The Strategic Playbook

A Framework for Market Dominance

The Scoreboard for Market Position is Three-Dimensional

Market Share

The company's portion of the market, measured in units sold or monetary value. The most common metric, but not the whole story.

Share of Mind

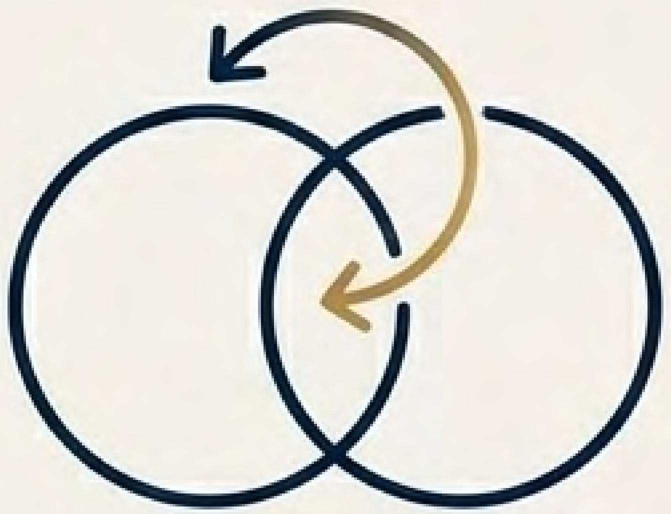
The extent to which target customers are aware of the offering. *"Are you the first brand customers think of for a specific need?"* (e.g., Kleenex for tissues, Gillette for shaving).

Share of Heart

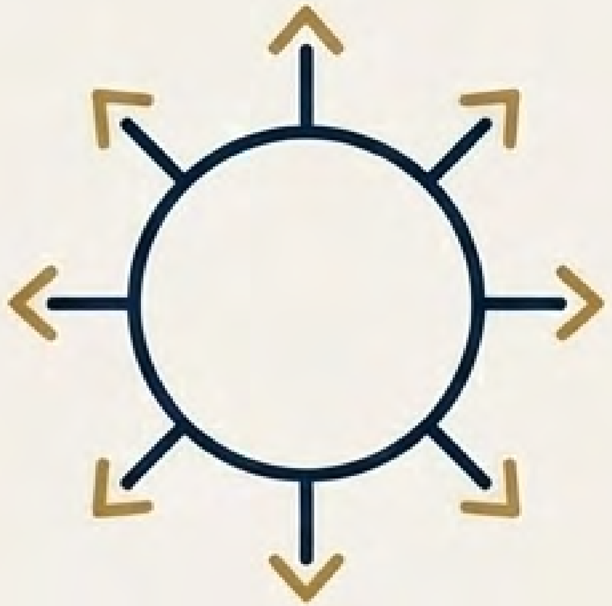
The strength of the personal, emotional connection customers feel toward the brand. This cultivates brand evangelists. (e.g., Harley-Davidson, Apple, Porsche).

↘ A high market share doesn't guarantee a high share of mind or heart, and vice-versa. True market leadership, as demonstrated by companies like Amazon and Apple, is built on capturing all three.

