MarketBusters
40 Strategic Moves that Drive Exceptional Business Growth
By Rita Gunther McGrath and Ian C. MacMillan
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Introduction
A marketbusting move is an action by your firm that changes the game to deliver markedly superior performance. A three-year study has delineated five core, marketbusting strategies that can be used, with 40 specific moves.

Creating marketbusters requires an entrepreneurial mindset. You must recognize that competition is increasingly about developing new offerings, new ways of doing business and new solutions — not about fighting your competitors on price. It also means that you need to be prepared to use the appropriate disciplines for moving into uncertain new areas. These new disciplines will demand that you, as an executive, develop new skills, such as getting better at making decisions that are roughly right, making sense of ambiguous information and realizing that failure goes hand in hand with taking intelligent risks.

A specific marketbusting strategy isn’t forever. Strategies need to change continually. Competitors will catch up, markets will change and companies that had a great idea can stumble when they take their success for granted. Indeed, the very success of a marketbuster can lead to the rigidity, complacency and embeddedness in the existing state of affairs that defeat once-successful firms.

The five marketbusting strategies are:
• Transform your customer’s experience.
• Transform your offerings and their attributes.
• Redefine key metrics, including the “unit of business” itself — the fundamental thing you sell.
• Exploit industry shifts.
• Exploit emerging opportunities.

Transform Your Customer’s Experience
The absolute core of organizational self-renewal is to develop deep insights into what customers care about and why. That evolves from understanding the customer consumption chain, the linked set of activities that customers engage in to meet their needs, from their first awareness of those needs through to purchases and repurchases. Marketbusters look to change the current consumption chain, rewriting the rules of the game.

1. Reconstruct the consumption chain, replacing the existing one with an alternative chain. Coinstar revolutionized the world of processing the loose change we carry around through placing machines in supermarkets to count the change and issue a coupon that can be used at the checkout counter.
2. Digitize to combine or replace links in an existing chain. CarsDirect.com allowed people to complete the entire purchase transaction for a car on-line, consuming the deals through co-operating dealers.
3. Make some links in the consumption chain smarter. Gillette’s Duracell battery division figured out how to create a smarter battery by embedding technology that allows a customer to test the battery’s charge.

Buy the Full Book!
4. Eliminate time delays in the links of the chain. Amaranth Wireless helps fans at sporting events order beer from their seats, and is now used as well in restaurants to pre-order drinks and appetizers for patrons even before they’ve been seated.

5. Monopolize a trigger event. Otis and Kone invested in remote monitoring technology to identify problems with elevators that might trigger a maintenance call.

Transform Your Offerings
Discover what impact the various attributes of your offering have on customers, and tweak them to serve those customers better. To do that, you need to determine whether each attribute is positive, negative or neutral. Then you need to determine the intensity of the impact it has, whether positive or negative. Is it merely “basic,” with little impact? Does it distinguish you from other offerings, again either in a positive or negative way? Finally, is it an energizer, making customers likely to come to you or steer clear of you?

6. Dramatically improve positives. Procter & Gamble’s Spinbrush, an inexpensive electric toothbrush with a rotating head, dramatically changed the world of brushing teeth.

7. Eliminate “tolerables” or “emerging dissatisfiers” — the lower-level negatives that don’t enrage your customers but do turn them off. The Michelin group developed a run-flat tire that permits drivers to travel 50 miles or more after a tire sustains damage.

8. Break up existing segmentation of customers. Perhaps an existing segment is underserved or perhaps you’ve identified a new or emergent need not addressed by current offerings. Japanese office supplier ASKUL focused on a much under-served business segment for stationery stores in that country — the small office — offering next-day delivery.

9. Infuse the offering with empathy. Sometimes an offering that doesn’t perform better or cost less will still excel because it’s kinder, funnier or more meaningful than competitive offerings. Japan-based Starway Inc. developed environmentally friendly reusable packaging for office equipment such as computers and printers. The legal service company behind www.expertlaw.com offers a catalog of lawyer jokes in addition to its referrals to private investigators and expert witnesses.

10. Add a compelling parallel offering. Victoria’s Secret not only sells lingerie but is also the label on five of the 14 classical music CDs that have sold over a million copies, through its practice of playing classical music in stores and then selling it at the checkout.

11. Eliminate complexity. TEAC, a Japanese consumer electronics company, developed a Nostalgia line of stereo systems that use no complicated digital interface mechanisms. The retro radios feature looks from the past and have simple knobs for analog tuning.

12. Capture the value you deliver. You can extract a price for something you may have given away in the past, as Standard & Poor’s did by asking any firm whose bonds were rated to pay an annual fee for the service.

Redefine Key Metrics
Everyone takes the common unit of business — the fundamental thing you sell — for granted. One route to market-busting is to change the rule by changing the unit, as GE Medical Systems did when it went from selling medical devices to selling equipment utilization contracts.

A key metric is something that indicates how many units of business you’re likely to sell and how much money you’ll make selling them. Up to 90% of the impact you make on profitability and profit growth stems from managing around seven to 10 critical measures, or key performance indicators as they’re often called.

13. Radically change the unit of business. Television, which used to operate on a model in which consumers received free broadcast content paid for by advertising, has seen the growth of a subscription payment model.

14. Radically improve your productivity. Lamons Gasket Co. built an integrated e-commerce site for selling its static sealing solutions for the petrochemical, refining and other industries.

