CHAPTER TWO

# MARKETING STRATEGY AND TACTICS

*It is possible to fail in many ways,*
*while to succeed is possible only in one way.*
—Aristotle, Greek philosopher

The success of an offering is defined by its ability to create market value. The particular way in which an offering creates value is reflected in its business model. The role of business models in marketing management and the two key components of a business model—strategy and tactics—are the focus of this chapter.

## The Role of Business Models in Marketing Management

The term *business model* outlines the architecture of value creation by defining the entities, factors, and processes involved in delivering and capturing value in the marketplace. Because the business model defines the essence of the value-creation process, designing a viable and sustainable business model is the key to market success.

Business models vary in generality: Some are narrower, highlighting only the most important and unique aspect of the value-creation process, whereas others are broader, articulating all relevant aspects of value creation. The narrow business model describes fairly generic value-creation strategies related to a particular marketing activity, such as pricing, promotion, and distribution. For example, the *razors-and-blades model* describes a pricing strategy in which one offering is sold at a low price (or given away for free) to facilitate sales of a complementary offering; the *freemium model* describes a promotion strategy in which a basic version of the offering is given away for free to encourage users to upgrade to a paid (premium) version; the *bricks-and-clicks model* describes a distribution strategy that integrates both offline (bricks) and online (clicks) channels; and the *franchising model* describes the strategy of adopting (leasing) an already existing business model. Despite the intuitive appeal of these narrowly defined business models, their focus on a single aspect of the value-creation process limits their ability to serve as the basis for a more comprehensive analysis and planning of the company's business activities.

ing framework is referred to as the 5-C framework. The Five Cs are briefly outlined below.

- Target **customers** are the potential buyers, typically defined by the *needs* the company aims to fulfill with its offering(s). Target customers can be consumers (in the case of business-to-consumer markets) and/or businesses (in the case of business-to-business markets).

- **Company** is the organization managing the offering. In the case of organizations comprising a diverse portfolio of offerings, the term *company* refers to the particular business unit of the organization, often referred to as the *strategic business unit,* managing the offering. A company's ability to successfully compete in a given market is defined by its resources—core competencies and strategic assets—that enable the company to fulfill customer needs.

- **Collaborators** are entities that work with the company to create value for target customers. Common collaborators include suppliers, manufacturers, distributors (dealers, wholesalers, and retailers), research-and-development entities, service providers, external sales force, advertising agencies, and marketing research companies.

- **Competitors** are entities with offerings that target the same customers and aim to fulfill the same customer need. Competition is not limited to the industry in which the company operates. It also includes all entities that aim to fulfill the same customer need, regardless of whether they are in the same industry. Accordingly, a company's offering competes not only with offerings from entities operating in the same industry, but also with offerings (often referred to as substitutes) operating in different industries as long as they aim to fill the same customer need. To illustrate, Canon competes not only with manufacturers of digital cameras, such as Sony and Nikon, but also with manufacturers of camera-equipped mobile phones, such as Apple and Samsung. Starbucks competes not only with other coffee shops, but also with manufacturers of caffeinated energy drinks, such as Red Bull and Monster Energy.

- **Context** involves the relevant aspects of the environment in which the company operates. Six context factors are particularly relevant for the value-creation process: *economic* (e.g., economic growth, money supply, inflation, and interest rates); *business* (e.g., emergence of new business models, changes in the market structure, the balance of power, and information accessibility); *technological* (e.g., the diffusion of existing technologies and the development of new ones); *sociocultural* (e.g., demographic trends, value systems, and market-specific beliefs and behavior); *regulatory* (e.g., import/export tariffs, taxes, product specifications, pricing and advertising policies, and patent and trademark protection); and *physical* (e.g., natural resources, climate, and health conditions).

The choice of target customers is fundamental to defining the other aspects of the target market: It determines the scope of the competition, the range of potential collaborators, the core competencies and assets of the company that are necessary to fulfill the needs of target customers, and the specific context factors pertinent to the chosen target segment. Accordingly, different customer segments tend to be served by different competitors, require a different set of collaborators (different suppliers and distribution channels), are managed by different business units of the company, and operate in a different context. The fundamental role of target customers in defining the market is reflected in its central position in Figure 1.