The Offense: Four Plays to Capture Market Position



Steal-Share



Market-Growth

Market-Penetration

Market-Creation

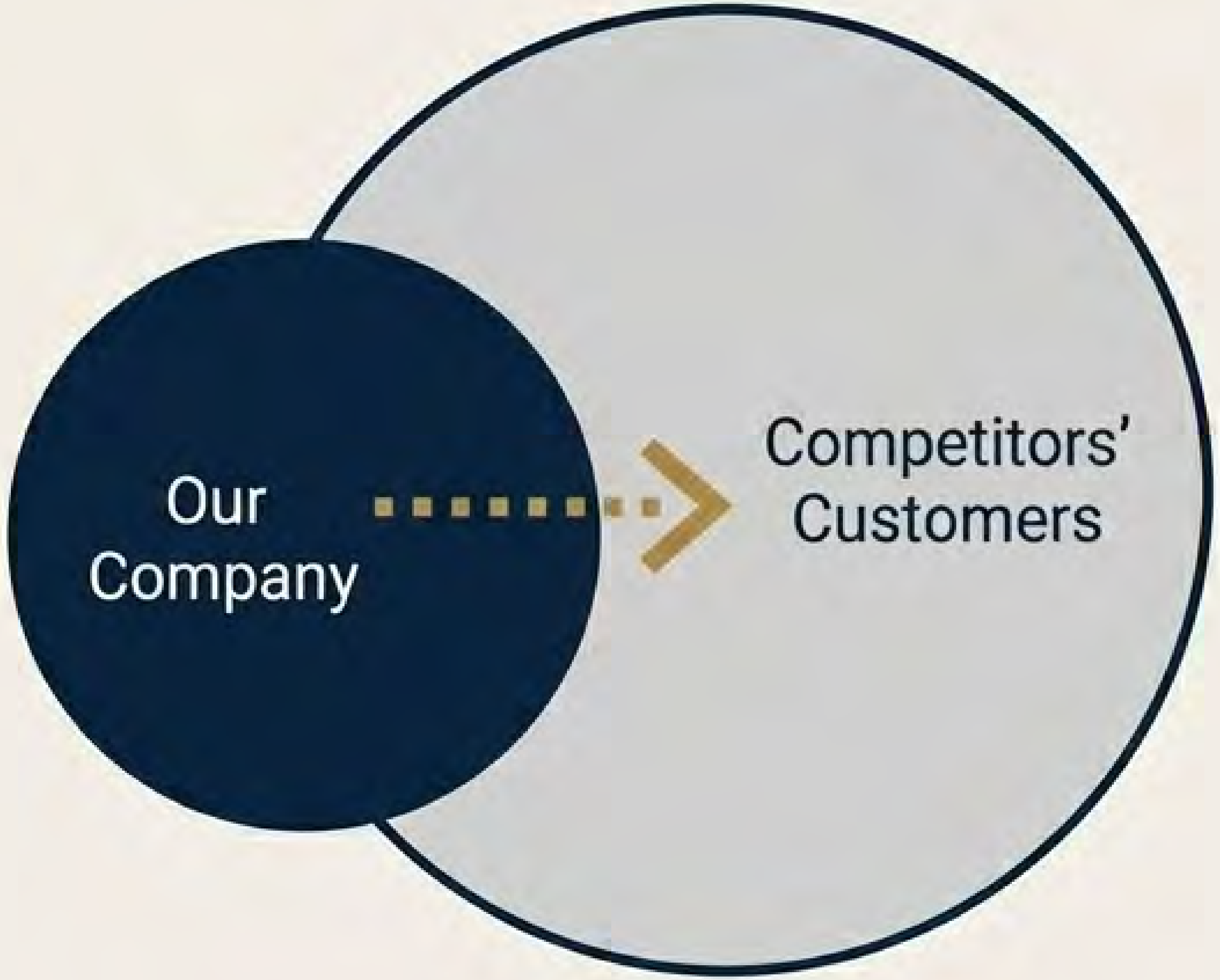
OFFENSIVE PLAY 01:
THE STEAL-SHARE STRATEGY

Objective

Attract customers directly from competitors, rather than creating new demand. Also known as a *selective demand strategy*.

Execution

- Benefit Differentiation: Demonstrate superiority via function (performance, reliability) or psychology (brand image). Can be *premium positioning* (greater benefits, higher price) or *price-parity positioning* (greater benefits, same price).
- Price Differentiation: Compete on price. Can be *"same-for-less" positioning* or *"less-for-less" positioning*.



