in frequency and severity as a result of competitors' desperation. Since many companies are losing customers or sales, they are willing to cut prices and resort to aggressive or predatory moves against other competitors to preserve these sales. And because their customers are having problems too, their customers are likely to press for deeper discounts.

Companies will usually turn to many traditional strategies—such as cost reduction, product and package adaptation, and new communication tactics—to preserve their margins. But today's companies are facing even more challenges than before: cheaper competition from abroad, quick competitive reaction, price transparency, and lost control over messages that customers receive.

A company has three options with respect to handling competitors who cut their prices:

1. Keep prices where they are, but add other benefits.
2. Give discounts to those worthwhile customers who press for a deeper discount.
3. Lower the prices for all customers.

Companies can hope to maintain their current prices by augmenting their benefit package. They can improve product features, offer better delivery terms, or improve their service quality. But if they can't create an augmented benefit package, they will have to reduce their prices directly or through sales promotion tactics (discounts, rebates, and so on). To preserve their profit margin, they would have to trim their costs.

As such, we urge businesses to take the following five steps to develop plans for gaining market share:

1. Search for more efficiency.
2. Prepare an analysis of Strengths, Weaknesses, Opportunities, and Threats (SWOT).
3. Improve your financial and marketing strength.
4. Reassess your marketing mix and profile.
5. Develop winning market share strategies.

Let's look at each in detail.

Search for More Efficiency

Every business will develop "fat" in normal good times, since companies are more generous and spend more liberally during periods of growth. There is less financial and operational discipline. Profits grow, but fat accumulates. In fact, we could probably find 15 to 20 percent fat in a company during good times.

Even a major company will eventually recognize that its costs have become too high and that it needs to cut them. For example, when P&G's business growth slowed down some years ago, the company recognized that its marketing costs were 25 percent of sales—and that they needed to reduce them to 20 percent of its sales. As such, P&G took the following steps:

- Reduced the number of its sizes and versions of its various products, including toothpaste, detergents, soaps, and so on.
- Standardized more of its product, packaging, and advertising formulations to reduce costs.

- Dropped some of its weaker brands (i.e., eliminating two from the eight brands of detergents that they'd carried).
- Reduced investment in new product development and only concentrated on the most promising concepts.

Clearly, every company facing a period of prolonged low economic growth has to take steps to become leaner. Exhibit 1.1 lists questions that your company should consider.

Exhibit 1.1 Searching for Ways to Bring Down Costs

Can our company . . .

- Lower the costs of paper, packaging, and other inputs by negotiating for lower prices or switching to lower-cost suppliers?
- Switch to lower-cost transportation carriers?
- Close down sales offices that aren't getting much use—and have more sales people who can work out of their home as a result of home-based information and communication resources?
- Put our advertising agency on a pay-for-performance basis? (Procter & Gamble has put most of its advertising agency on this pay basis.)
- Replace higher-cost traditional communication channels with lower-cost digital channels?
- Achieve more impact by shifting some promotion money from 30-second TV commercials into public relations and new social media?

- Drop some product features or services to which customers don't seem to assign much value?
- Hold fewer or shorter staff meetings in lower-cost locations, and/or hold these meetings via audio, video, or web teleconferencing (Cisco, a prime teleconferencing supplier, advertises "Meet Face-to-Face Without Travel").

Prepare a SWOT Analysis

Every company needs to prepare a fresh SWOT analysis—Strengths, Weaknesses, Opportunities, Threats—to reassess its current situation. You want to size up each SWOT element not only in absolute terms but in relation to key competitors. So even if your company maintains its quality at 95 percent, it's not an advantage if your key competitor maintains its quality at 98 percent—and customers prefer 98 percent quality.

Let's first look at your company's strengths and weaknesses and then examine your opportunities and threats.

