



Best Practice Principles for Market Leadership

How to apply the 10 Best Practice Principles of Market Leadership™ to dominate your market and successfully grow your business.

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The Rewards of Leadership

Much has been written regarding the benefits of a powerful brand in the consumer markets while ignoring its impact in the B2B environment. When in fact many of the rules—and more importantly, many of the benefits—apply directly to the B2B environment. This paper presents the key benefits earned by establishing yourself as the leading brand in your chosen market segment, and the best practice principles that will help you get there. In each market segment—in every market—there is a prized opportunity for one brand to rise to the top and become the leader, the dominant choice . . . *the alpha brand*. It could be you!

According to the Arthur D. Little consulting firm, a business can occupy one of six competitive positions in a target market:

- **Nonviable:** this business has unsatisfactory performance and no opportunity for improvement.
- **Weak:** this business has unsatisfactory performance but an opportunity exists for improvement and it must change or exit the target market.
- **Tenable:** this business is performing at a sufficiently satisfactory level to warrant continuing in business, but it exists at the sufferance of the dominating company and has a less than average opportunity to improve its position.
- **Favorable:** this firm has a strength that is exploitable in particular strategies and has more than average opportunity to improve its position.
- **Strong:** this business can take independent action without endangering its long-term position and can maintain its long-term position regardless of competitors' actions.
- **Dominant:** this business controls the behavior of other competitors and has a wide choice of strategic options. *This is the Alpha Brand.*

It's a fact that most customers will prefer the leading brand, based on the erroneous belief that the leading brand must be better. This consumer behavior dynamic results in the market leader being afforded significant benefits that the market does not extend to other businesses

competing for that segment. The market leader is then able to focus on strategies that extend its lead and expand its market, while competitors must expend a greater percentage of resources to combat the leader's position as the default choice. And as a result, market leaders have a unique opportunity to exploit their position to gain:

- Better profit margins
- Easier entry into new markets
- Stronger barriers to competition
- Attractive partnering opportunities

How powerful is the leading brand? In “Brand Leadership”, by David Aaker, he presents the following scenario: Suppose that you will be given .01% of the stock of one of the follow companies. Which firm's stock would you prefer, given that following information about their sales, profits, and assets (as of January 1998)?

| | SALES | ASSETS | PROFITS |
|-----------------------|--------------|---------------|----------------|
| General Motors | \$166B | \$229B | \$7B |
| Coca-Cola | \$19B | \$17B | \$4B |

On the basis of this data, most people would pick General Motors and turn their back on Coca-Cola. Yet in January 1998, Coke had a market value more than four times that of GM, in part because the value of the Coke brand equity was over twice the value of the entire GM firm. An anomaly? Coke is the perennial #1 brand across the globe, and in 2000 51% of the company's value—or \$72.5 billion—is attributed to the power of the brand.

Historically, you find that when a market matures, the battle for any viable market segment generally becomes a struggle between two or three primary competitors. As markets become more and more competitive, you find that only businesses that are No. 1 or No. 2 in their markets get to enjoy the rewards of market leadership, while their competitors are forced

to expend greater capital and resources as they fight an uphill battle for the less desirable niches of the target market. The metaphor often used is 1 gorilla at the top of the food chain, 2 chimps battling for a favorable position, and a score of monkeys fighting for what's left and struggling to remain viable.

Market leaders dominate an ecosystem—in business as well as nature—and use their position of strength to insure their continued viability. To successfully achieve and sustain a position of market leadership means developing laser-focus on the strategies that will make you the dominant player, and then using your position of strength as leverage to expand into synergistic market segments where you can again establish yourself as the alpha brand.

So, Why Isn't Everybody Doing It?

The key question, then, is why have some companies been able to achieve and sustain a position as market leader while others with similar opportunities have not? All companies start with some form of strategy to provide value to a given group of prospective buyers. In most cases, the market segment is too broad and the strategy is too diffuse to effectively dominate their target. In business—as in any critical conflict—you should choose only those battles where you are clearly in a dominant position and are highly likely to win. Otherwise the risks are too great and the costs are too high.