Case in Point

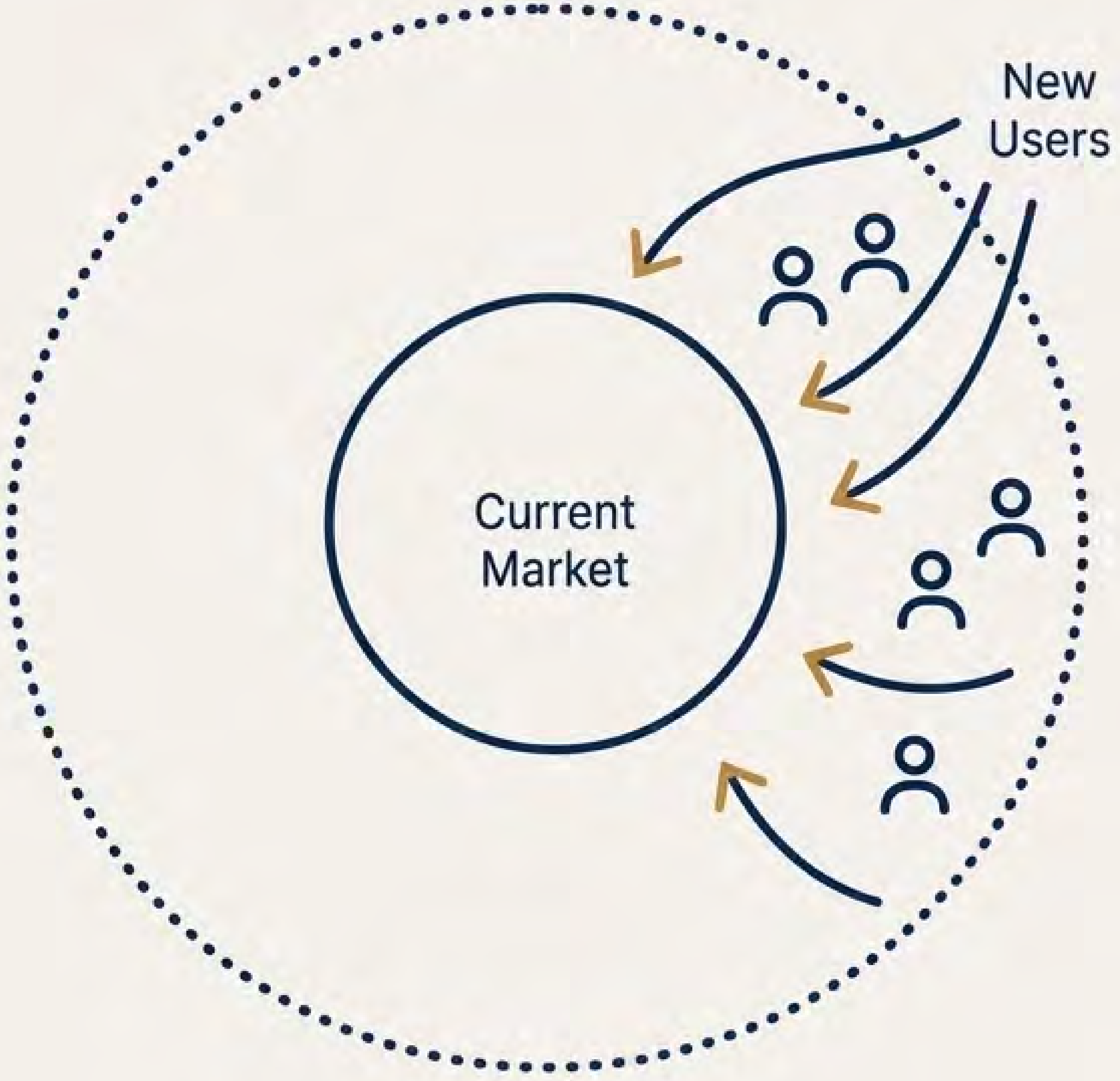
Samsung frequently uses comparative positioning, directly comparing its Galaxy phones to the market-leading iPhone. Apple, as the leader, typically avoids this, as it would give attention to a rival.

OFFENSIVE PLAY 02: THE MARKET-GROWTH STRATEGY

Objective
Attract customers who are entirely new to the product category. Also known as a *primary demand strategy*.

Execution
Focus on communicating the category's core benefits to address customer needs, rather than using comparative positioning.

Best For
- Companies in the early stages of an offering's life cycle.
- Market leaders in mature categories, as they tend to gain share in proportion to their existing position.
- Any company with a demonstrably superior offering that is likely to attract a disproportionate share of new entrants.

