Types of Strategies used in Strategic Planning for achieving global Competitive advantage

Essential requirements for a more strategic marketing planning

To compete today, the company needs a unique brand story if it is to really capture and maintain a clear competitive advantage over other organizations in their place. The brand's story should resonate with your customers and play their desires, passions and needs. But how do you create that? I think the best way to achieve this is through the creation and implementation of a systematic process of research within the framework of what is called strategic planning. In this article I will cover 3 techniques that can help support a more strategic approach.

1. Allocate time for marketing and planning research

The most important quality an organization needs if it wants to make understanding of its customers an essential part of long-term strategic planning is developing a deep understanding of the true needs of these clients.

You will have to get to know these needs well so that your long-term strategies not only become adaptable, but also an explicit expectation of what the people you serve and respond to want. In essence, this is in contrast to the reaction or behind the competitive curve and it can be achieved by digging deeper into the information you get from the target market so that you instinctively learn what makes it click and click with respect to your brand. In other words, you want to know enough buyers to be able to accurately predict what they want to buy and why.

Following this basic process of strategic planning will put your company's overall perception at a level that is at least higher than that of your competitors. More importantly, achieving this requires asking questions that will determine your company's long-term goals and then finding answers to those same questions through careful study of your customers 'behavior, effective (marketing) presentation and the dynamics of the market as a whole in your place. Doing so will allow you to get to know your customers not only as surface consumers but also as a whole human being.

2. Know your customers better than any competitor

Understanding your customers is an ongoing process that your organization will have to start living and breathing on a daily basis, as part of its internal culture. As this quote from David Ogilvy illustrates, you should go beyond simple surveys or basic customer facts such as age and spending budgets. Participates in creating high-quality marketing research to fully understand customers. You should go deeper further by using a variety of tools on the web and in human resources so that you can create an integrated customer profile that's constantly being added and getting evolving.

With this grade of in depth research, you will be much more adept at anticipating your buyers wishes and emotional trigger much more effectively than your competition. Achieving this will then let you then market strategically instead of reactively. And if you want an excellent example of a real world company that follows through on this exact philosophy and process, look no further than Apple Computer and its cult-like loyal following of buyers. Here are some of the more useful customer information metrics you might want to start looking at:

- Daily online and even offline habits
- Information about your buyers professional, personal and family lives
- Their interests, personal passions, hobbies and assorted worries
- Their communications, social media and online browsing preferences
- Awareness of advertising and different marketing platforms you might use or want to use
- The dynamics of your customers buying, shopping and desire related habits.

These are just some obvious examples and the more you flesh them out while also finding other information points to investigate, the better you'll be able to make strategic predictions about what your consumers will respond to. Fleshing out this information and other, related metrics will let you better grasp your buyers' emotional triggers.

3. Avoid reacting at any cost

Being a pure reaction means playing a catch-up game, and when you're constantly trying to catch up, you won't have time to create any kind of long-term strategic plans. This will leave you out of the competition and ultimately disappoint your current customers. Most importantly, an interactive marketing response will spoil your breathing space to direct a clear path to your company's future. While you are busy facing surprises in the target market, your competitors will be ahead of you inevitably, especially if they are already implementing their own strategic planning process. The concepts of strategic planning are covered in more detail in the pages of this business guide for strategic planning from visions to marketing.

Strategies to Define your Competitive Advantage

What is a competitive advantage and why should it matter to you? Competitive advantage is defined as the ability to stay ahead of present or potential competition. This is typically done by evaluating strengths and weaknesses of competitors and seeing where you can fill in the gap or step up and improve.

Companies develop a competitive edge when they produce attributes that allow them to outperform their competitors.

Here are seven ways companies and individuals can create an edge.

A. Cost Leadership Strategy.

Companies may place themselves ahead of the pack by offering attractive pricing. Wal-Mart and Amazon are two companies that have risen to the forefront by this strategy. While this is effective for companies, low pricing is seldom a desirable method for individuals.

Advantages

1. It provides better profits for the team and organization.

Cost leadership styles are focused on creating low-cost operations within their market and industry. By reducing development and production costs, it becomes possible for higher profit margins to appear. When competitive pricing is available, with greater margins than what other companies are able to achieve, then you gain more business because you're offering a stronger value proposition to your customers.

