The Architecture of Value

A Framework for Integrating Marketing Strategy and Tactics

Strategy is the What and Why. Tactics are the How.

STRATEGY

Origin:
From Greek *stratēgía*, meaning “generalship.”
The positioning of troops *before* the battle.

Marketing Definition:
Defines the company’s choice of the **market** in which it will compete and the **value** it aims to create.

Core Components:
1. Target Market,
2. Value Proposition.

Function: Serves as the guiding principle for all tactical decisions.

TACTICS

Origin:
From Greek *τακτική* (taktikē), meaning “arrangement.”
The deployment of troops *during* the battle.

Marketing Definition:
A set of specific activities (the marketing mix) used to implement the chosen strategy.

Core Components:
The attributes of the market offering (Product, Service, Brand, Price, etc.).

Function: The means by which the strategy is brought to life.

The Strategic Cascade:
From Market Definition to **Market Offering**

STRATEGY

Define the Target Market
Who are we creating value for?

Use the **5-C Framework**

→

Define the Value Proposition
What value do we create?

Use the **3-V Principle**

↓ Informs and Guides

TACTICS

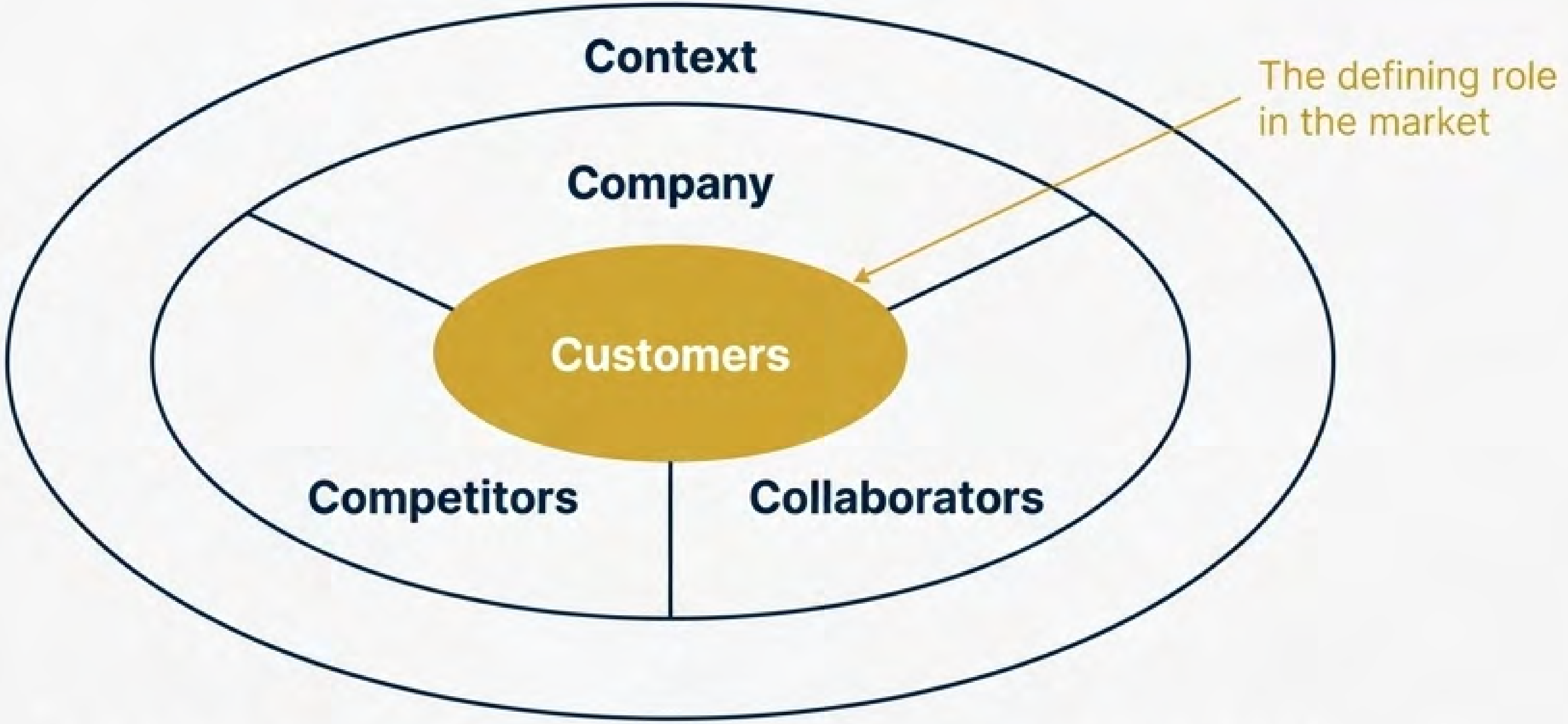
Design the Market Offering
How will we deliver this value?