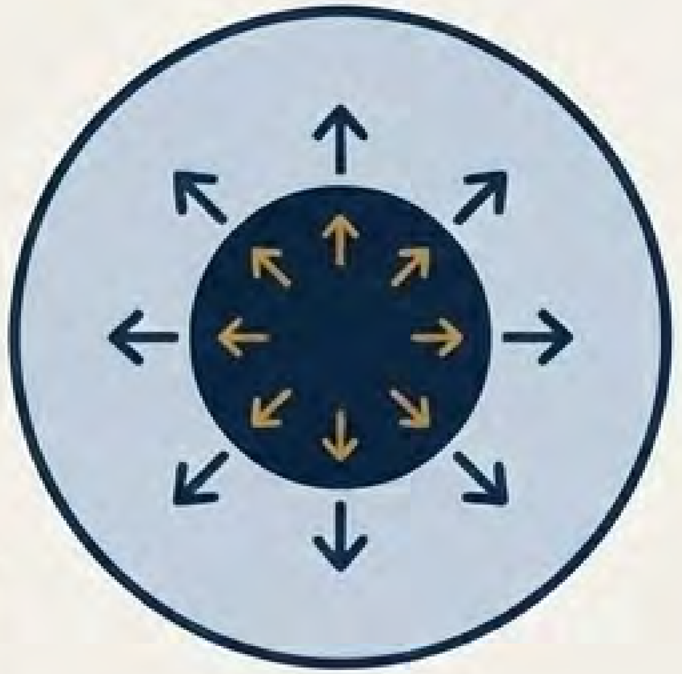


OFFENSIVE PLAYS 03 & 04: DEEPEN AND EXPAND

Market-Penetration

Objective

Encourage existing customers to buy more of your products.



Execution

- Promote more frequent or higher-quantity usage (Listerine promoting twice-a-day use) or use loyalty programs to encourage more frequent visits (Starbucks).

Market-Creation

Objective

Define and develop an entirely new market category where direct competition is absent.

Execution

- Focus on uncontested "blue ocean" markets. Success often brings high margins and rapid growth, but it requires building a sustainable advantage quickly as competitors will inevitably follow.

Examples

eBay (online auctions), Netflix (streaming), Uber (ridesharing).

The Defense: Protecting your position when challengers attack

You’ve captured territory. But success invites challengers. It’s time to build your defense.

Executing Your Defensive Maneuvers

Stay the Course

A conscious decision based on the belief that a threat is insignificant, temporary, or that more information is needed before acting.

Enhance the Offering

- **Increase Benefits:** Improve performance, add features, or enhance brand image. Benefits must be meaningful to customers.
- **Lower Price:** Use direct price cuts or flexible monetary incentives (discounts, coupons).

Reposition the Offering

- **Upscale:** Increase benefits and price (e.g., Montblanc shifting to luxury boutiques).
- **Downscale:** Reduce benefits and price (often a last resort).

Launch a New Offering (Product-Line Extension)

- **Vertical Extension:** New offerings differentiated by benefits and price (e.g., a luxury and a budget version).
- **Horizontal Extension:** New offerings differentiated by functionality at a similar price point (e.g., an SUV added to a sedan line).