Strengths and Weaknesses. Every business has a set of capabilities. Any capability that is an important contributor to the company's performance can be at one of four levels: superior, good, average, or poor in relation to competitors. If that capability is superior or good, we will call it a Strength—and we hope that the company uses it competitively. If that capability is poor, then it is clearly a Weakness. But whether it makes a great difference depends on how much that capability contributes to company performance. For example—T-Mobile's transmission network in the United States was a weakness and led the company to seek a merger with AT&T. This is an example of a weakness that has high relevance to company performance.

Exhibit 1.2 shows a list of strengths and weaknesses in four major company areas that will help the company to make a strength and weaknesses assessment.

Exhibit 1.2 Strengths/Weaknesses Analysis

	Performance	Importance
	Hi Med Low	**Hi Med Low**
Marketing		
1. Company reputation		
2. Market share		
3. Customer satisfaction		
4. Customer retention		
5. Product quality		
6. Service quality		
7. Pricing effectiveness		
8. Distribution effectiveness		
9. Promotion effectiveness		
10. Sales force effectiveness		
11. Innovation effectiveness		
12. Geographical coverage		
Finance		
13. Capital cost or availability		
14. Cash flow		
15. Financial stability		

	Performance	Importance
	Hi Med Low	Hi Med Low
Manufacturing		
16. Facilities		
17. Economies of scale		
18. Capacity		
19. Able, dedicated workforce		
20. Ability to produce on time		
21. Manufacturing skill		
Organization		
22. Visionary/capable leadership		
23. Dedicated employees		
24. Entrepreneurial orientation		
25. Flexible or responsive		

The company will learn two important things from this exercise: First, it will be able to identify its major strengths. But perhaps more importantly, it will also be able to discern that some of these strengths don't really matter much to customers. Secondly, it will know its major weaknesses—and determine which weaknesses are not of much consequence to the buyers. It should keep its eyes on those strengths that have the most importance to the customers and to running its type of business successfully.

Opportunities and Threats. The next step is to take a more dynamic view of external and emerging factors that can affect a company's performance. There are two tools—Early Warning

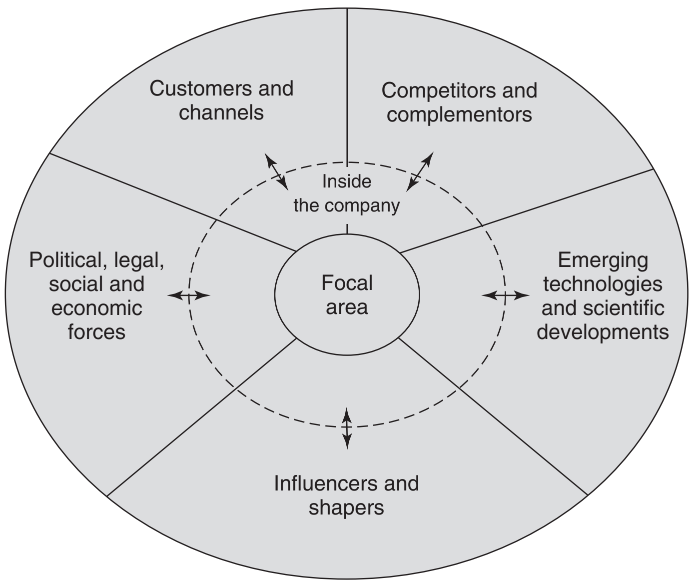
Systems and Scenario Planning—that are helpful in detecting opportunities and threats.

Early Warning Systems. We are living in an age of global interconnectedness where events taking place in one part of the world can have a profound effect in other parts of the world. For example, the March 11, 2011, Japanese earthquake killed hundreds of Japanese and damaged supplies and production and sales. It kept everyone on edge for months as to whether the nearby damaged nuclear plant would leak radiation into the atmosphere. Japanese companies and their customers lost a great deal of sales.