Why do most companies fail? Building and maintaining a leadership position in any market is a difficult challenge that crosses all areas of the organization. And even though narrowing the focus of an organization increases its ability to dominate a market, the lure of low hanging fruit and opportunistic selling can quickly diffuse focus on necessary strategic planning. With the increased pace of change in the B2B environment it has become more and more difficult to perform the strategic planning that has been proven successful over time. Many companies are simply not taking

the time to review the strategic market issues that require continuous, executive-level attention.

- Who is your customer?
- What is the unique value you provide them?
- What is your defined, primary target market?
- What secondary markets have been defined and what is the level of opportunity in each?
- Why do your customers buy? What are their motivational triggers?
- What is the competitive landscape for each segment?
- Can you expect to dominate the targeted segment(s)? What will it take?
- How are you going to distinguish yourself from your competition?
- What internal and market-facing programs do you need to develop or re-engineer in order to be successful?

Ultimately, the market will reward the company that demonstrates its commitment to providing continuing value to a well-defined audience, and possesses the corporate agility required to deliver the goods. That might be you, and it might be your competition!

Failure to Focus Will Lead to Failure

Failure to focus is perhaps the most common and most costly mistake made in business. Over and over again you see this tragic scene played out—with the same inevitable result.

A good idea becomes a company and with hard work and a little luck an initial group of innovators and early-adopters provide the momentum for a viable business. Business plans and business strategies are suddenly overwhelmed by a sweeping set of possible options and new choices, and the company begins to reach beyond its core competitive advantage. Now, limited resources are spread to explore new opportunities. You begin to lose focus on your target market and the unique value you deliver for them. You find yourself involved more and more in

opportunistic selling in areas outside of your primary target market. The core strength of your products and services get diluted to address a more diverse set of customer needs.

As your focus dissipates, you begin to see buyers in your strongest market moving toward competitors offering solutions more focused on their traditional needs. Market share in your primary market begins to erode and you find that while you are serving more segments than ever before, you are no longer operating from a position of strength in any of them. You're not the market leader in any segment you are trying to serve.

As a second-tier player, you can't create the high levels of market awareness that market leaders are awarded. It gets more and more difficult to maintain your price points, and margins are getting thinner. And, key industry vendors that seek out best-of-breed partners are no longer looking your way. You have successfully obtained mediocrity in multiple markets, and are faced with stronger, more focused competitors on all fronts.

In this scenario, you have a poor chance to capitalize on the opportunity you had in front of you. And so instead of achieving the kind of success you believed was possible, you now find yourself scrambling for a piece of what's left.

It's not a pretty picture. The vast majority of new companies are out of business within two years. Those that make it and reach the level of market leadership do so because they have created strength through focus and successfully exploited their position by applying best practices to establish their leadership and grow their business.

The 10 Best Practice Principles of Market Leadership™

Best Practices are programs and activities that have been proven to increase performance. They help you eliminate costly trial and error—and enable you to make quantum leaps in performance by replacing evolution with revolution. While there is no perfect structure that will work for every company, these proven principles give you a roadmap to help you be more successful.

The key to achieving and sustaining a position as the market leader lies in developing excellence across The 10 Best Practice Principles of Market Leadership™. Over time, business leaders and management consultants have synthesized the lessons for success and failure. The 10 Best Practice Principles of Market Leadership™ presents these lessons to guide you in developing strategies to create market strength by developing excellence across critical aspects of your business. Committing to this roadmap for success will enable you to establish a leadership position in an attractive market, and leverage your position of strength to successfully grow your business.

1. Select and segment a target market

The first rule of business is to clearly understand whom you serve, and what they care about. You must systematically identify and evaluate market segments to recognize desirable business opportunities—this will drive you to the right decisions on all other aspects of the business.

Viable market segments can be defined as groups of potential consumers, that have fundamentally similar pain points, exhibit consistently similar patterns of behavior, are motivated by significantly similar forces, and can be accessed collectively.

