

STRATEGIC OPTIONS MATRIX

Senior leadership teams must make positioning for advantage a priority. This customer centric positioning points towards the opportunities where the business can win the hearts, minds and wallets of customers. Senior leadership teams who are aligned on the following **two fundamental strategy choices** set their organizations up for success:

- 1. Business Growth:** How will the organization generate new growth? What part of the industry value-chain will the firm “anchor” and build internal capabilities that deliver customer needs and create advantage over the competition?
- 2. Customer Value Proposition:** How will the firm differentiate itself in the eyes of the customer – measured in terms of the factors that the market uses to evaluate all suppliers?

Great leadership teams understand their own choices in the context of competitors and the organization's unique strengths. They use a clear and consistent answer to these two choices to direct investments in technical capabilities that align to strategy and build market value. When investors perceive an organization has a clear leadership position in technical capabilities that are aligned with its strategy, they have more confidence that the firm will execute its strategy and deliver future earnings.

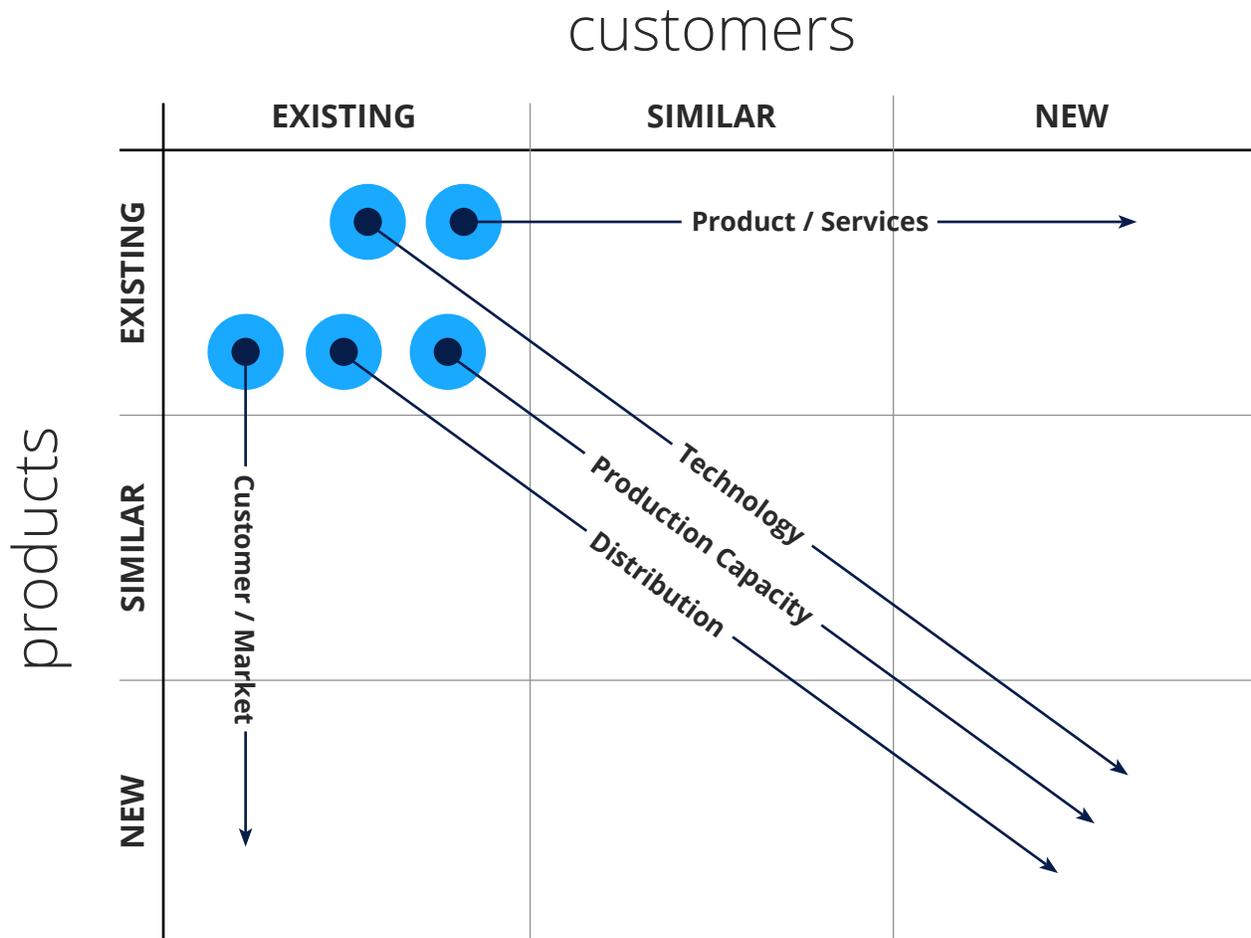
1. Business Growth Strategies

We have identified five basic ways that companies anchor themselves for growth and the defining characteristics of each. Read through each of the five growth options below and identify which primary strategy you've chosen for your organization.

| | PRODUCT/ SERVICE | CUSTOMER/ MARKET | TECHNOLOGY | PRODUCTION CAPACITY | DISTRIBUTION |
|-----------------|--|---|--|--|--|
| ANCHOR | <i>Expertise in a particular type of product is the anchor. New growth is created by expanding sales of that product to new customer segments.</i> | <i>A particular target customer is the anchor. Growth is created by selling new products or services to the same customer base.</i> | <i>A particular technology is the anchor. Finding any new “home” for that technology creates growth.</i> | <i>A particular asset or resource is the anchor. Keeping that asset fully utilized maximizes growth.</i> | <i>The distribution channel is the anchor. Maximizing the throughput of that channel creates growth.</i> |