**Figure 1: Identifying the Market: The 5-C Framework**


The central role of target customers further implies that a change in target customers is likely to lead to a change in all aspects of the relevant market. For example, a company's decision to target a new customer segment by moving upscale must not only account for the different needs of these customers, but also might involve collaboration with upscale retailers catering to these customers, require specialized core competencies and strategic assets that will enable the company to successfully serve these customers, face competition from a different set of competitors traditionally serving these customers, and be influenced in a different way by the economic, business, technological, sociocultural, regulatory, and physical context in which the company operates.

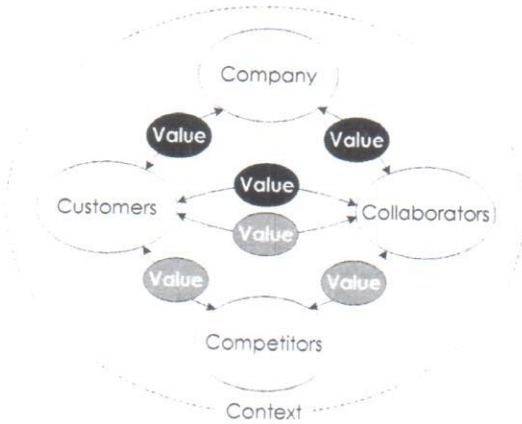
## The Value Proposition

The value proposition defines the value that an offering aims to create for the relevant participants in the market. The key to designing a meaningful value proposition is to understand the value exchange defining the relationships among the different market entities. The key aspects of the value exchange and the offering's value proposition are discussed below.

### *Defining the Value Exchange: The 6-V Framework*

The term *value exchange* refers to the value-based relationships among the different entities in a given market. Specifically, the target market is defined by four key entities—customers, the company, its collaborators, and its competitors—that operate in a given economic, business, technological, sociocultural, regulatory, and physical context. The interactions among these four entities define the six value relationships defining the 6-V framework illustrated in Figure 2.

**Figure 2: Defining the Value Exchange: The 6-V Framework**




Each of the relationships shown in Figure 2 can be viewed as a process of giving (creating) and receiving (capturing) value. Thus, the relationship between the company and its customers is defined by the value the company creates for these customers as well as by the value created by these customers that is captured by the company. In the same vein, the relationship between the company and its collaborators is defined by the value the company creates for these collaborators as well as by the value generated by these collaborators that is captured by the company. Finally, the relationship between the company's customers and its collaborators is defined by the value these collaborators create for target customers as well as by the value generated by the target customers that is captured by collaborators.

To illustrate, consider the relationship between a manufacturer, a retailer, and their customers. The manufacturer (the company) partners with a retailer (the collaborator) to deliver products (value) to target customers. Customers receive value from the products (created by the manufacturer) they purchase as well as from the service (delivered by the retailer) involved in the buying process, for which they offer monetary compensation that is shared by both the manufacturer and the retailer. The retailer receives value from the customers in the form of margins (the differential between the buying and selling price) as well as value from the manufacturer in the form of various trade promotions. The manufacturer receives value from customers in the form of the price they pay for its products (net of retailer's margin) as well as from the retailer in the form of the various services that retailers perform on its behalf.

The three value relationships between the company, its customers, and its collaborators, however, reflect only the company side of the value exchange. No market exists without competitors that aim to create value for the same target customers, often working with the same collaborators as the company. The competitive aspect of the value exchange is symmetric to the company value exchange, and consists of three types of relationships: those between the company's target customers and its competitors, between the company's target customers and competitors' collaborators (some or all of whom could also be the company's collaborators), and between the competitors and their collaborators. Furthermore, as with the company value exchange, each of the competitive relationships is defined by the processes of creating and capturing value among market participants.

