

sustainable competitive advantage, a strategy should exploit organizational assets and competencies and neutralize weaknesses.

- **Will the strategy have success in the future?** A strategy needs to be able to survive the dynamics of the market, with its emerging threats and opportunities. Either the strategy components should be expected to have a long life or the strategy should be capable of adapting to changing conditions. In that context, future scenarios (described in Chapter 5) might be used to test the robustness of the strategy with respect to future uncertainties.
- **Is the strategy feasible?** The strategy should be within both the financial and human resources of the organization. It also should be internally consistent with other organizational characteristics, such as the firm's structure, systems, people, and culture. These organizational considerations are covered in Chapter 16.
- **Does the strategy fit with the other strategies of the firm?** Are the sources and uses of cash flow in balance? Is organizational flexibility reduced by an investment in financial or human resources? Is potential synergy captured by the strategy?

EXPANDING THE BUSINESS SCOPE

In his classic article "Marketing Myopia," Theodore Levitt explained how firms that define their business myopically in product terms can stagnate even though the basic customer need they serve is enjoying healthy growth.³ Because of a myopic product focus, others gain the benefits of growth. In contrast, firms that regard themselves as being in the transportation rather than the railroad business, the energy instead of the petroleum business, or the communication rather than the telephone business, are more likely to exploit opportunities.

The concept is simple. Define the business in terms of the basic customer need rather than the product. Visa has defined itself as being in the business of enabling customers to exchange value (any asset, including cash on deposit, the cash value of life insurance, or the equity in a home) for virtually anything anywhere in the world. As the business is redefined, both the set of competitors and the range of opportunities are often radically expanded. After redefining its business, Visa estimated that it had reached only 5 percent of its potential given the new definition.

Defining a business in terms of generic need can be extremely useful for fostering creativity, generating strategic options, and avoiding an internally oriented product focus.

STRATEGIC MARKET MANAGEMENT

Strategic market management is a process designed to help management create, change, or retain a business strategy and to create new strategies for the future. A marketing strategy is a subset of business strategy that involves the same four strategy components although the scope is restricted to marketing. It includes decisions and budgets related to product market activities, customer value proposition, marketing assets and competencies, and different functional areas within marketing.

The Book Framework

Figure 1.3 provides a structure for strategic market management and for this book. A brief overview of its principal elements and an introduction to the key concepts are presented in this chapter.

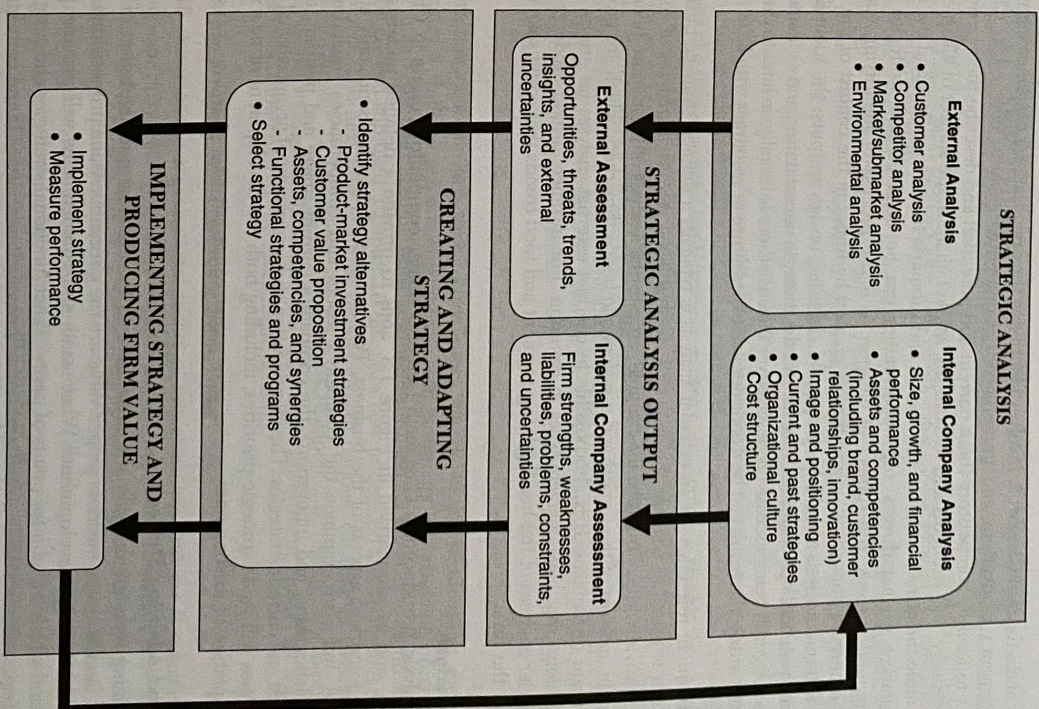


Figure 1.3 Overview of Strategic Management

External Analysis

External analysis, summarized in Figure 1.3, involves an examination of the relevant elements external to an organization—customers, competitors, markets and submarkets, and the environment or context outside of the market. Customer analysis, the first step of external