| CHARACTERISTICS | <ul style="list-style-type: none"> Ties to a product/service Future products resemble current & past products Future products derivative of existing products Leverage across multiple customers | <ul style="list-style-type: none"> Anchored to a class of users Identifying customer needs is a crucial capability Multiple products made to satisfy the same customers Product “destiny” in customer’s hands | <ul style="list-style-type: none"> Ability to apply a technological capability to create or improve products or services Solutions looking for problems Market creation is a key capability | <ul style="list-style-type: none"> Maximize utilization of a capability/asset or resource “Keep it running” or “keep it full” Optimize unit cost Full capacity is the key to profitability | <ul style="list-style-type: none"> Unique way of getting products/services to the customers Sell anything that can be pushed through the distribution process Leverage many products in channel |
| E.G. | <p>Hallmark</p> <p>Kellogg</p> | <p>Nike</p> <p>Johnson & Johnson</p> | <p>3M</p> <p>DuPont</p> | <p>Southwest Airlines</p> <p>Marriott</p> | <p>Walmart</p> <p>Avon</p> |

Another way to think about these growth options is using a simple chart mapping direction of growth for each kind of company. For example, a product company has expertise in building a particular type of product. Therefore, it grows by finding new customer segments for that product. Likewise a customer-focused company has expertise serving a particular market segment. Therefore, it grows by finding new products that fulfill the needs of that market segment. Consider the chart below to confirm the growth strategy you have set for your organization.

Chart: Options for direction of growth



2. Customer Value Proposition

Once you've identified a growth option, ask yourself, "How will we differentiate ourselves in the eyes of the customer?" Again, we have identified five basic ways in which companies differentiate themselves and the common characteristics seen in those companies.

Read through each of the five options for differentiation below and identify which primary strategy your organization has chosen.