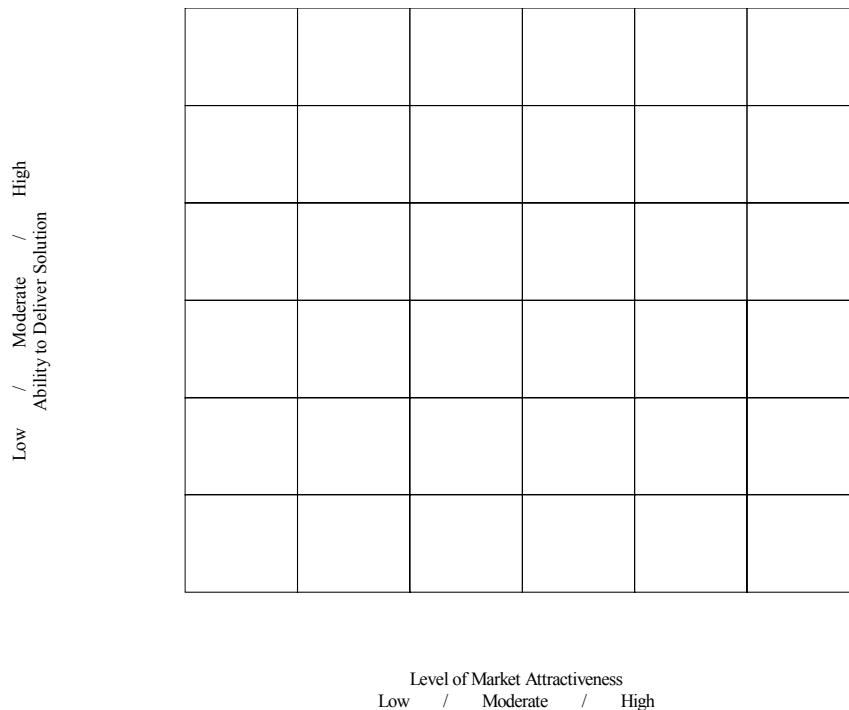
All market segments should be evaluated in terms of purity of composition, estimated quantity of like entities, and resources needed to extract the value from the segment (cost of sales, market barriers,

competition, etc.). On a more granular level you should also consider, buying behavior, pain points, motivation triggers, potential spending power, growth projections, and saturation levels.

Over estimating your ability to be a leader in multiple markets will result in mediocrity in all areas of the business, and ultimately failure in the market place. Carefully choosing whom you will serve as your primary market will enable you to concentrate your resources for this audience and prevent you from over-extending your resources to destructive levels.

Try this simple exercise to perform an initial ranking and screening of potential markets. By balancing the level of attractiveness of a particular market segment with an evaluation of your ability to effectively serve that segment—both now and in the future—you will improve your understanding of the real potential and your chances for success.

Figure 1



2. Narrow your focus to exploit your unique value

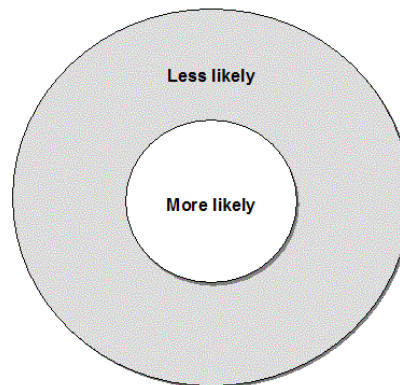
Effective marketing strategies require a company to narrow the focus of its market offering so that it has a clear competitive advantage. This applies to both products and services. You become stronger when you reduce the scope of your activity and concentrate your resources. It continues to be true that you can't stand for *something* if you chase after *everything*. To achieve and sustain a position of leadership you must identify the unique value that you alone can deliver, then you must commit to delivering extraordinary levels of this distinctive value to your market.

Several key questions help define an appropriate scope of services:

- What is the value that you provide to the customer today?
- What value will you provide in the future?
- How will that value manifest itself in products and services that your customer will find compelling?
- How will you insure that you will be able to continue to serve this market in this way (and do you want to)?