Change is occurring at increasing speed and disrupting the behavior of customers, suppliers, distributors, products, and services. Any company might suddenly find its relationships and productivity collapsing as a result of disruptive events, technology, or innovation. Just consider how the digital revolution has dampened or destroyed music stores, bookstores, and newspapers. And it isn't just catastrophic or global events that can have this effect; one or two persons working in a small garage might invent something that changes the nature of a whole industry or society. Consider the early case of Bill Hewlett and Dave Packard who started Hewlett-Packard, and more recently individuals like Bill Gates (Microsoft), Steve Jobs (Apple), Mark Zuckerberg (Facebook), and Larry Page and Sergey Brin (Google).

To promote knowledge of emerging opportunities and threats, companies must assign monitoring responsibilities for different components of its environment to various staff members. Exhibit 1.3 provides a guide for the components that they need to watch. For example, you'd want to assign one staff person to each competitor, so that you can gather as much information as possible about that competitor. This way, if the company's salesperson is bidding against a specific competitor, the salesperson could contact the company's knowledge expert and find out what that competitor is likely to do in its bidding strategy. If the company does not build up a team of internal experts, it will have to get this information by working with a business intelligence firm.

Exhibit 1.3 Components of an Early Warning System



Source: George S. Day and Paul J.H. Shoemaker, *Peripheral Vision* (Boston: Harvard Business School Press, 2006).

Being a knowledge expert on some component need not be a full-time job; it's simply an added responsibility. Companies must assign specific responsibilities, however, since we can't expect everyone in the company to be observing *everything*.

An Early Warning System allows you to turn some of these findings into opportunities. For example, someone from your company might uncover that a major competitor is planning to close one its plants—which is an opportunity for your company to buy their business or at least grab market share.

Some findings that you unearth will be threats. Vonage, for example, was an early pioneer in the selling of substantially lower cost telecommunications packages for companies, including a plan for unlimited international calling to more than 60 countries for a flat monthly rate. Now it must respond to the news that Microsoft has acquired Skype and will be a prime competitor to Vonage.

You need to estimate both the seriousness and probability for every threat or opportunity. You can discount certain matters whose impact is not very serious or whose likelihood is not very probable.

The next step is to put together the overall picture of opportunities and threats—which you can do by utilizing the second tool: scenario planning. Scenario planning was developed initially for military planning where there is a high degree of uncertainty. Among the early company users was Royal Dutch/Shell which had to make huge investments without knowing how many oil fields would be found, how much demand for oil would exist, and the impact of the environmental movement on oil demand. Pfizer has been a big user of scenario planning in dealing with the uncertainties of drug price regulation and the new health care legislation (Obama plan).

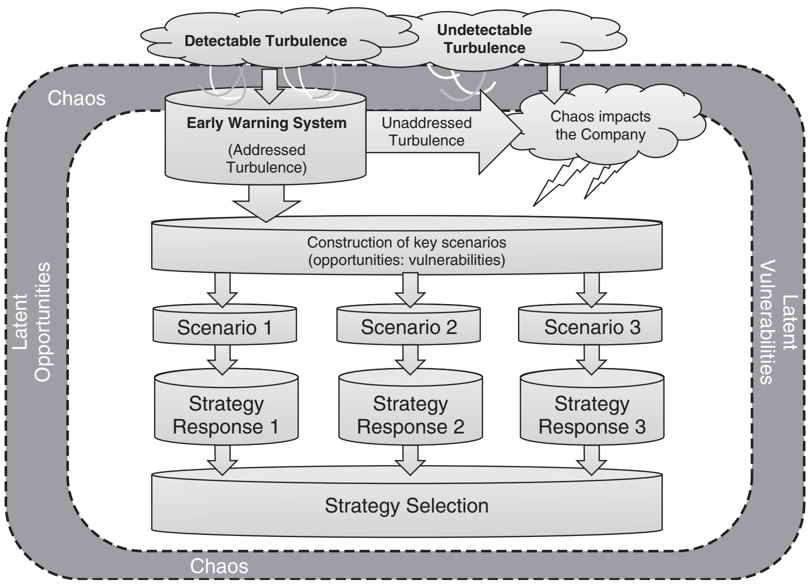
Scenario planning involves the company in setting up different scenarios of what might happen to key variables affecting the company. The company can generate many scenarios but it is best to limit the number. Suppose the company develops three scenarios:

1. A normal one resembling the present.
2. A pessimistic scenario in which the threats outnumber the opportunities.

3. An optimistic scenario in which the opportunities outnumber the threats.

Exhibit 1.4 diagrams a case of three scenarios.