Use the **7-T Framework**

A company's strategy and tactics are inextricably linked. Tactics cannot be determined without first defining whose needs the offering addresses and what value it aims to provide.

Part I: The Strategy — Defining the Battlefield with the 5-C Framework

Selecting the target market is a critical decision that dictates the entire landscape of competition, collaboration, and required company resources. The 5-C Framework provides a comprehensive tool for this analysis.



The choice of target customers at the center influences the value that the company, its collaborators, and its competitors aim to create.

The Five Core Components of Any Market

CUSTOMERS	COMPETITORS	COLLABORATORS	COMPANY	CONTEXT
The entities whose needs the company seeks to fulfill. Defined by: • **Needs**: The specific problem the company aims to address. • **Profile**: Observable characteristics (Demographics, Geolocation, Psychographics, Behavior).	Entities fulfilling the same needs for the same customers. **Key Insight:** “Competitors are defined by customer needs, not the industry they operate in.” **Example:** Blockbuster’s focus on other rental stores left it vulnerable to Netflix, which fulfilled the same need differentiy.	Entities that work with the company to create value (e.g., suppliers, distributors, R&D firms). Reflects the modern paradigm of value co-creation.	The specific business unit managing the offering. Defined by its: • **Goals**: Monetary and strategic outcomes. • **Resources**: Distinct assets and competencies (facilities, employees, brand equity, capital).	The environment in which the company operates (Economic, Technological, Sociocultural, Regulatory, Physical).

The 5-C Framework in Action: The Starbucks Ecosystem

CUSTOMERS

Primary segment: adult urbanites (25-40) with high incomes, professional careers.
Secondary: young adults (16-24).
Fulfills the need for a 'third place' between home and work.

COMPETITORS

Beyond coffee shops (Dunkin', Peet's), includes at-home systems (Nespresso, Keurig) and traditional coffee producers (Folgers).

COLLABORATORS

Global coffee growers, suppliers (pastries, water, merchandise), and retail channel partners (grocery stores, mass merchandisers).

