

Self-diagnostic test of your marketing strategy

Brian Smith and Professor Malcolm McDonald reveal how to test your marketing strategy before it is implemented using this ten-point self-diagnostic test.

 By [Malcolm McDonald](#) 16 Nov 2003

Marketers need to know the strength of their strategy, before they implement, not afterwards. By comparing the properties of strong and weak marketing strategies, new research allows us to test our strategy without the cost and missed opportunities of trial and error.

All marketers, whatever their industry, face the same difficult choices. Which customers do we go after and what do we offer them? The answers to those two questions are, essentially, the marketing strategy of the company. Few companies have the freedom to experiment at this strategic level. Get the answer wrong at the waste of money and opportunity may be commercially fatal. We need a way of knowing if our strategy is correct before, not after, we commit resources.

A set of strategy diagnostics is one of the outcomes of a research project at Cranfield School of Management. Our results fill a PhD thesis, but this article covers the essence of the research.

Our work looked at over 50 years of strategy research and included surveys, interviews and focus groups with dozens of companies. We found that strong strategies differ from weak ones in ten characteristic ways. We suggest you write down your own strategy (remember, which customers do we go after and what do we offer them?) then test it against the following results of our research. Read the summary below and then complete the self-diagnostic test in the box.

1. Strong strategies define homogeneous targets

In most companies, targets were defined as product groups or channels or sometimes in terms of customer size. The problem is that these groupings do not closely reflect customer needs. The life insurance market, for instance, includes customers with very different needs, both rational and emotional. As a result, any offering to the market will only ever satisfy some of them and the 80:20 law of effort and returns will limit return on investment.

By contrast, the few companies with strong strategies defined their targets in terms of real segments, groups of people with similar needs who responded similarly to a proposition.

2. Strong strategies contain segment specific propositions

Having defined targets as homogeneous segments, good strategies then offered each a distinctive proposition, tailored to their needs. Of course, the best companies assessed each segment carefully and allocated effort differentially between them. By contrast, weaker strategies allowed for one basic proposition, sometimes tweaked, rather inadequately, at the point of delivery.

The first approach involves the whole company creating differentiation, the second only the customer facing part. No prizes for guessing which approaches lead to competitive advantage.

3. Strong strategies are unique

Going head on with competitors is very inefficient, yet most companies do just that. They target the same customers with essentially the same offer, wrapped in hype. Our exemplar companies are cleverer than that. They either segment or target differently from competitors, or they offer a fundamentally different proposition, or both.

By doing this they effectively side-step competition and reduce pressure on prices. In return, they win higher share and better margins than if they fought head on.

4. Strong strategies leverage strengths and minimise weaknesses

We found that many companies had a very weak understanding of their relative strengths and weaknesses. Mostly, they recited traditional lists of what they were good at, ignoring the fact that, while they were good, so were their competitors. The importance of distinctive competencies escaped them. Good companies understood this and carefully nurtured distinguishing strengths. They then selected targets and developed propositions that used their distinctive abilities and which meant their relative weaknesses were less important.

5. Strong strategies create synergy

In our findings, synergy was talked about a lot more than it was used. In weaker companies, targets and propositions were often developed in isolation, ignoring the interaction of segments and the internal value chain. In sharp contrast, strong strategies deliberately sought synergy in the use of internal resources (such as manufacturing or sales) or between customers, leveraging the influences different segments have on each other. This created much greater return on investment than non-synergistic strategies.

6. Strong strategies make tactics obvious

One of the surprising findings of our work was the manner in which strong strategies saved that crucial resource, management time. Intuitively, one thinks that making strong strategies is time consuming and it is often pushed down the priority list by immediate, pressing, firefighting. However, our exemplary companies saw it differently. Their coherent strategies made most of their tactical choices easy, thus saving time on countless small decisions.

By contrast, weaker strategies left a lot of ambiguity and space for much time-consuming argument. In markets where critical resources are evenly matched, this is very important.

7. Strong strategies are aligned to objectives

In many companies, strategies seem to evolve piecemeal, year by year. As a result, close consideration of the strategy shows that they are frequently out of synch with the corporate objectives. Often huge results are expected from small, incremental changes in strategy. This was commonly the result of siloed thinking of marketing and finance. By comparison, strong strategies integrated financial and marketing goals and led to patterns of resource allocation that were proportionate to the objective set.

8. Strong strategies anticipate the future

Few of the companies we studied had problems recognising the primacy of customer needs. However, strong and weak strategies differed in the way that they considered trends in the market. Weaker strategies were very focused on the present, or the recent past, and allowed only for the current market situation.

Companies devising stronger strategies took the longer view and those that employed them looked at the implications of social, political and technological trends, how they combined to drive customer needs and the future shape of the market. As a result, their targeting and propositions allowed not just for today's market but also for tomorrow.

9. Strong strategies are properly resourced

In exemplary companies, it was noticeable how the most important targets and propositions were appropriately resourced. This involved thinking through the resource implications of the strategy in a very detailed way and pulling resources away from non-targets to give to targets.