By relentlessly driving themselves to deliver extraordinary levels of distinctive value to carefully selected customer groups, market leaders make it impossible for other companies to compete on the old terms. *Remember your ability to dominate a market decreases as the size of the market increases.*

Figure 2



Your ability to dominate a market

3. Align business activity to support your strategy

In the best-selling book, “The Discipline of Market Leaders,” authors Michael Treacy and Fred Wiersema identified three key value disciplines to understand in the pursuit of market leadership: operational excellence, product leadership, and customer intimacy. Market leaders understand very clearly that commitment followed by execution is what separates winners from losers in a competitive market. When you commit to the appropriate value discipline and effectively align business programs and operations to support it, you create a natural competitive advantage difficult to overcome.

The correct decision on which value discipline should be pursued requires analysis of your situation from four separate perspectives, beginning with:

- What are your core strengths and current areas of competitive advantage?
- In which stage of the product life cycle—introduction, growth, maturity, decline—is your product? Your market?
- What are the business characteristics that the market has identified as important for a buying decision?
- Who currently owns the leadership position for each characteristic and what would be required to displace them?

Understanding the structure of the market place will enable you to choose appropriate value discipline, and aligning programs and operations to support it will drive your success.

4. Claim the alpha position

At its root, marketing is a battle of perceptions—winning the battle shortens the purchase cycle and maximizes margins. Analysis of buying behavior has identified that consumers are conditioned to put things in categories in order to simplify the purchase decision. They use this as a screening process and apply it to products, services, and vendors. Many vendors make the mistake of not identifying where they stand because they are reluctant to narrow the potential markets that they could—in theory—serve. By refusing to clearly identify “where they stand”, they have unknowingly handed over that responsibility to the market place.

In B2B purchase decisions—as in B2C purchase decisions—the buyer often has neither the time nor the ability to research which product provides the best value for their particular needs. So, they short cut the process and select the company or product they perceive as the market leader based on an often inaccurate correlation that the leading product must be the best product. Leadership positioning can take many forms, including:

- Quality: prestige and confidence
- Reputation: the popular choice or market share leader
- Price: lowest cost and greatest value
- Technology: advanced functionality or ease of use
- Service: customer-focused and easy to do business with

Effective positioning creates a distinct and valued place for your company and its products in the minds of your target market. It presents your unique value proposition in terms that clearly differentiate your company from its competitors and stakes your claim as the clear leader in a viable market segment. If you want to realize the rewards given to the market leader, you must effectively position yourself as the leader!

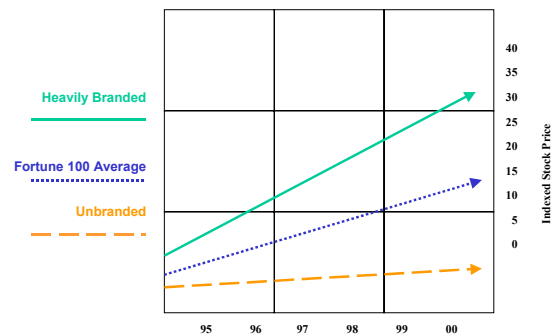
5. Integrate communications programs internally and externally

One of the key elements of raising and sustaining corporate value is implementing a successful branding strategy. Effective branding requires full integration of all market messages, including pricing strategies, packaging, promotional programs, company communications, public relations activity and customer service. Integrated marketing is based on the Principle that everything an organization does and everything that it doesn't do delivers a message and has an impact on brand value.

Every message, to some extent has one of three effects: strengthens relationships by adding value, reconfirms current relationships, or weakens brand relationships by reducing brand value. Implementing consistent brand messaging and creative execution across all communication channels helps insure that each market contact advances your Unique Value Proposition (UVP).

Effective branding is dependent on the *consistent* execution of your strategic market positioning and has a profound impact on both market success and corporate value. Effective branding programs enable you to avoid operating through "random acts of marketing." As identified in a recent brand-impact study covering 1995 through 2000, publicly traded companies that had invested heavily in branding were able to achieve and sustain greater levels of corporate value than those that did not.

Figure 3



6. Leverage the on-line environment

The sixth principle focuses B2B providers on leveraging the unique capabilities of the on-line environment to effectively support marketing programs and initiatives and strengthen your brand.