The Pioneer's Advantage: Creating and Defending New Markets

The Benefits of Pioneering

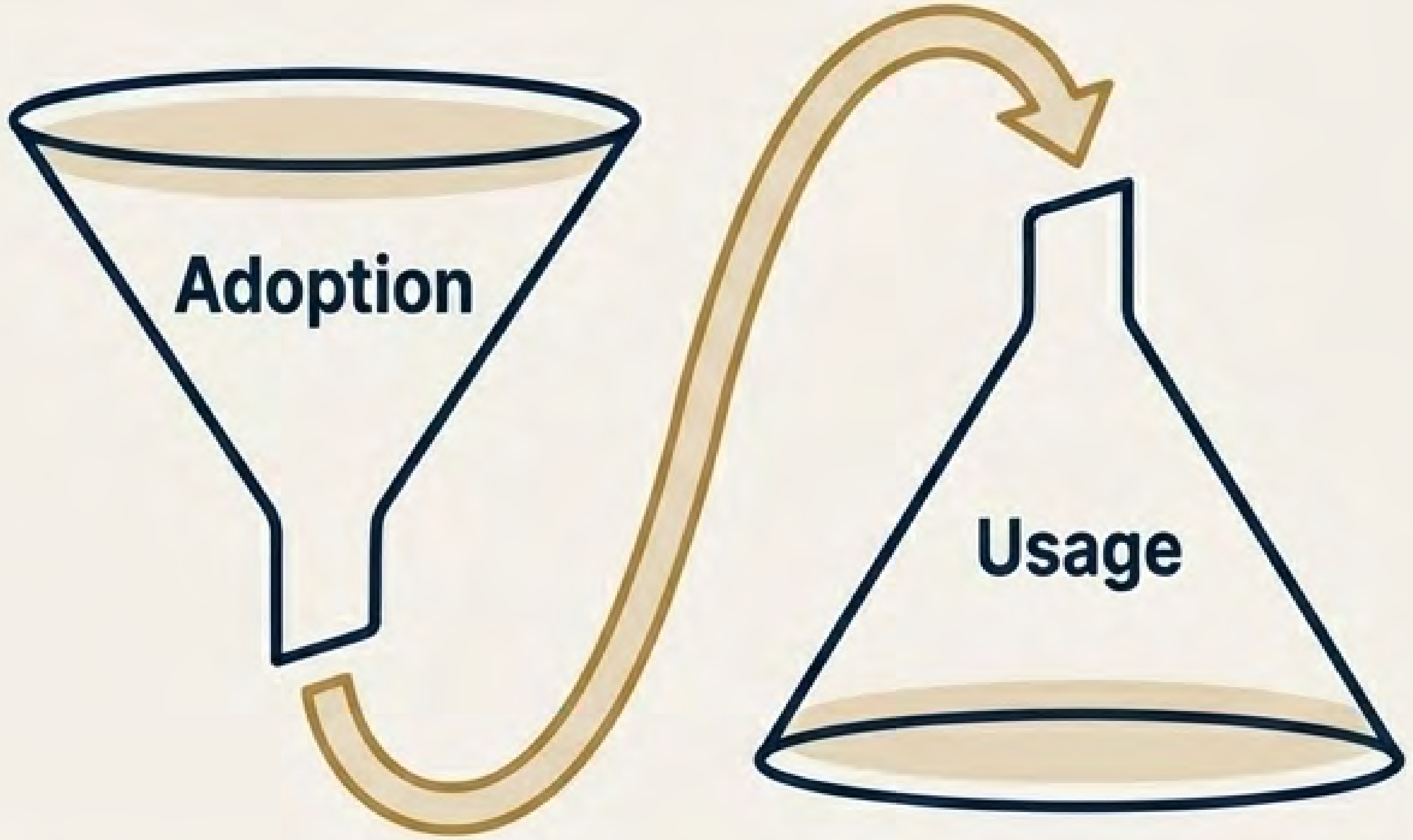
- **Preference Formation:** Shape customer preferences and become synonymous with the category (e.g., Google, Uber).
- **Switching Costs:** Build loyalty through functional, monetary, or psychological barriers to leaving.
- **Resource Advantage:** Secure scarce resources, prime locations, or exclusive collaborator networks (e.g., Nike's athlete contracts).
- **Technological Barriers:** Create proprietary standards (e.g., Apple's iOS).
- **Learning Curve:** Gain experience that makes it harder for competitors to catch up.

The Drawbacks for Pioneers

- **Free Riding:** Later entrants can copy and improve on your model at a fraction of the cost (e.g., competitors to TiVo).
- **Incumbent Inertia:** Complacency, reluctance to cannibalize existing products, or a 'sunk-cost mentality' can stall innovation.
- **Market Uncertainty:** High risk and failure rates associated with predicting technology and customer demand.

Being first is not enough. The key is to be the first to capture customers' hearts, minds, and wallets, and to build a business model that is difficult to replicate.

Mastering the Fundamentals: The Mechanics of Sales Growth



Sustainable growth comes from two sources: attracting new customers and increasing sales to existing ones. The key is t to diagnose and fix the leaks in both processes.

Diagnosing New Customer Growth: The Adoption Funnel

Awareness Gap: Solved by increasing and improving communication.

Attractiveness Gap: Solved by redesigning the offering or clarifying its value proposition (e.g., free trials, samples).

Availability Gap: Solved by improving distribution coverage and reducing stock-outs.

Purchase Gap: Solved by creating urgency with time-sensitive incentives (discounts, financing).