15. Improve your cash flow velocity. American Home Mortgage traditionally fo-
focused on homebuyers, but now aggressively pursues people who might refinance their homes, since those decisions can come at any time rather than being linked to a date of purchase.

16. Change the way you use assets. Quanta Computers is a contract manufacturer of notebook computers, allowing traditional manufacturers to reduce their facilities.

17. Improve your customers’ key metrics. Swiss Re administers closed blocks of in-force life and health insurance, allowing its customers to reduce the capital and personnel they have tied up in those insurance lines.

18. Improve your customers’ personal productivity. Mortgage broker LendingTree uses Web-based technology to make the process less onerous for its customers.

19. Help improve your customers’ cash flow. UPS has branched out into what it calls “synchronizing commerce,” performing a variety of services beyond traditional pickup and delivery to remove steps in the process for its customers, such as doing repair work on Toshiba laptops.

20. Help improve your customers’ quality. KLA-Rencor makes equipment and software that can detect defects in silicon wafers.

Exploit Industry Shifts
When a major industry shift is in the works, the thundering herd will tend to move in the same direction. You can create significant advantages by playing the game differently.

21. End-run predictable industry swings. Many energy companies engage in sophisticated forms of options-style contracting, giving them the capability to trade units of energy under various combinations of future circumstances, buffeting them from industry cycles.

22. Capitalize on “second-order” effects in industry cycles, such as the bottlenecks that occur as the industry moves from cycle to cycle. Sealed Air Corp. provides full packaging solutions for those needing such services in a new era of Internet-based retailing.

23. Launch a disruptive response to cycles. Electronics provider Agilysys has invested significantly in combining its assembly, distribution and computer component storage operations to build more complex units with 20% fewer workers, which gives it a more stable work force able to handle the peaks and valleys of its industry.

24. Exploit shifts in industry constraints or barriers. The Viridian Group PLC of Northern Ireland successfully capitalized on the deregulation of electricity through a strategy of selectively entering deregulated markets while preserving the integrity of its regional electric operation.

25. Capitalize on second-order effects of constraints. Realizing the liberalization of motor insurance markets in Europe would leave Italian companies struggling to figure out more personalized pricing after years of administering a government tariff, Clive Mendes created the first direct distribution model for insurance in that country, emphasizing customer satisfaction.

26. Use a shift in a key constraint to disrupt the industry. Allergan has benefited from marketing Botox as an alternative to cosmetic surgery — it’s less invasive and patients come back for treatment after treatment.

27. Exploit your industry’s structure for the next lifecycle stage. Industry roll-ups involve consolidating some aspect of a fragmented industry, as big-box stores have done by invading industry segments formerly occupied by small mom-and-pop businesses.

28. Understand the second-order effects of the next stage. DuPont did this through its photomask offerings, which etch microscopic circuitry onto semiconductor wafers. As costs skyrocketed, chip manufacturers concentrated on their core competency of making chips, allowing DuPont to acquire their masking operations.

29. Redirect, disrupt or alter the evolutionary trajectory. Tickets.com presents a cheaper alternative to Ticketmaster, the dominant player in the ticketing industry, and also offers software that allows clients to control their own ticketing programs in house.

30. Exploit a shift in the value chain. Rather than building framing for a construction job on-site with skilled work-
ers, BT Building Systems uses specialized computer-aided design and manufacturing techniques to create walls in a factory setting, avoiding weather problems and allowing better adherence to construction schedules.

31. Exploit second-order effects of shifts in the value chain. SAP’s ERP systems help companies respond to value-chain upheavals. They can quickly detect and address shortages and glitches.

32. Reduce costs or abolish bottlenecks to disrupt the value chain. MBNA disrupted the traditional pattern in the credit-card industry by using affinity programs in which organizations endorse its credit cards. Its rigorous screening processes keep its loss rate well below the industry average.

Exploit Emerging Opportunities

As well as capitalizing on dynamics they see before competitors, companies have to anticipate changes in phases of the competitive environment. These are like the shifts in the tectonic plates that lie under the Earth’s continents, but in the economic sphere they can often be anticipated. Steve Jobs at Apple, for example, is justifiably famous for envisioning whole new market spaces.

33. Shift a dimension of merit. The Subway fast-food chain had done this by exploiting the concept of healthy food.

34. Create a market via cautious evangelism. Often it takes time to develop a solution, as we’re seeing with the search for what to do with all those different digital devices.

35. Build a better mousetrap. The Kone Monospace elevator doesn’t need a supporting machine room for the equipment to run it, eliminating space and architectural constraints.

36. Undertake inventive missionary work. This requires the simultaneous creation of a new, complete solution and the education of the market, as we’ve seen with speech recognition software.

37. Make a land grab. Swanson taught America to eat in front of the TV when it introduced its packaged dinners in 1954.

38. Create a niche to win. Osim International sells home healthcare products such as blood-pressure monitors or home saunas to meet the lifestyles of today’s baby boomers.

39. Run the arms race. Linkys capitalized on rapid growth in demand for wireless Internet connections, targeting both the home and small-business market.

40. Bet on blue-sky ventures. Various companies are gambling with highly imaginative ventures such as medical innovations tailored to specific genetic profiles, or clean energy innovations such as hydrogen-based batteries.

Conclusion

Developing a marketbusting strategy is only the first step. You must then execute your plan. That involves careful planning, devoting attention to anticipating obstacles and barriers that will arise, and developing ways to handle those complications.

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