### *Developing the Optimal Value Proposition: The 3-V Principle*

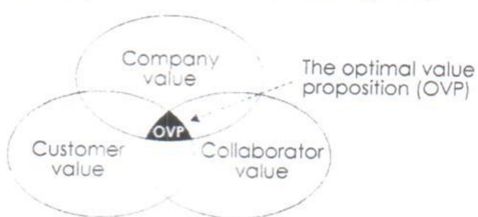
To succeed, an offering must create value for all entities involved in the market exchange—target customers, the company, and its collaborators. Accordingly, when developing market offerings, a company needs to consider three types of value: the value for target customers, the value for its collaborators, and the value for the company. Therefore, to evaluate the market potential of an offering a manager needs to answer three key questions:

- *Does the offering create superior value for target customers relative to the competitive offerings?*
- *Does the offering create superior value for the company's collaborators relative to the competitive offerings?*
- *Does the offering create superior value for the company relative to the other options the company must forgo in order to pursue this offering?*

The need for managing value for three different entities raises the question of whose value to prioritize. Surprisingly, many companies find it difficult to reach a consensus. Marketing departments are typically focused on creating customer value; finance departments and senior management are focused on creating company (shareholder) value; and the sales force is focused on creating value for collaborators, such as dealers, wholesalers, and retailers.

The "right" answer is that the company needs to balance the value among its stakeholders, customers, and collaborators to create an optimal value proposition. Here, the term *optimal value* means that the value is balanced across the three entities, whereby an offering creates value for its target customers and collaborators in a way that enables the company to achieve its strategic goals. Optimizing these three types of value—company, customer, and collaborator—is the key principle that drives market success (Figure 3).

**Figure 3: The Optimal Value Proposition (OVP)**



The 3-V Principle calls for creating superior value for target customers in a way that benefits the company and its collaborators. Thus, an offering's ability to create superior value for customers, collaborators, and the company is the ultimate criterion for achieving market success. Failure to create superior value for any one of the relevant market participants inevitably leads to an inefficient marketing exchange and market failure.

The value proposition reflects the company's expectation of the value that the offering will create for target customers. The value proposition is an ideal representation of the benefits that target customers will receive from the offering; the value proposition does not physically exist in the market. The value proposition is actualized through the specific offering(s) the company designs, communicates, and delivers to its target customers. The key aspects of developing an offering are discussed in the following section.

## Marketing Tactics: Designing the Marketing Mix

The term *tactics* comes from the Greek *taktika*—meaning "arrangement"—used in reference to the deployment of troops during battle from their initial strategic position. In marketing, tactics refer to a set of specific activities, commonly referred to as the marketing mix, employed to execute a given strategy.

The strategy is an abstract depiction of the way in which an offering aims to create superior value for the relevant market entities. The company designs an offering that aims to fulfill customer needs, thereby creating value for these customers, the company, and its collaborators. Whereas the strategy defines the value exchange and the optimal value proposition, the tactics define the attributes of the actual offering that creates market value.

### The Seven Tactics Defining the Marketing Mix

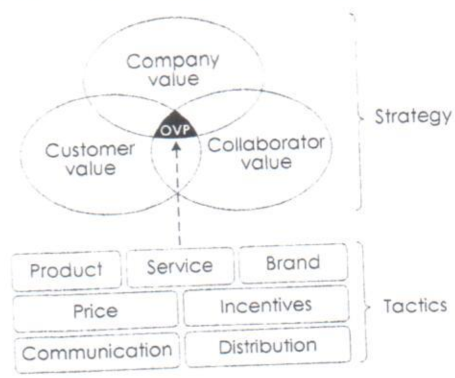
Tactics are defined by seven key elements, often referred to as the marketing mix: product, service, brand, price, incentives, communication, and distribution. The tactics represent the key marketing decisions that embody an offering's marketing strategy. The seven marketing mix factors can be summarized as follows:

- The **product** aspect of the offering reflects its key functional characteristics. Products typically change ownership during purchase; once created, they can be physically separated from the manufacturer and distributed to buyers via multiple channels.
- The **service** aspect of the offering also reflects its functional characteristics but, unlike products, services typically do not imply a change in ownership; instead, customers obtain the right to use the service for a period of time. Because they are simultaneously created and consumed, services are inseparable from the service provider and cannot be inventoried.

- The **brand** involves a set of unique marks and associations that identify the offering and create value beyond the product and service aspects of the offering.
- The **price** refers to the amount of money the company charges its customers and collaborators for the benefits provided by the offering.
- **Incentives** are tools used to selectively enhance the value of the offering for its customers, collaborators, and/or employees. Incentives may be monetary—such as volume discounts, price reductions, coupons, and rebates—and nonmonetary, such as premiums, contests, and rewards.
- **Communication** refers to the process of informing current and potential buyers about the specifics of the offering.
- **Distribution** defines the channel(s) through which the offering is delivered to customers.