Maximizing Existing Customer Value: The Usage Funnel

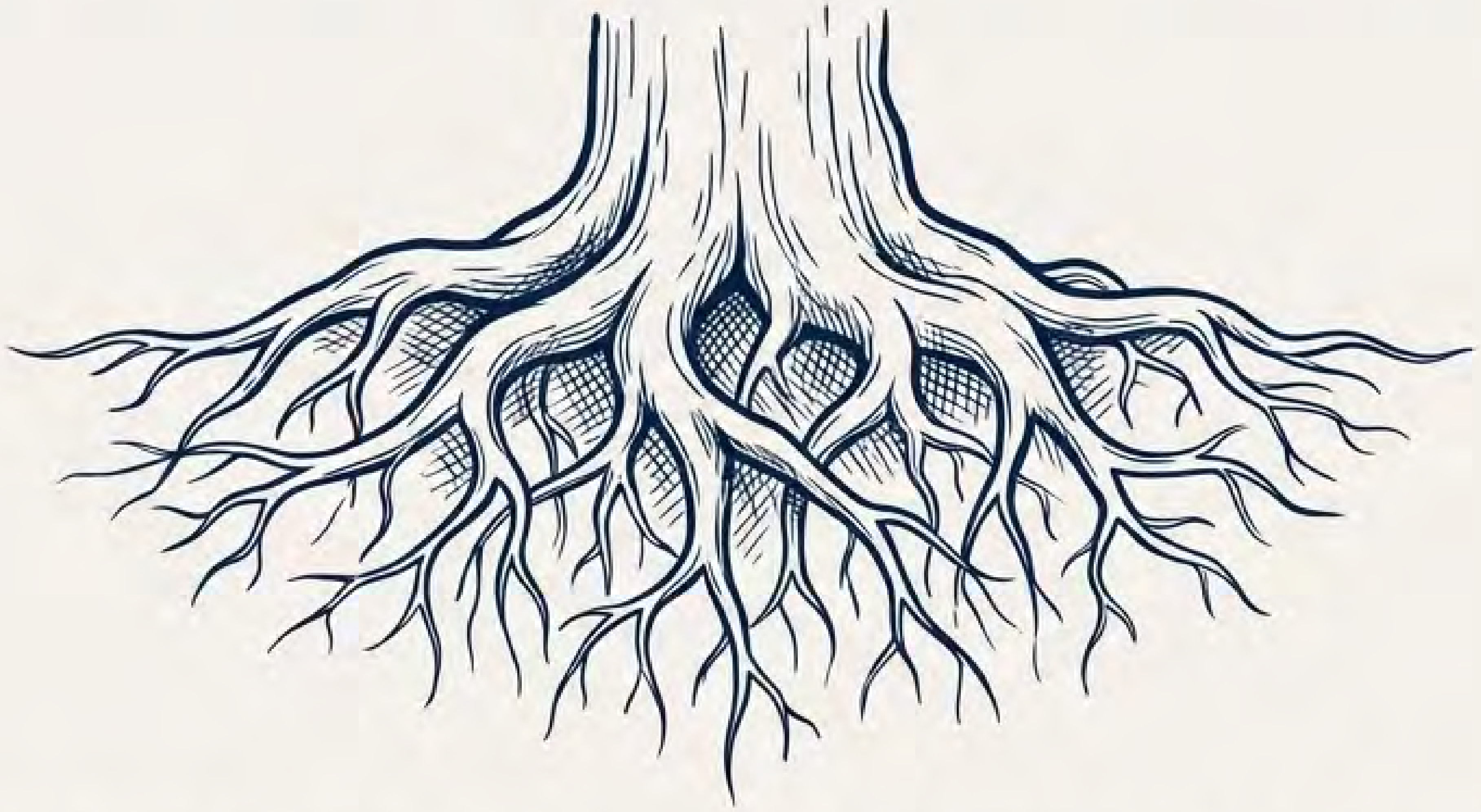
Satisfaction Gap: Solved by improving the offering's benefits or educating customers on proper use.

Usage-Frequency Gap: Solved by promoting new usage occasions (e.g., Arm & Hammer for cleaning).

Usage-Quantity Gap: Solved by educating on optimal amounts ('rinse and repeat') or using product design to signal replacement (e.g., Gillette's fading strips).

Repurchase Gap: Solved by streamlining the reordering process (e.g., Amazon's Subscribe & Save).

Building a Dynasty: The Core Competencies of Sustainable Advantage



The plays in this book are only effective when executed by a team with foundational strengths. Long-term dominance is built on a set of core competencies.

The Six Pillars of Market Leadership

Business Process Management: Inventing novel business models. **Benefit:** Business Model Leadership (e.g., Netflix, Uber).

Operations Management: Optimizing efficiency and cost. **Benefit:** Logistics & Cost Leadership (e.g., Walmart, Foxconn).

Technology Development: Creating new technological solutions. **Benefit:** Technological Leadership (e.g., Google, Nvidia).

Product Development: Creating products with superior customer value. **Benefit:** Product Leadership (e.g., Apple, Tesla).

Service Management: Designing exceptional customer experiences. **Benefit:** Service Leadership (e.g., Zappos, The Ritz-Carlton).

Brand Building: Developing strong brands that capture hearts and minds. **Benefit:** Brand Leadership (e.g., Coca-Cola, McDonald's)

The most enduring companies cultivate excellence across multiple domains. True strategy isn't about mastering a single play; it's about building the fundamental capabilities to win the entire game.