Exhibit 1.4 Viewing Three Different Scenarios



Source: Philip Kotler and John A. Caslione, *Chaotics: The Business of Managing and Marketing in the Age of Turbulence* (New York: AMACOM, 2009).

The company's senior staff reviews possible economic, social, technical, and political environments in which the company might operate in the coming period. One scenario might view the environment to be the same as the present one. Another scenario might take a pessimistic view and assume the worst. A third scenario might take an optimistic view and assume the best.

The value of building scenarios is not that it will be easy to predict their probability; in fact, it is hard to predict the likelihood of any of the three scenarios. But the aim of scenario building is to stretch our imagination about what could potentially happen because we might get some new ideas or determine in advance how to respond if any of these scenarios occurred. The idea is to use scenario planning as a way to think out of the box and broaden our perspective of the surrounding eco-system and its various possibilities and patterns. The company should prepare contingency plans for the most serious threats.

Companies can use other tools as well to cope with the heightened uncertainty. *Monte Carlo simulation* is used by such companies as Eli Lilly, Sears, General Motors, and Procter and Gamble to develop a probability distribution that shows the frequency of different outcomes using a stated strategy. *War gaming*, another tool, has been used by Merck and Company to learn how different players might react to a major change that is initiated by one of the players and the ensuing actions and reactions. Companies also use *decision trees* to enumerate a sequence of possible decisions and likely outcomes that might result.

Improve Your Financial and Marketing Strength

When a firm considers its options in the face of a low growth economic picture, its strategy options depend heavily on the level of its strength in finance and in marketing. According to global management and strategy consulting firm Booz & Company, we can distinguish four company situations. As displayed in Exhibit 1.5, the firm's best strategy is different in each situation.

Exhibit 1.5 What Type of Company Are You?

It depends on the company's strategic profile

	STRONG COMPANY	STABLE COMPANY	STRUGGLING COMPANY	FAILING COMPANY
FINANCE	STRONG	STRONG	WEAK	WEAK
MARKETING	STRONG	WEAK	STRONG	WEAK
	Buy competitors or their assets, Increase marketing expenditures	Build stronger marketing team, acquire some strong brands	Generate new cash by slashing overhead, renegotiating with suppliers, process improvements	Close down and salvage what you can. Your company is hopeless.

Source: Booz & Company.

1. **Strong company.** This business is endowed with very good financial and marketing capability. It has talented marketing managers and a lot of money available. In this case, the firm should be an aggressor and press to increase its market share. It should augment marketing campaigning and consider buying one or more weak competitors or their assets, as well as going after financially strapped competitors. Some competitors will sell some of their assets or even their whole business. This is a golden time for a firm like Google that is blessed with both strong finance and marketing.
2. **Stable company**. This business is strong financially, with money to spend, but lacks the marketing skills to capitalize on its opportunities. In some ways, Microsoft fits this picture in having lots of money but not finding it easy to grow. It needs to use its funds to attract marketing talent and build a stronger

team. It might well be that weakening competitors have laid off some expert marketers who are looking for a company where they can apply their marketing skills. This business should also consider buying some strong brands rather than trying to build new ones from scratch. If this company can ratchet up its marketing capability, it will become more like the first business: one strong in both finance and marketing.