The above seven factors are the means that managers have at their disposal to execute a company's strategy and deliver the optimal value proposition to the target market (Figure 4). These seven factors are referred to as the "7 Ts" because they define the 7 Tactical aspects of the offering; they are the 7 Tools that managers use to create value for target customers, the company, and collaborators.

**Figure 4: The 7 Tactics Articulating the Offering's Value Proposition**




Consider the decisions that Starbucks had to make when launching its retail outlets. It had to decide on the product assortment it would carry and the specific attributes of each product (e.g., the type of coffee, roasting and brewing processes, and the noncoffee ingredients), the type and level of service offered, the identity and the meaning of its brand, the set price for its offerings, the monetary and nonmonetary incentives offered to stimulate sales, ways to make customers aware of its offering, as well as store locations to make its products and services available to customers. Decisions based on these seven factors defined Starbucks' market offerings. Thus, the *product* aspect of Starbucks' offerings is the virtually endless variety of coffee drinks, complemented by a number of food items and noncoffee beverages. The *service* involves addressing customer inquiries and concerns and providing customers with an environment in which to consume the purchased foods and beverages.

The different nodes in the value-creation process depicted in Figure 5 represent the specific decisions to be made in designing the offering's tactics. Thus, for each of the five factors—product, service, brand, price, and incentives—managers have to make three separate decisions concerning the design, communication, and delivery of the offering. In this context, product and service management calls for identifying the specific product/service attributes (value design), deciding how to communicate these attributes and the corresponding benefits to target customers (value communication), as well as determining how to deliver the product to these customers (value-delivery). In the same vein, brand management calls for identifying the key brand identity elements and associations and deciding how they will be communicated and delivered to target customers. Likewise, managing price involves not only deciding on the price level but also on how price will be communicated and money will be collected from customers and then delivered to the company. Finally, managing incentives involves defining the specific incentives, such as price discounts, coupons, and loyalty programs, as well as ways to communicate these incentives and deliver them to target customers.

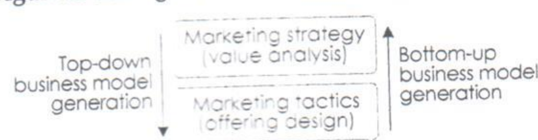
## Business Model Dynamics

The discussion so far has focused on the structure of a business model, its key components, and the relationships among them. An important question that has not been addressed concerns the dynamics of a business model—specifically, how a business model is created and when a business model is no longer viable and should be modified. These two issues—business model generation and business model reinvention—are discussed in more detail below.

### Generating a Business Model

The development of a business model can follow different paths. The first approach—commonly referred to as *top-down* analysis—starts with a broader consideration of the target market and the relevant value exchange, which is then followed by designing a specific offering. In contrast, the second approach—commonly referred to as *bottom-up* analysis—starts with designing the specific aspects of the offering (e.g., developing a new technology or a new product utilizing an already existing technology), which is then followed by identifying the target market and developing an optimal value proposition. These two basic approaches to business model generation are illustrated in Figure 6 and discussed in more detail below.

**Figure 6: Strategies for Generating a Business Model**



### *Top-Down Business Model Generation*

The top-down approach typically stems from a strategic analysis aimed at identifying the target market and creating an optimal value proposition for the key players in that market. In this context, the top-down approach commonly follows one of two alternative paths: (1) by starting with a customer analysis that seeks to identify a need that has not been fulfilled by the competition or (2) by starting with an analysis of company resources that aims to identify core competencies and strategic assets that could potentially lead to a sustainable competitive advantage. Thus, in the former case, a manager can start by asking, *What are the key problems customers are facing?* and *Which of these problems can we solve better than the competition?* In contrast, in the latter case, a manager can start by asking, *What are our unique resources – strategic assets and core competencies – that we can deploy to create market value?* and *What unresolved customer needs can we can address with these resources?* Note that regardless of which question comes first, both questions – customer needs and company resources – need to be addressed in order for the company to develop a sustainable business model. The availability of unique resources without an unmet customer need or the existence of an unmet customer need that the company has no resources to fulfill is insufficient to create a viable business model.