COMPANY

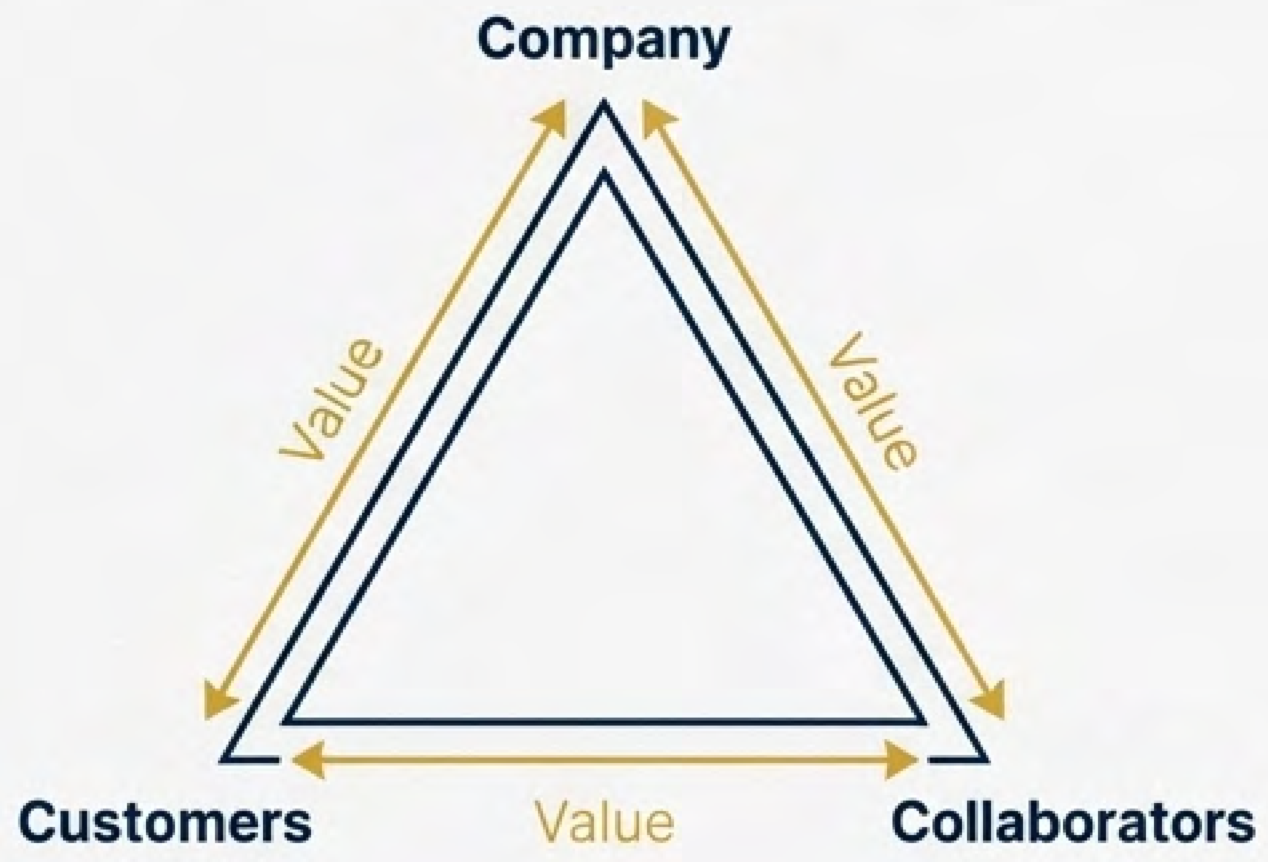
Goals: Revenue, profit, social responsibility.
Resources: Retail network, supply chain relationships, strong brand, loyal customer base.

CONTEXT

Rising popularity of craft coffee, need for social interaction, trade agreements on coffee imports, global commodity prices.

The Value Proposition: What is Our Winning Formula?

The value proposition outlines the value an offering aims to create for all key market participants. It is defined by the complex value exchange between the company, its customers, and its collaborators in a competitive environment.