Effective on-line branding programs are built around the total customer experience, and your web site is a central part of that experience, the place where all aspects of your company—messages, products, services, and support—intersect. Leaders pay attention to the entire realm of user experience and how that experience is influenced by an online presence. Knowing how to handle the fundamental issues that address the customer experience is key to success. Some issues to consider include:

- Are brand management elements obvious, consistent and experiential?
- Is navigation intuitive and open?
- Is the content interesting, current, comprehensive and presented in web-appropriate format?
- Is the user experience easy, interactive, and rewarding?
- Is there a strong element of community where continued contact is offered and accepted?
- Is your site trustworthy and is information and transactions secure?

The on-line environment also gives you unprecedented opportunity to interact with customers, prospects and partners.

- Rich-content, multimedia conversations
- Virtual education via on-line seminars
- On-line communities to share knowledge and solve problems
- Industry information portals and on-line libraries
- Self-directed learning opportunities for customers and prospects
- Surveys to pre-test products, promotions, programs and policies

Companies that build on-line ventures that live up to and/or exceed their market's expectations increase their market impact and extend the strength of their brand.

7. Lock-in strategic partners to lock out competitors

The seventh principle of market leadership requires a commitment to developing an ecosystem of alliances and partners. It is becoming increasingly unlikely that one organization is able to provide the total solution for their customer. To become the market leader you need to be tightly focused on your core capabilities and your market segment and able to quickly respond to market shifts and competitive threats. Keen focus and corporate agility demand that you work within the larger ecosystem of vendors providing components of the total solution. Locking in the key players in the ecosystem is comparable to “holding the high ground” on the ultimate battlefield—the market place.

Partners can extend your reach into new markets, expanded services, and reduce time to market. An effective strategic alliance program will reduce business risks and generate incremental business for both parties. Business partnerships should be evaluated and pursued based on ten rules for successful alliances.

- There must be a common goal
- There must be a compatible target market(s)
- There must be commitment at the top and participation in the ranks
- There must be obvious impact for both parties
- There must be a win/win balance
- There must be good chemistry—trust
- There must be quantifiable results to measure success
- There must be a natural fit of styles and market offerings
- There must be open communication channels
- There must be a contingency plan—what will be done if the relationship is a failure?

8. Grow your business by expanding your market segment

The first seven best practices concentrate on the strategies for becoming the leader in a desirable market. Once you have developed this position of strength, you can then leverage your strength to improve your business position. The first goal should be to increase the scale of the segment you dominate. Will that bring competitors into the market? – hopefully yes!

Choice stimulates demand, and competition brings more customers into the market. And ironically, the more choices that people have, the more they tend to cling to one trusted brand in each category. As the leader, you have the opportunity to aggressively promote your category for the purpose of expanding your market. By growing your market and expanding the product category you will in turn be able to effectively grow your business.

Market leaders become the champion for the segment, promoting it at every opportunity. You must become the thought leader whom the industry listens to for perspective and vision. Focus on creating outside validation of the impact, influence and unique nature of the segment. Remember that until a market segment reaches a saturation level where the majority of potential buyers already have a solution, it is easier to extend penetration in your existing market than to expand into a new market. Dominate the category, grow the category and work to obtain an expanded share of a larger pie. *Think big—it's a global market place!*

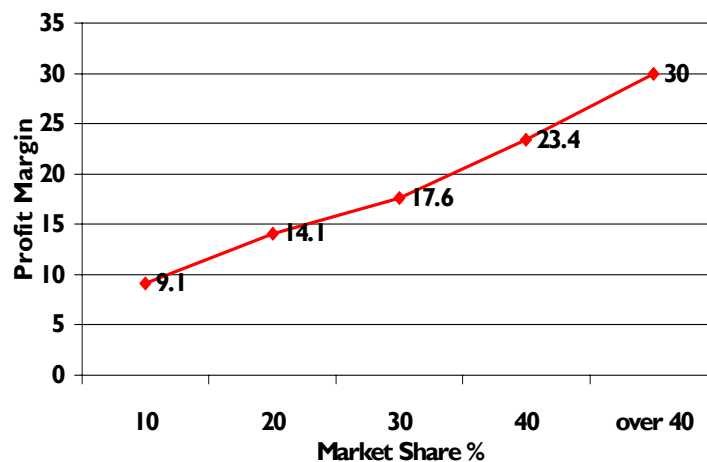
9. Exploit your leadership to drive market share

The ninth principle presents another critical execution component. There are many accepted forms of leadership within a target market—each with its own characteristics and strategic value.