To illustrate top-down business model generation, consider Apple's approach to developing new offerings. Most of Apple's products were designed to address a clearly identified customer need. Thus, the development of the iPod aimed to address the need for a user-friendly device that enables people to carry their favorite music with them. The development of the iPhone aimed to address the need for a user-friendly device that combines the functionality of several individual devices, such as a mobile phone, personal digital assistant, and a camera. The development of the MacBook Air aimed to address the need for a lightweight ultra-thin, fully functional computer. The development of Apple TV aimed to address the need for a device that connects users' digital libraries to their television set. Note that when developing offerings to address customer needs, Apple built on its existing strategic assets while at the same time developing new ones. One such newly created strategic asset was Apple's ecosystem, ensuring compatibility of the individual devices in a way that both complements and enhances the functionality of each product.

Other top-down business models include Procter & Gamble's Swiffer line of cleaning products, Herman Miller's Aeron chair, Dyson vacuum cleaners, and Tesla electric cars. Thus, Swiffer was designed to address the need for a cleaning tool that is more efficient than a mop, with less time spent cleaning. The Aeron chair was designed to address the need for an office chair that is both comfortable and stylish. The Dyson vacuum was designed to address the need for a vacuum that does not lose suction with usage. Tesla was designed to address the need for an environmentally friendly, high-end car that is fast, spacious, and stylish.

### *Bottom-Up Business Model Generation*

The bottom-up approach starts with the design of a particular aspect of the offering and is followed by the identification of target customers whose unmet needs can be fulfilled by the offering. The development of a bottom-up business model typically stems from a deliberate research-and-development process, which leads to improvement of a particular product or product feature and/or the development of new ones. In this case, a manager can start by asking the question, *How can the current offering be improved?* without necessarily considering the business applications of such an improvement. The bottom-up business model can also stem from advancements in technology that are not company-specific and are available to all companies. In this case, a manager can start by asking, *How can the current product/service benefit from the new technological advancements?* and *How can the new technology be applied to develop new offerings?* In such cases, business model development begins with product development rather than with the desire to solve a particular customer need.

To illustrate, Groupon—the multibillion dollar deal-of-the-day company—started with an existing technological platform, a social media website designed to get groups of people together to solve problems. The real customer problem it ended up solving—finding deals—came later in 2008 when in the midst of the economic crisis many consumers were financially strained. Likewise, the development of the iPad was largely driven by the already existing technology used by the iPhone rather than conceived as an entirely new product to address an unmet consumer need. Note that in both cases, even though the products stemmed from a technological platform, their ultimate success was the result of bridging the technological solution with a relevant customer need.

In addition to being a result of a deliberate innovation process, new offerings can be the result of an accidental discovery. A classic example of a business model that began with an accidental invention is 3M's Post-it Notes, which stemmed from the discovery of less sticky glue. Likewise, Viagra—the multibillion dollar erectile dysfunction drug—was originally designed to treat high blood pressure and certain heart conditions. In the same vein, Rogaine (minoxidil)—the popular over-the-counter drug for treating hair loss—was originally used to treat high blood pressure. Other bottom-up, product-driven business models include Kellogg's corn flakes, Velcro, Teflon, and Super Glue. Note that, as with the offerings that are a result of a focused research-and-development process, the market success of offerings resulting from accidental discoveries is determined by their ability to create an optimal value proposition for target customers, the company, and its collaborators.

## Updating the Business Model

Business models are not static; once developed they change throughout time. The most common factor necessitating business model change is that its value proposition for the relevant entities—the company, its customers and its collaborators—is no longer optimal. The suboptimal value proposition is often caused by changes in the underlying market. Specifically, the suboptimal value proposition can be traced to two types of factors: suboptimal business model design and changes in the target market.