2. It can increase a team's market share.

Not only do teams employing cost leadership styles achieve a higher profit margin, they are able to achieve an improved market share over time as well. Customers who are conscious about their budget balance the need for cost with the need for value. If your goods or services are at the lowest costs, but with an acceptable value, then your items will be considered for purchase first. Over time, these leaders can induce more business, even out of a mature market.

3. It improves the sustainability of the business.

When costs are lower for a business, then there are fewer financial threats that could put the organization out of business. This sustainability becomes a tremendous advantage when economic circumstances take a turn for the worst. When a price or trade war happens, or there is a downturn in the local economy, it is the companies with the lowest cost of doing business that will have the greatest chance at survival.

4. It creates more capital that can be used for growth.

Cost leadership styles also promote the availability of more capital resources. Even though the retail cost of goods or services are low, the higher margins make it possible to retain capital from each transaction. Over time, this creates a nest egg of resources that can be used for multiple purposes. Many organizations which feature low-cost leadership will use the additional capital to either further their investments or fund new growth.

5. It reduces competition from the marketplace.

Companies that are able to implement their cost leadership styles successfully give themselves a future advantage as well. Because they are able to offer a superior pricing model to their consumers, new competition in the market is limited because competitors may struggle to achieve the same price. Unless competitors are willing to undercut the company employing cost leadership, it becomes almost impossible to survive. That allows for market domination over time.

Disadvantages

1. It can cause financial cuts in critical areas that harm the business.

It is a worthy goal to maintain a low-cost position. Many leaders following this style will find ways where money can be saved from the current budget. There is also a danger here that some cost leaders may look to reduce costs in critical areas of the company, like in their customer service division. Although the price is nice for the consumer, the customers who incorporate the value of customer service into their value calculations will stay away from this company.

2. It reduces product innovation.

One of the first cuts that always tends to happen with the cost leadership styles is in research and development. To many of these leaders, R&D seems like an extraneous cost. The outcome of cutting funding here is that there are fewer new products or services reaching the market. There are fewer chances at innovation. Instead, this leadership style encourages the same products to be sold at lower prices only.

3. It reduces the importance of consumer feedback.

When leaders are focused primarily on the price of the goods or services being offered, then it becomes easy to ignore how the market shifts over time. Customers are always evolving their preferences and taste for certain items. If the sole focus is to maintain a service or product and just reduce its cost, you'll find that some customers will pay more to go with a competitive product because it is better able to meet their needs.

4. It is a technique that is quickly followed by others.

The benefits of the cost leadership styles are almost always temporary. Once one company begins to see the benefits of cutting costs to create a higher profit margin, everyone else begins to copy the techniques being used to lower their prices as well. Even if money is invested into research and development to counter this issue, new technologies become obsolete in a few years anyway. That means cost leadership most always be active for it to be effective.

5. It encourages a lower quality product to be offered to the market.

Being able to cut costs is not an easy process. Once leaders find the obvious items that can be cut, the real work of cost leadership begins. It may require a lower quality set of ingredients or raw materials to create a higher profit margin. There may need to be a change to the advertising or marketing budget, which could reduce the number of new customers obtained. Some companies may even choose to pay their workers less if labor costs are one of their primary expenses.

6. It cannot be applied to every product or service.

The goal of cost leadership is to cut production costs, while still producing an acceptable product, that meets the basic needs of the consumer. An acceptable product is different than an exemplary product. For an elite brand, such as Apple, a process that involves cost leadership is almost certain to backfire. There is an expected standard in the product that must be met for consumers to engage with the brand. Almost all forms of cost leadership involve some type of quality reduction.

7. It requires a large volume of sales to be successful.

Cost leadership is most successful when it is able to generate a large volume of sales. That is how the organization is able to maintain its overall profitability. That's why it is usually employed by companies that are able to work on large economies of scale. You'll find cost leadership at work throughout a Walmart or a Costco. You won't find it at work at your local Mom and Pop stores or small chains.

8. It requires capital that may not be available.

Cost leadership styles present organizations with a make-it-or-break-it gamble. You must be able to achieve a large volume of sales, while applying operational scaling, before you run out of money. If the leadership is unable to achieve sustainability before their capital reserves are depleted, then there is a good chance that the company could find itself filing for bankruptcy protections in the near future.

9. It disregards the time and importance of market research.

Cost leadership looks at one value transaction only: cost. It assumes that the goods or services being produced are needed by the local market. That means no time is spent on creating detailed market research about how a community will respond to what is being offered. Companies employing cost leadership styles are also more susceptible to environmental changes which occur because of cost cutting measures. Sudden market changes are especially problematic, as the company will have minimal maneuverability and slower reaction times.