3. **Struggling company**. A third business can be strong in marketing, waiting to implement many ideas—but lacking in sufficient funds to carry them out. Chrysler has an innovative history but at the present it needs more funds to grow. It can try to generate additional cash by slashing overhead, renegotiating with suppliers, and improving its processes. This firm needs to apply its strong marketing know-how to convince bankers and other money sources to lend funds to them. If this company succeeds in getting capital to improve its financial strength, it will have financial and marketing strength and therefore be like firm number one—ready to wrest share from its competitors.
4. **Failing company**. A fourth kind of business may lack both finance and marketing skills. We cannot offer this firm any hope to prosper, let alone survive, in a recessed or low growth economy. This may characterize JCPenney today, which needs to either find a new strategy or sell out to some other investor.

Reassess and Improve Your Marketing Mix and Market Profile

During a market slowdown, companies start desperately searching for ways to reduce their costs. They usually select three departments for quick cost cutting: new product development, human resources, and marketing. Specifically, they put new products on hold; human resources stops spending money on recruitment and training; and marketing is curtailed in less critical markets.

Let's focus on marketing here, since there is a lot of misunderstanding about best marketing practices during a recession. The general perception is that many companies will reduce their TV advertising. They believe that while TV advertising can help build the brand in the long run, they desperately need to cut costs *today*. They might also consider dropping some products, services, market segments, and even particular customers who cost more than they are worth.

However, instead of assuming that all companies struggling with money should simply cut their marketing budgets, let's review the findings of a recent 2011 Kotler Marketing Group Research Report called *Marketing through Difficult Times: Best Practices of Companies that Found Ways to Prosper During the Great Recession*. Here are the findings:[3]

General Findings

- The majority of CMOs said their companies maintained or even increased resource allocation to a set of core marketing activities. These companies emphasized product line profitability and expanded online marketing and strategic account management efforts.
- Online and digital marketing efforts continued to grow in importance during the Great Recession. Indeed, because such tools are often relatively inexpensive, our current economic situation seems to have encouraged firms to invest in them.
- The continued emphasis on marketing activities (including online and digital marketing) was accompanied by significant reductions in marketing personnel. In short, firms have sought to do more with less.

- This doing-more-with-less approach has been coupled with a relative privileging of efforts that promise short-term payoffs and have a clear and direct impact on the bottom line. Though understandable in light of economic circumstances, this development raises concerns about the long-term sustainability and effectiveness of firms' commitment to marketing.

The researchers looked more closely at firms' performances in their study, and then classified them into two groups: High-Performing vs. Low-Performing Firms. They asked each firm to rate its sales growth relative to its industry. Those reporting that their sales growth exceeded the industry average were called high-performing firms; the others were classified as low-performing firms. The researchers then looked up public records of 50 of the companies in their sample, comparing their actual change in sales to relevant industry averages, and found the self-reported data to be reliable with no significant bias. Here are two significant differences between the high-performing and low-performing firms:

1. Though both high- and low-performing firms exhibited a continuing commitment to marketing during the Great Recession, high-performing firms were distinguished by a *greater level of commitment*.
2. High-performing firms had a *stronger marketing culture* than low-performing firms.

Time to Reassess Your Marketing Strategy

Let's turn now to the question of what your company should do during the onset of a recession. You certainly need to reassess your market segments and customers; your products and services; and your promotion mix. Let's examine each of these steps individually.

Reassess Your Market Segments and Customers Most companies would like to sell their products and services to everyone who buys in the product category. However, they understand that the customers vary in what they want, value, and can pay. Therefore, companies need to determine the characteristics of the most suitable customers that they should target. They need to sort the buyers into significant segments. You can categorize customers in consumer markets by differences in age, gender, income, education, or lifestyle, or some combination of the above. The company is basically looking for a fairly homogeneous group of customers and prospects who are similar in their wants, buying criteria, and buying behavior. When the company identifies a segment that it wants to serve—and *can* serve in a superior fashion—it can describe this group to its advertising agency and to its sales force. Then, the advertising and sales people can choose efficient media and aim their messages to hit the hot button that gets those customers and prospects to buy.