- **Suboptimal business model design**. One of the key factors necessitating an update of the business model is the presence of flaws and inefficiencies in its design. In this case, a manager can start by asking the question, *How can the current business model be improved to maximize its market value?* For example, while seeking ways to make cars more affordable, Henry Ford perfected the concept of the conveyor-belt-driven assembly line that could produce a Model T in fewer than two hours, and at a price that made the car accessible for the average American.
- **Changes in the target market**. Another factor that calls for updating the business model involves changes in one or more of the five key market factors (the Five Cs): target customers, the company, collaborators, competitors, and context. To illustrate, in response to the change in the needs and preferences of its *customers*, many fast-food restaurants, including McDonald's, redefined their offerings to include healthier options. To respond to the new type of *competition* from online retailers, many traditional brick-and-mortar retailers, such as Macy's, Barnes & Noble, and Best Buy had to redefine their business models to become multichannel retailers. In the same vein, many manufacturers had to redefine their product lines to include lower tier offerings in response to their *collaborators'* (retailers) widespread adoption of private labels. The development or acquisition of *company* assets, such as patents and proprietary technologies, can call for redefining the underlying business models in many industries, such as pharmaceuticals, telecommunications, and aerospace. Finally, changes in context, such as the automobile, air travel, and the Internet, have disrupted the extant value-creation processes, forcing companies to redefine their business models.

To succeed, business models must evolve with the changes in the market in which they operate. A number of formerly successful business models have been made obsolete by the changing environment. Companies that fail to adapt their business models to reflect the new market reality tend to fade away, their businesses engulfed by companies with superior business models better equipped to create market value. According to Charles Darwin, *It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.* The key to market success is not only generating a viable business model but also the ability to adapt this model to changes in the marketplace.

## SUMMARY

The goal of marketing is to create value by designing and managing successful exchanges. Consequently, a company's goal is to develop offerings that create value for all relevant participants in the exchange: customers, the company, and its collaborators.

Optimizing these three types of value—referred to as the 3-V principle—is the foundation for all marketing activities.

The essence of the value-creation process is reflected in the company's business model, which defines the key entities, factors, and processes involved in delivering and capturing market value. From a structural perspective, business models comprise two key components: strategy and tactics.

*Strategy* identifies the market in which the company operates, defines the value exchanges between the key market entities, and outlines the ways in which an offering will create value for the relevant participants in the market exchange. An offering's strategy is defined by two decisions: identifying target customers and developing a value proposition. The target market is defined by five factors (captured by the 5-C framework): customers, collaborators, company, competitors, and context. The value exchange is defined by the value relationships (captured by the 6-V framework) among the customers, collaborators, company, and competitors.

*Tactics* describe a set of activities—commonly referred to as the marketing mix—employed to execute a given strategy by designing, communicating, and delivering specific market offerings. Unlike the strategy, which focuses on defining the value exchange among the relevant market entities, tactics define the key aspects of the particular offering that will create market value. Tactics are defined by seven key components (captured by the 7-T framework): product, service, brand, price, incentives, communication, and distribution. Tactics can also be represented as a process of *designing*, *communicating*, and *delivering* value, where product, service, brand, price, and incentives compose the value-design aspect of the offering; communication captures the value-communication aspect; and distribution reflects the value-delivery aspect of the offering.

The development of a business model typically follows one of two paths. The first approach—commonly referred to as *top-down* analysis—starts with a broader consideration of the target market and the relevant value exchange, which is then followed by designing a specific offering. In contrast, the second approach—commonly referred to as *bottom-up* analysis—starts with designing the specific aspects of the offering (e.g., developing a new technology or a new product utilizing an already existing technology), which is then followed by identifying the target market and developing an optimal value proposition.

## RELEVANT CONCEPTS

**Marketing Myopia:** Term coined by Theodore Levitt,[1] used to describe a company's exclusive focus on product development while losing sight of underlying customer needs. The myopic product focus blinds companies to the threat of cross-category competitors that can fulfill the same customer need. A classic example of marketing myopia is railroad companies whose decline was in part due to the fact that they considered themselves in the railroad business (rather than transportation) and consequently let other competitors—cars, buses, and airplanes—steal their customers.

**Strategic Business Unit:** An operating company unit with a discrete set of offerings sold to an identifiable group of customers, in competition with a well-defined set of competitors.