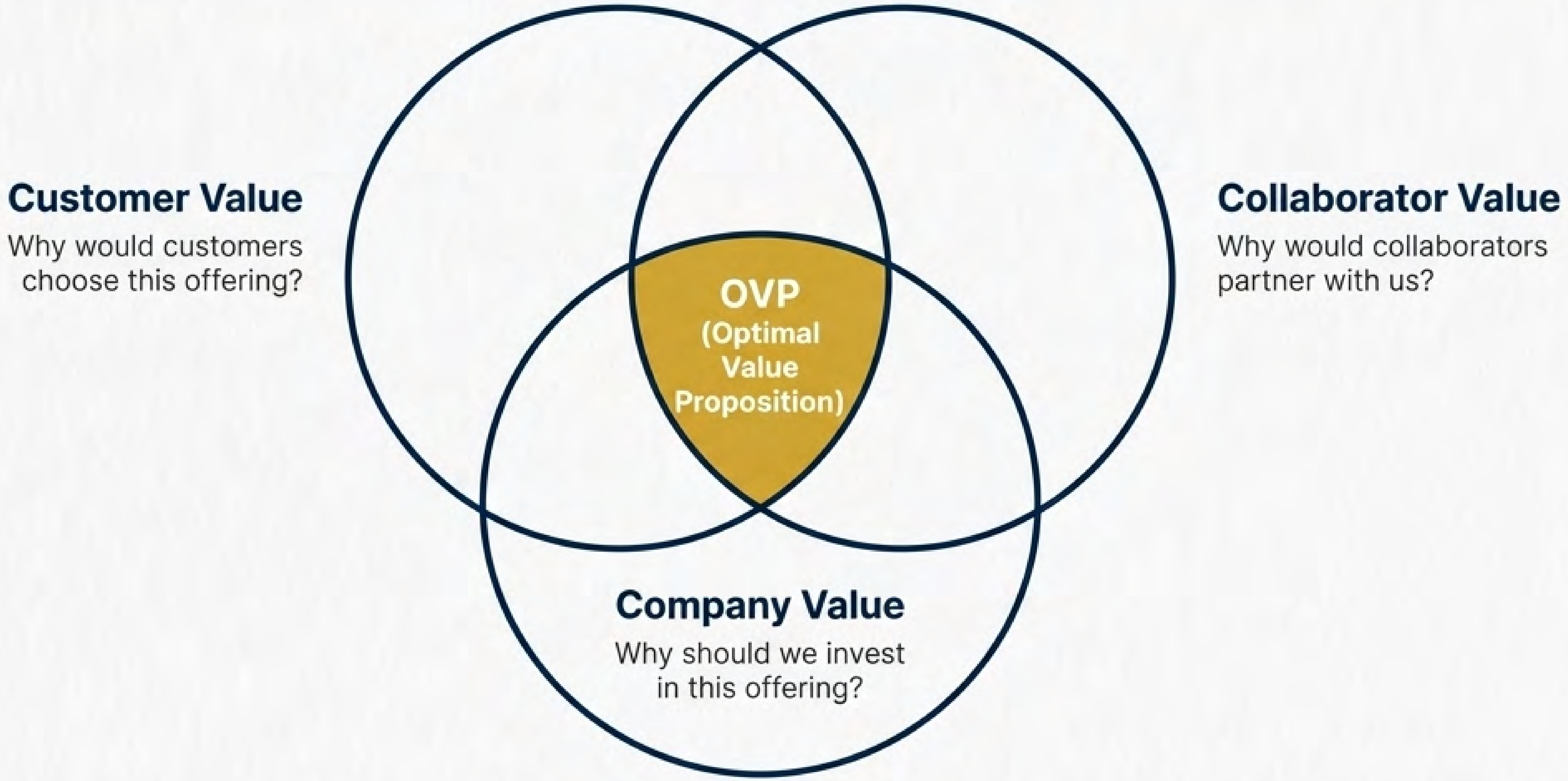
Key Insight: To succeed, the value created by the company and its collaborators must surpass the value created by competitors and theirs.

The Guiding Philosophy: The Market Value Principle

> "An offering must create superior value for target customers in a way that benefits the company and its collaborators."

This principle implies that any viable business model must simultaneously manage three distinct types of value: Customer Value, Collaborator Value, and Company Value. This is also known as the 3-V Principle.