Here are some other considerations in segment thinking and planning:

- A company need *not limit itself to one segment*. It may pursue a number of segments; however, each segment requires a tailored planning of product, price, place, and promotion. McDonald's, for example, has created separate marketing plans to attract mothers and children, teenagers, senior citizens, and different ethnic groups to its premises.
- A segment's *size and desires can change over time*. Therefore, *companies must keep freshening their* approach to each segment. Some segments will get smaller because of changing tastes or economic hardship. Persons who were happy with the company's brand may switch to a cheaper brand. In this case, a company should consider introducing a cheaper, second brand rather than lowering the price of its top brand.

The apparel maker Gap began to lose customers to cheaper brands. It took its less expensive chain operation called the Gap Warehouse and renamed it Old Navy, which today has more than 1,000 stores in the U.S. and Canada.

- The company needs to measure *each segment's profitability*, and will likely want to switch from serving a low-profit segment to a fast-growing, higher-profit segment. This will require a new 4-P plan for entering and prospering in this new segment. Hewlett-Packard has talked about possibly selling its slow growth PC division and focusing on the fast growing tablet market pioneered by Apple Computer. Its first venture in tablets was not successful but it will try again.
- Besides knowing the profitability or rate of return on serving each segment, the company can also benefit from estimating *the profitability of each customer* in the segment. It's apt to find that it's losing money on some customers who either buy too little or cost too much to serve. Most companies try to grade their customers in an effort to make these distinctions. A related development is that EBureau, a predictive analytics company, is able to assign scores from 0 to 99 indicating the buying power of individual customers. The buying power takes into account the person's occupation, home value, salary, and spending patterns. Clients buy these EScores to determine which of their "leads" should receive an offer. Companies will make offers to high e-score consumers and not bother to waste time and money pursuing low e-score consumers.
- Keep in mind, however, that customer profitability is only a *current* measure of the customer's value. It is therefore *better to estimate the customer's lifetime value*—something that will differ from one customer to the next. The estimate calls for projecting how many years customers are likely to remain

customers, how much they are likely to buy, and the profit that the company will earn from them each year. The company then estimates the present value of the future income *stream from those customers*. A company wants to go all out when serving those customers who have high customer lifetime value.

- Although we described a segment as consisting of homogenous customers, we recognize that *some products attract very different customers*. For instance, motorcycle maker Harley Davidson Company has built a whole community of fans—including “tough guys,” “professionals (lawyers, doctors),” women and others—all of whom love the company. Apple has also built a community of enthusiasts who differ in many ways—except for the fact that they love Apple. During a recession, a company that serves several subsegments must assess which of them to focus on—and which they can let go if it simply costs too much to serve and keep them happy.

Reassess Your Current Products and Services Most products, services, and brands are likely to exhibit life cycle characteristics. They appear at a certain point in time, grow popular if they meet a need, reach a plateau characterized as maturity, and then begin a decline. The length of each stage varies greatly, and sometimes a company or a market development gives the product a second life. For example, the product “nylon” has had several lives; it was successively incorporated in parachutes, women’s hosiery, marine sails, clothing, and rubber tires. Many products, however, grow old and obsolete, and are replaced by newcomers. Company brands often have a longer life than product brands—which has been the case with machinery manufacturer Caterpillar or car maker Mercedes—despite the fact that many different products and product brands have passed through these companies and vanished.

The current product mix found in any company is likely to consist of yesterday's breadwinners, today's winners, and tomorrow's expected performers. A company needs to establish a system whereby it can monitor and evaluate the products in its line to determine which should receive increased or decreased support—and which should be eliminated. Philip Kotler proposed such a system in a *Harvard Business Review* article on "Phasing Out Weak Products."[4]

During a period of economic decline, every company has to take a hard look at the current and future position of its various products. This is the time to start flushing out the losers and increasing the support given to the winners. Consider a company such as Nike with so many lines of shoes. Some shoes will exhibit a sharp decline either because of fashion change or price. When this happens, production needs to be curtailed. If the decline is very serious, that line can be dropped and delisted.