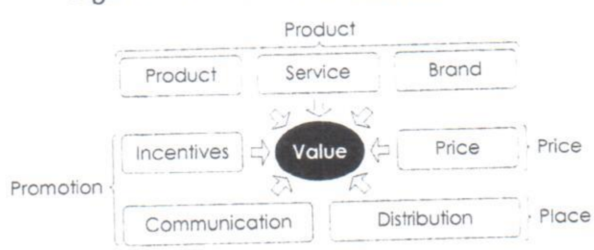
instead is viewed as part of a company's product and promotion decisions—a fact that is difficult to justify given the crucial role brands play in marketing.

Another limitation of the 4-P framework concerns the term *promotion*. Promotion is a broad concept that includes two distinct types of activities: (1) *incentives*, such as price promotions, coupons, and trade promotions, and (2) *communication*, such as advertising, public relations, social media, and personal selling. While considering these two activities jointly is common accounting practice, each has a distinct role in the value-creation process. Incentives aim to enhance the offering's value, whereas communication aims to inform customers about the offering without necessarily enhancing its value. Using a single term to refer to these distinct activities muddles the logic of the marketing analysis.

An additional shortcoming of the 4-P framework involves the term *place*. The increased complexity of delivering the company's offering to customers calls for a more accurate description of the entire process, not just the location where the company's offering is made available to buyers. Consequently, the term "place" is rarely used in contemporary marketing analysis and is most commonly substituted with the terms *distribution* and/or *channel*.

Some of the limitations of the 4-P framework can be overcome by describing the marketing mix in terms of seven, rather than four, factors—product, service, brand, price, incentives, communication, and distribution—as implied by the 7-T framework discussed earlier in this chapter. Note that the four "P"s can be easily mapped onto the seven "T"s, whereby the product, service, and brand comprise the first P; price is the second P, incentives and communication are the third P, and distribution is the fourth P (Figure 7). Thus, the 7-T framework can be viewed as a more refined version of the 4-P framework that offers a more accurate and actionable view of the key marketing mix variables.

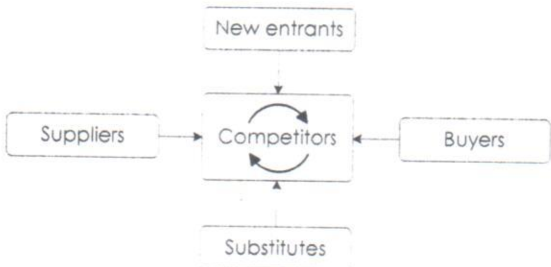
**Figure 7. The 7-T and the 4-P Frameworks**




## RELEVANT FRAMEWORKS: THE FIVE FORCES OF COMPETITION

The Five Forces framework, advanced by Michael Porter, is a conceptual approach for industry-based analysis of the competition. It is often used for strategic industry-level decisions, such as evaluating the viability of entering (or exiting) a particular industry. According to this framework, competitiveness within an industry is determined by evaluating the following five factors: bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitutes, and rivalry among extant competitors (Figure 8). The joint impact of these five factors determines the competitive environment in which a firm operates and allows the firm to anticipate competitors' actions. In general, The greater the bargaining power of suppliers and buyers, the threat of new market entrants and substitute products, and the rivalry among existing competitors, the greater the overall industry competitiveness.

**Figure 8. The Five Forces of Competition[2]**




The Five Forces framework reflects an industry perspective whereby competitors are defined based on the industry in which they operate. According to this view, cross-industry competition occurs through substitute products that can fulfill the same customer need as the products of within-industry companies. Furthermore, as suggested by its name, the focus of the Five Forces framework is on the competition; the process of creating customer value is captured rather indirectly. In contrast, the marketing frameworks discussed in this chapter are explicitly focused on the value-creation process, whereby competitors are discussed from the standpoint of the value they create for the company's customers and collaborators. The customer-centric focus of value analysis discussed in this chapter is not industry-specific and does not depend on whether the company and its competitors operate within the bounds of the same industry. Because competitors are defined based on their ability to fulfill customer needs rather than on their industry affiliation, the concept of substitutes is not particularly meaningful here and is captured by the broader concept of competitive offerings.

## ADDITIONAL READINGS

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## NOTES

1 Levitt, Theodore (1975), "Marketing Myopia," *Harvard Business Review* (September–October), 2-14.

2 Adapted from Porter, Michael E. (1979), "How Competitive Forces Shape Strategy," *Harvard Business Review*, 57 (March–April), 137–145.