| | LOW COST | QUALITY | SPEED | SERVICE | INNOVATION |
|-----------------|--|--|---|---|--|
| DISTINCTION | <i>Capability to sustain lowest overall cost or price</i> | <i>Capability to deliver highest quality products or service versus customer specifications</i> | <i>Capability to provide products/services to the customer faster</i> | <i>Capability to assist consumer use of the product/service or provide direct follow-up services</i> | <i>Capability to continually reinvent product/service and be first to market with new concepts or functionality</i> |
| CHARACTERISTICS | <p>Can provide the product/service at an overall lower cost</p> <p>Even during opportunities for high-prices remains focused on having lowest cost</p> <p>Ability to reduce price lower than competitors</p> <p>Ability to price even with the competition and gain higher profits</p> | <p>Provides a measurably superior product/service</p> <p>Even during downturns, continues to differentiate the quality of the product /service</p> <p>Business processes deliver highest "quality" in the market</p> | <p>Product/service quality must be at parity (at least) with slower competitor offerings</p> <p>Collective competency around eliminating unnecessary processes or queuing</p> | <p>Understands customer needs and is more responsive and collaborative</p> <p>Very concerned that customer application of product/service is delivered as promised</p> <p>Makes it very easy for customer to continue working with them</p> | <p>Most innovative product/services</p> <p>First to market</p> <p>Moves out of product/service once competition arrives (outsource)</p> <p>Higher prices while product/service is new or has no competition</p> <p>Continually focuses on reinvention and innovation</p> <p>Spends more on R&D</p> |
| E.G. | <p>Southwest Airlines</p> <p>Walmart</p> | <p>Hallmark</p> <p>Toyota</p> | <p>H&R Block</p> <p>Domino's Pizza</p> | <p>Nordstrom</p> <p>American Express</p> | <p>Intel</p> <p>3M</p> |

Exercise

We have found the following “Strategic Options Matrix” useful in analyzing markets and helping leaders make critical strategy choices. Complete the following exercise to see if you have developed a clear view of the strategy your organization will follow.

STEP 1

Read completely through the five growth options below. Refer back to section, “choosing a growth strategy” for detailed guidance. Then, identify which of the five options your company will use to generate new growth. Mark an “X” in the circle next to that option.

- PRODUCTS/
SERVICES** *Expertise in a particular type of product is the anchor. New growth is created by expanding sales of that product to new customer segments.*
- CUSTOMER/
MARKET** *A particular target customer is the anchor. Growth is created by selling new products or services to the same customer base.*
- TECHNOLOGY** *A particular technology is the anchor. Finding any new “home” for that technology creates growth.*
- PRODUCTION
CAPACITY** *A particular asset or resource is the anchor. Keeping that asset fully utilized maximizes revenue.*
- DISTRIBUTION** *The distribution channel is the anchor. Maximizing the output of that channel creates growth.*

STEP 2

Read completely through the five basic ways to create differentiation below. Refer to section “Identify your competitive emphasis” for detailed guidance. Then, identify which of the five options your company will use to generate new growth. Mark an “X” in the circle next to that option.

- LOW COST** *Capability to sustain lowest overall cost or price*
- QUALITY** *Capability to deliver highest quality products or service versus customer specifications*
- SPEED** *Capability to provide fastest products and services to the customer*
- SERVICE** *Capability to assist consumer use of the product/service or provide direct follow-up services*
- INNOVATION** *Capability to continually reinvent product/service and be first to market with new concepts*

STEP 3

In the “Strategic Options” matrix below, mark an “X” at the intersection of the growth option and competitive emphasis that you chose in steps 1 & 2.

STEP 4

Now, consider your top 3-5 competitors. To the best of your ability, identify the growth option and competitive emphasis used by each. Write the name of each of your competitors in the corresponding box below.

The Strategic Options Matrix

| | | how we compete | | | | |
|-------------|------------------------|----------------|---------|-------|---------|------------|
| | | LOW COST | QUALITY | SPEED | SERVICE | INNOVATION |
| how we grow | PRODUCT/ SERVICES | | | | | |
| | CUSTOMER/ MARKET | | | | | |
| | TECHNOLOGY | | | | | |
| | PRODUCTION CAPACITY | | | | | |
| | DISTRIBUTION | | | | | |

STEP 5

Review your organization’s current location on the strategic options matrix above. Ask yourself these questions:

- Have we created a unique and sustainable position for our organization?
- What capabilities are required to deliver this strategy? Are we world class in those areas?
- Do we have the right capabilities and are we investing in the right areas to ensure future growth?
- If this exercise were given to the leaders/employees of our organization, how consistent would the responses be?

For more information about **Positioning for Customer Advantage**, visit rbl.net or call +1.801.373.4238.