Although we've talked most about products, services also require attention. During good times, a company can be generous in its provision of services by giving refunds, repairing products, sending holiday greetings, sponsoring member events, and the like. However, when times get tight, companies need to reconsider which services are important to customers, and which services would not be missed if dropped. This might compel a company to decide to make some services not free, but optional at a price.

Reassess Your Promotion Mix During good times, companies are comfortable spending on advertising and other marketing activities because their competitors are doing this and the company wants to maintain a decent share of voice. They're aware that much advertising spending is an act of faith or insurance, rather than having an easily measured rate of Return on Marketing Investment (ROMI). But once an economic decline sets in, the company will start retrenching on promotion or shift from expensive to less-expensive promotion. It is easier for the company to see an actual penny saved than a hypothetical penny earned.

Members of the marketing department will be hard pressed to defend the existing budget. In some cases, they might even argue that this is the time to *increase* marketing expenditures—especially if all the competitors have slashed their marketing budgets. In normal times, a company can barely increase its market share; during an economic decline, it will be easier for strong companies to capture some share. But most company leaders prefer to reduce the marketing budget based on the assumption that marketing cannot do much in the short term to energize customer buying.

A downturn in business leads companies to rethink not only the size of their ad budget but also their mix of promotional tools. Some companies shift some TV money to radio or newspapers, especially when running sales promotions. Many companies have increased their social media expenditures, and others have increased their use of public relations and events spending. The big effort will go towards increasing sales promotion—discounts, rebates, two for the price of one, and so on—all of which are aimed to reduce the price in an effort to hold onto price-sensitive customers. But the company has to be aware that heavy sales promotion can detract from their image of being "better and different."

Although we have illustrated how to adapt the marketing mix during recession mainly for business-to-consumer (B2C) companies, much of this applies to business-to-business (B2B) companies as well—since these companies have few customers and are highly specialized. They have to assess their segments, individual customers, product mix, distribution mix, and promotion mix. Each customer is likely to want to renegotiate prices, seek fewer equipment features and less expensive models, and want more trade promotion support. Basically, your company has to decide which customers, segments, and product lines are worth keeping in the long run.

Market Share–Winning Strategies

Having looked at how a company can become trim and fit in general—and particularly, during a period of economic decline—we now turn to how the company can be precise in grabbing market share from its competitors.

The problem facing companies today is that there are too many fishermen and not enough fish in the market. It's a matter of eat lunch or be lunch—or, as stated by Gregory Rawlins, "If you're not part of the steamroller, you're a part of the road."

The first task is to identify your competitors. According to ancient philosopher Sun Tzu, "Time spent in reconnaissance is seldom wasted." Pay attention to those competitors who are going after your market with pretty much the same marketing mix. If their marketing budget is substantially larger than yours, you might consider going after a different market segment. If their marketing budget is substantially lower than yours, you may go for the kill. Elizabeth Arden could not keep up with competitors' like Estée Lauder and L'Oréal.

Companies often make this choice by determining which competitors are not doing a good job for their customers. This may be due to incompetence or the fact that the competitor has much more invested in another part of its enterprise—therefore causing this market to fail to receive its primary attention and funding. This would be exactly the kind of competitor to go after—because the parent company may decide to evacuate this market just as that competitor is being pounded and wounded. However, this is less likely to take place when a competitor's whole livelihood comes from this market space. RIM, the manufacturer of Blackberry cellphones, is likely to fight to the finish because their cellphones are their major product.

The company is likely to have some good competitors who are constantly winning share themselves. Good competitors are a blessing, because these are companies to study, not to go after. You want to figure out—what makes them tick? Who are their marketing experts? And can we entice some of this talent to join our team?

Often there is a competitor coming from a company that drives all of its businesses to be number one or two. Consider Jack Welch's statement when he headed General Electric:

> We believed that only businesses that were number-one or number-two in their markets could win in the increasingly competitive global arena. Those that could not were to be fixed, closed, or sold.