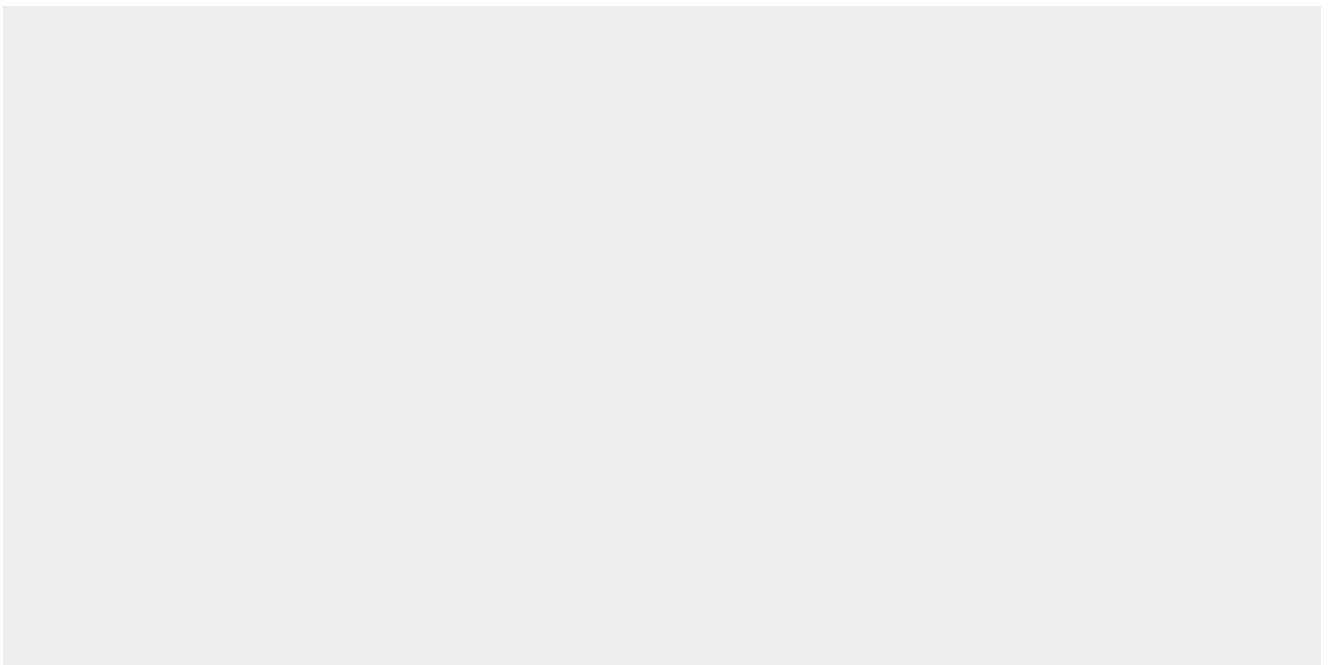
In lesser companies, resource was allocated on a last-year-plus-negotiation basis, often resulting in strategies being crippled by unrealistic resourcing.

10. Strong strategies make clear the basis of competition

One of the most common and dangerous strategy weaknesses was the decision about which part of the company's value chain to compete with.

Strong strategies made a clear decision to be excellent at either product performance, or some kind of service or on price. We saw examples of each, but all of the best companies made a clear choice.

Their weaker competitors fudged the issue, trying to compete on all three simultaneously, ending up merely adequate at everything and excellent at nothing. In most markets, this middle ground is small and crowded, resulting in low margins.



TEST YOUR STRATEGY

Think carefully and objectively about the following ten statements, using the results of our research to guide you. Award yourself a mark for each between ten (true for your strategy) and 0 (false). Then look at the commentary below.

OUR STRATEGY...

| | |
|--|--|
| | defines homogeneous targets |
| | contains segment specific propositions |
| | is unique |
| | leverages strengths and minimises weaknesses |
| | creates synergy |
| | makes tactics obvious |
| | is aligned to objectives |
| | anticipates the future |
| | makes clear our basis of competition |
| | is properly resourced |
| | TOTAL SCORE |

COMMENTARY

Score 80-100

Very good. Either your strategy is strong or you're fooling yourself. We recommend you make sure which.

Score 60-80

Good. Your strategy will succeed, as long as the competition isn't too tough. Your choice is to improve or hope for weak competition.

Score 40-60

Worrying. Your strategy will only succeed if you are lucky enough to have weak competitors. We recommend you do not rely on this.

Score 0-40

Oh dear. Your strategy is not likely to succeed, even with weak competition. We recommend you revise the strategy.

Marks out of ten and evaluating the results

So how did you do? Using the strategy diagnostics in practice reveals that many companies could benefit from improving their strategy.

This is important. Strategy-making, unlike manufacturing, selling or product development, is the one part of your value chain that cannot be outsourced.

In today's competitive world, marketers have a stark choice. Get good at strategy-making, or hope that your competitors do not.

ABOUT

BIOGRAPHY: PROFESSOR MALCOLM MCDONALD AND BRIAN SMITH Professor Malcolm McDonald, until recently, Professor of Marketing and Deputy Director Cranfield School of Management with special responsibility for E-Business, is a graduate in English Language and Literature from Oxford University, in Business Studies from Bradford University Management Centre, and has a PhD from Cranfield University. He also has an honorary Doctorate from Bradford University. He has extensive industrial experience, including number of years as Marketing Director of Canada Dry. He is Chairman of six companies and spends much of his time working with the operating boards of the world's biggest multinational companies, such as IBM, Xerox, BP and the like, in most countries in the world, including Japan, USA, Europe, South America, ASEAN and Australasia. He has written thirty eight books. Brian Smith is a marketing practitioner with a special interest in the effectiveness of marketing strategy. He is also visiting research fellow at Cranfield. He runs PragMedic, a specialised strategy consultancy for medical markets. Professor Malcolm McDonald will be giving a series of three one-day classes: • Strategic Marketing Planning • Competitive Marketing Strategy • Key Account Management. 16 to 18 February 2004, Balalaika Hotel, Sandton. SBS Conferences: (021) 914-2888, www.sbs.co.za/wcm2004.
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