The advantages and disadvantages of the cost leadership styles show us that this process can be used to create a unique competitive advantage. It will also reduce the speed to which an organization is able to adapt to changing circumstances. To be effective, cost leadership must be carefully managed to generate the profits that are possible. There is a significant risk taken with this approach that even a deep understanding of internal functioning cannot lessen.

B. Differentiation Strategy.

Branding is likely the most widely used method to differentiate one company from another. With this method, a name like Nike or Rolex automatically assumes a status distinct and apart from all other shoes or watches. Individual executives using this method must seek to find a core strength or talent that separates them from the pack. Then they leverage this unique skill or ability through increasing their visibility and the perception of its value to the company.

Advantages

1. It creates additional value.

Product differentiation will give your prospective customers added value. This value can either come directly from the product and service, or from the brand perception.

2. It develops brand loyalty.

Every time people see your products on store shelves or in an online ad, they'll know exactly what your brand represents. And they'll be more likely to choose your product over the competition.

3. It allows businesses to compete in different ways.

With product differentiation, companies have the ability to compete in areas other than price. They can be innovative in style, quality, features, etc. It's up to the business to decide which area of differentiation will work best for their target markets.

Disadvantages

1. Revenue increases are not guaranteed.

Will consumers find value in the unique features your product provides? A differentiation strategy doesn't necessarily guarantee that consumers will find the value that separates your product from other, standard options.

For example, if your product is more expensive than the competitor selling the standard product, and the consumer doesn't see the added value in your product, they'll likely choose the cheaper option.

2. The offering's perceived value can decline.

As consumers become savvier and technology and products advance, the differentiation of your product might no longer provide value to customers. You should consider how long your differentiation strategy will last and if it will need to be modified eventually.

3. It can strain resources.

Pursuing a differentiation strategy means a lot of time, energy, resources will be spent to develop a product that sets itself apart from the competition. This can put a burden on research and development teams, product manufacturers, and even your profit margins. These effects are felt more by smaller businesses who have few employees and limited resources.

C. Innovative Strategy.

Companies may move ahead of the competition by doing things in new and different ways. Insight has created a way to eliminate brain tumors and other cancers without cutting into the body. Clearly they gain a competitive edge over traditional surgeries by reducing pain, risk, and long recovery time. People can gain a competitive edge as they discover and offer innovative ways of doing things for the company. If your ideas consistently result in benefits to the company you’ll have that essential edge.

Advantages

- Businesses can initially charge higher prices for new products before competitors products come on the market
- Being innovative good for a firm's reputation
- If they have been first in the past - people naturally interested in future products
- Innovations in processes add value to existing products / services
- Businesses with lots of innovative products can take advantage of economies of scope

Disadvantages

- Very costly and time consuming
- Businesses can run out of money if they invest too much and don't get products to market quickly enough
- End up wasting resources by developing something that doesn't sell
- Businesses not able to produce new product on large scale at low enough cost - no guaranteed return on investment
- Businesses risk ruining reputation if new product is poor quality

D. Technology Based Competitive Strategy.

Since the time Henry Ford revolutionized the auto industry with the assembly line, companies have sought for a competitive edge using new technology or technology in a new way. Computers and applications continue to… perhaps briefly… give companies an advantage over the competition. Workers who embrace new technology and learn to master it nearly always redefine or increase their competitive advantage over those who resist new methods.

E. Adaptability Competitive Advantage.

As markets, economies, and other factors change in this increasingly unstable and unpredictable environment, companies that can adapt have a distinct advantage. Typically this includes smaller or trendy companies, however even Apple has successfully negotiated the waves of change. Executives can bring adaptability to their core strength by being open to change. They can cross train and bring new and more current skills to the table. Perhaps, adaptability is foremost a state of mind.

F. The Information Advantage.

Almost all the other strategies benefit from excellent information. The definition of competitive advantage is the skills needed to outpace your rivals. Most of those come through knowledge and information. Successful companies seek the latest in technology, strategies, and data.

G. Operational Effectiveness Strategy.

Some companies just do what they do better than anyone else. FedEx started out with an innovative strategy. But it continued its leadership — even after dozens of other companies jumped into the overnight shipping business — by doing it very well.For individuals, this may mean creating systems of operating or new ways to analyze data. When you do what you do very well, you gain a competitive advantage over those doing it the longer and slower way.