The lesson is: *Don't go after* that *competitor*. He won't tolerate losing a share point. This is a situation where you must accept being a strong follower. This was the historic Ford position vis a vis GM, where Ford found the niche position in Ford pick-up trucks, rather than passenger cars.

Another point to remember: don't be so obsessed with the current competitors that you don't notice *emerging* competitors. For example—auto companies should watch Hyundai:

> Hyundai is showing the fastest growth in car sales among all competitors in both the U.S. and European market. When Toyota and Nissan started to have technology debacles, Hyundai began winning market share. It made quality cars but priced

> them lower than competitors in its class, much like Lexus did earlier when it attacked Mercedes. Hyundai offered an unheard of 10 year or 100,000 miles warranty on engines and transmissions. And in 2010, Hyundai offered during the recession to guarantee buyers that the company would take back the car—no questions asked and no credit citation—if the buyer lost his or her job a year after purchase.

Every company should work hard to outperform its competitors by delivering a better offer. The ability to learn and change faster than your competitors may be the only sustainable competitive advantage.

What should ultimately have your attention is not only new technologies emerging, but what is happening to your customers. Customers keep changing. Too many marketers are obsessed with the competition—the enemy—instead of focusing on the customers. If you could choose only between planning to defeat your competitors or trying to do an outstanding job for your customers, choose the latter—as is illustrated next.

Air carrier Jet Blue did an outstanding job by keeping its eye on the customer. Along with other airlines, Jet Blue suffered a sharp decline in traffic when the Great Recession hit. In 2009, the company's revenue was down another 5 percent. However, by 2012, Jet Blue's revenue grew by 18.87 percent. The turnaround came from creating a new travel experience that would sharply bring down the cost of air travel to the customer. Jet Blue installed in their aircraft only nonreclining seats, allowing them to add 40 more seats to the plane. They set an extremely low fare that was 30 percent cheaper than competitors. They added a set of charges: water costs $3. There is an extra charge for using the overhead luggage bin, and a $10 charge for a phone booking. As a result of these and other charges and changes, Jet Blue earns 40 percent more profit per plane. At 85 to 90 percent occupancy per flight, the airline has repackaged the flight experience for super-budget travelers and is making good profits in a low-growth economy.

Conclusion

There can be many culprits that reduce a company's growth: an economic slowdown, a new aggressive competitor in the marketplace, changing buyer tastes, a decline in your brand's freshness, and countless other possibilities. This is a time when your company needs to deeply examine its mission, vision, values, and offerings. The company may have gathered fat in better times; now, it needs to get leaner. You must perform a SWOT analysis to reappraise your main strengths and weaknesses, opportunities and threats. Your company must overcome any weakness in either financial or marketing strength. If it is deficient in both, it might as well retire. Given that the SWOT analysis offers hope, the company must reexamine its marketing mix and profile. It needs to define its target markets more finely, as well as determine from which competitors it can attract new customers. Growth requires not only finding new users and usages for one's offerings, but also determining how to show competitors' customers that your company can present and deliver better results.

Questions

1. How would you describe your growth strategy? Is it based primarily on a keen knowledge of the customers or on wresting share away from your competitors?
2. How well are you prepared defensively? How is your competitive intelligence? Have you implemented an early warning system? Have you ever engaged in a formal scenario planning session—and if so, has it been helpful to you?

3. Does your company know profitability by product, segment, channel, and individual customers? If not, what is the obstacle that's preventing your cost accountant from developing such a system?
4. What would you cut in the event of a double-dip recession?
5. Have you classified your product offerings into yesterday's breadwinners, today's winners, and tomorrow's future winners? Is it desirable for you to reallocate your funds over these different products?
6. To what extent are you able to justify the marketing budget by showing the rate of return on marketing investment? Otherwise, what arguments do you present to justify your budget request?
7. How do you set the market share objective for the coming period and define the separate sources of the planned market share gains?