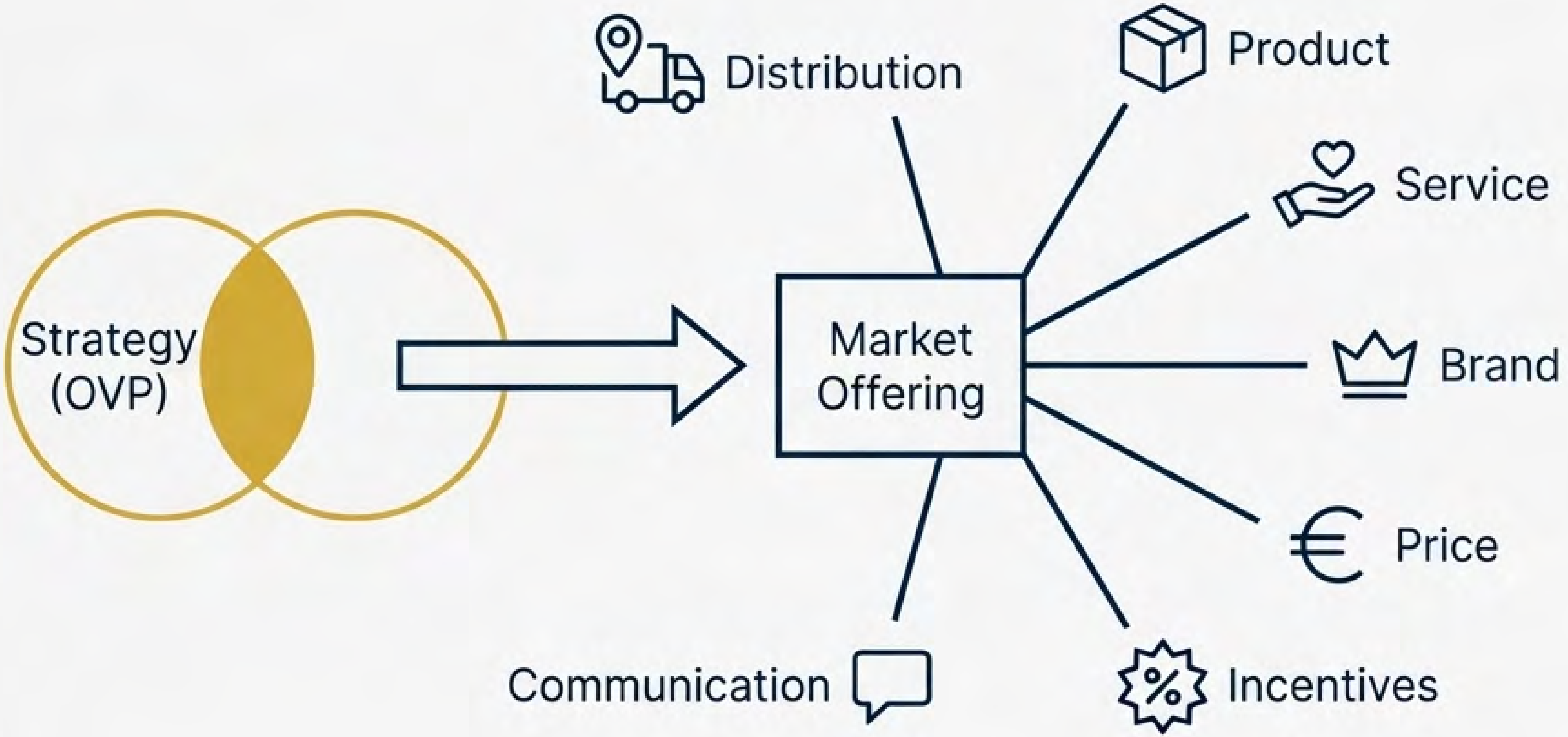
Achieving an Optimal Value Proposition (OVP)



An OVP is achieved when the value is balanced across the three entities. The root cause of nearly all business failures can be traced to an offering's inability to deliver superior value to one or more of these entities.

Part II: The Tactics — Building the Market Offering with the 7-T Framework

Tactics define the specific attributes of the offering that delivers the strategic value. The 7-T Framework, or marketing mix, is the set of tools managers use to implement the strategy and create market value.



The Seven Levers of Market Execution

Product	Benefits of the good. (Ex: Starbucks' variety of coffee, beverages, and food items).
Service	Benefits without permanent ownership. (Ex: Customer assistance, in-store experience).
Brand	Identifies and differentiates the offering. (Ex: The Starbucks name, logo, and associated feelings).
Price	Monetary cost to customers and collaborators. (Ex: Cost of a latte).
Incentives	Tools that enhance value by reducing costs or increasing benefits. (Ex: Loyalty programs, coupons, price discounts).
Communication	Informs market entities about the offering. (Ex: Advertising, social media, in-store displays).
Distribution	Channels used to deliver the offering. (Ex: Starbucks stores, retail outlets in grocery stores).

Tactics as a Process: Designing, Communicating, and Delivering Value

The seven tactics are not isolated decisions; they represent a **cohesive** process of creating value for the customer.

Designing Value
The primary value drivers

Product
Service
Brand
Price
Incentives

Communicating Value
Conveying the offering's value

Communication

Delivering Value
The value-delivery aspect

Distribution

Communication and Distribution channels are used to convey and deliver the value created by the first five attributes.

From Company Actions to Customer Impact

An offering's ability to create customer value is ultimately determined by the customer's perspective. Our actions must translate into tangible impact.

Company Actions		Customer Impact
Designing Value	→	**Attractiveness** of the offering
Communicating Value	→	**Awareness** of the offering
Delivering Value	→	**Availability** of the offering

What makes the offering **attractive**?

How will customers become **aware** of it?

How will customers **acquire** it?