- Quality leader (prestige and confidence)
- Reputation leader (largest market share / the popular choice)
- Price leader (lowest cost and greatest value)
- Technology leader (advanced functionality or ease of use)
- Service leader (customer-centric and easy to do business with)

Ultimately though, a company must leverage their leadership position to develop leading market share within their market segment. Only businesses that are No. 1 or No. 2 will reap the benefits of being a market leader—including the opportunity for price advantage often reflected as profit margin. In the PIMS study by the Strategic Planning Institute, research continues to demonstrate a consistent correlation between higher levels of market share and corresponding higher margins. Appropriate investment in aggressive marketing strategies to increase penetration in your existing segment must be a strong consideration.

Figure 4



10. Attack synergistic market segments

Finally, best practice principle 10 directs you to leverage your position of strength to enter and dominate additional market segments. A position of strength is achieved when you have:

- Resources (people and tools to do the work),
- References (clients and customers that will be advocates for you in the market place),
- Reputation (you are known in the market place as the category leader), and
- Reliable results (you can predict with some certainty outcomes of business engagements and potential revenue).

Determining how, when and where to leverage your current position of strength is key to continued growth. If and when the segment's potential no longer meets your business requirements (size, growth rate, cost of sales, investment levels, etc.), then you should identify adjacent segments for which you can leverage your current position of strength. You must determine which new segments have the greatest synergy, potential and appeal for your expansion and growth plans.

To some extent you should revisit your earlier decisions regarding mission and vision, and re-assess your core competencies. They will influence your future decisions on which new market segments have the greatest synergy, greatest potential and greatest appeal for your expansion and growth plans.

Remember, fight the battles where you are clearly in a dominant position and are likely to win—otherwise the risk and the cost are too great.

Will You Succeed or Struggle?

How can you determine if you are set up to succeed, or set up to struggle in the battle for market leadership?

Take a moment to assess your situation. Do you have the resources you need to be successful? Committing to path that will lead you to market leadership is a pivot point in the life cycle of many organizations—but in the end, the stakes are simply too high not to!

Commitment means there must be sponsorship at the top of the organization, willing to champion new initiatives and redirect resources as necessary. There must be participation in the ranks and coordination across all areas of the organization that are impacted by the new focus. And, to increase your probability for success and minimize time and costs you will need an experienced partner to be your guide.

An experienced guide will get you started in the right direction and keep you on course throughout the process. Your guide should understand the B2B landscape and be able to quickly absorb the nuances of your specific business environment. Your guide should be experienced in the full array of marketing disciplines you're going to cover. Your guide should provide relevant insight to help you eliminate wasteful trial and error. Your guide should provide you with both direction and tools, and coach you through the process so that the work can be done quickly and efficiently. And throughout the process, your guide should be able to create true knowledge transfer so that your organization is able to follow through and successfully implement new insights and initiatives.

About AlphaBrand Strategies

AlphaBrand Strategies provides B2B software and services companies with strategies and services for effective marketing, enabling you to establish a leadership position in an attractive market, and leverage your position of strength to successfully grow your business. We developed The 10 Best Practice Principles for Market Leadership™ and can help you understand how to apply them to your unique business environment. We will help you grow successfully by working with you to identify and segment market opportunities, refine your focus to concentrate resources on your unique value, become the dominant provider in your market, and drive brand value. Services include:

- Strategic market planning
- Brand development programs/strategies
- Integrated marketing programs/strategies

We also publish AlphaPlans™ — AlphaPlans are strategic planning workshops for business growth and market leadership. Delivered in a self-directed, self-study format, they show you how to apply the tools and techniques top consultants use for Market Segmentation, Product Positioning, Brand Development, and Market Leadership Strategies. AlphaPlans give you a proven, repeatable way to successfully introduce new products and services into the market, and create new market strength for products that are currently underperforming. For more information visit www.alphabrand.com .

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