

**NEW YORK UNIVERSITY  
Leonard N. Stern School of Business**

**COMPETITIVE STRATEGY IN THE MARKETPLACE  
B70.2361.01 Fall 2004  
T/Th 3-4:20 p.m.**

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**OVERVIEW**

Competitive Strategy in the Marketplace focuses on what business managers need to know in order to create strategies that gain competitive advantage for products and services. It does this by giving students a deep understanding of the rules of strategy as applied to the competitive marketplace of economic exchange. The course examines:

- the idea of strategy and sustainable advantage in economic competition;
- the sources of value in product offerings and how they change with market evolution;<sup>1</sup>
- the roles of technology and operations in creating value;
- the ways that technological, social, and environmental change coupled with competitive actions affect the evolution of competitive strategy;
- how to understand competition and competitors;
- how to create, plan, and evaluate strategy.

**COURSE OBJECTIVES**

The premise of the course is that firms are successful when they implement strategies that create and capture value. Thus, the overall objectives of the course is to learn how to (1) analyze competition in specific marketplace situations, (2) create strategies that maximize competitive advantage in gaining economic profit; and (3) formulate plans to implement those strategies.

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<sup>1</sup> Throughout this document and the course the term product is used to mean both products and services.

Specifically, students will be able to:

- Identify the forces that shape competition for economic exchanges.
- Understand the general strategic principles that govern competition and specify the competencies needed for success in different situations.
- Analyze the sources of value in product offerings, the techniques for measuring value, and how markets are segmented based on differences in the perceived value.
- Recognize how marketplace knowledge, technology, operations, and market timing influence the ability to deliver superior value.
- Use planning systems and techniques to analyze situations and to generate strategic ideas and actions.
- Translate strategic ideas into actionable plans and estimate the economic results of those actions.

### **GENERAL APPROACH**

Overall, the course is designed to emphasize learning by doing and is organized into two major sections:

0. The first half of the course consists of lectures and class discussions designed to present the concepts underlying competitive marketing strategy. This also gives students time to read the text, begin work on the analysis of their assigned cases, and practice the strategic mode of thinking.
0. The remaining sessions are devoted to applying those concepts through case analyses. In each of these sessions a student team will formally present their strategic recommendations and supporting analyses for their assigned case. Another student team will act as a board of senior managers to whom the first team will present. Much of the learning in this course takes place during the presentations and the question and answer sessions following each presentation.

### **TEXT AND CASES**

0. J.A. Czepiel, *Competitive Marketing Strategy*, Prentice-Hall, 1992.
0. Case Packet (available in bookstore).

## SCHEDULE

<u>Date</u>	<u>Session</u>	<u>Topic or Case</u>
9/7	1	<b>Introduction to the Course</b> <ul style="list-style-type: none"><li>• Team Formation</li><li>• Case Selection</li></ul> <b>Review of Basic Concepts</b>
9/9	2	<b>Review Basic of Concepts</b>
9/14	3	<b>Models of Strategy</b>
9/16		<i>NO CLASS</i>
9/21	4	<b>Models of Strategy</b>
9/23	5	<b>Making Strategic Decisions</b>
9/28	6	<b>Making Strategic Decisions</b>
9/30	7	<b>Mapping Products, Product Performance, Quality</b> Chapters 3 and 4
10/5	8	<b>“Mapping” cont’d.</b>
10/7	9	<b>Branding</b>
10/12	10	<b>Scenario Analysis</b>
10/14	11	<b>Competition, Competitive States &amp; Competitive Signaling</b> Chapters 9, 10, 11
<b><i>LIFE IS FULL OF CONSTANT CHALLENGES</i></b>		
10/19	12	<b>Wilmington</b>
10/21	13	<b>Maxwell House</b>
10/26	14	<b>GF Dessert Toppings Strategy</b>
<b>SPRING BREAK</b>		
10/28	15	<b>Cardiac Pacemakers (A) &amp; (B)</b>

***SOMETIMES YOU ARE LATE TO THE PARTY***

<b>11/2</b>	<b>16</b>	<b>IS CT Scanners</b>
<b>11/4</b>	<b>17</b>	<b>C-P Precision Toothbrush</b>
<b>11/9</b>	<b>18</b>	<b>Electrohome (A) &amp; (B)</b>

***SOMETIMES YOU HAVE NEW OPPORTUNITIES***

<b>11/11</b>	<b>19</b>	<b>Ducati</b> <b>First ½ Term Paper Due-Wilmington through Electrohome</b>
<b>11/16</b>	<b>20</b>	<b>Bernard Matthews PLC</b>
<b>11/18</b>	<b>21</b>	<b>Xerox BIT</b>

***A ROSE BY ANY OTHER NAME MAY NO LONGER BE A ROSE***

<b>11/23</b>	<b>22</b>	<b>GF Powdered Soft Drinks</b>
<b>11/25</b>		<b>THANKSGIVING</b>
<b>11/30</b>	<b>23</b>	<b>P&amp;G LDLs (A)</b>
<b>12/2</b>	<b>24</b>	<b>MEM English Leather</b>
<b>12/7</b>	<b>25</b>	<b>Bayer A.G.</b>
<b>12/9</b>	<b>26</b>	<b>Wind-up Lecture</b>
<b>12/14</b>		<b>Second ½ Term Paper Due-Ducati through Bayer</b>

## INDIVIDUAL ASSIGNMENTS

### TERM PAPER (45% of Grade)

#### Separating Fact From Fiction: Insights Into Creating Winning Competitive Strategy

##### First Half Term Paper (due 11/11/04, 5pp max) [20% of grade]

3 pages\*      \*What commonalities were observed across the strategic situations in the first eight presented cases (through Electrohome)?

2 pages\*      \*Which analytic tools and topics gave the best insights?

##### Second Half Term Paper (due 12/14/04, 5pp max) [25% of grade]

2 pages\*      \*What commonalities were observed across the strategic situations in the remaining seven presented cases (Ducati through Bayer)?

2 pages\*      \*If a colleague was to ask you how to go about constructing a strategic situation analysis what would you tell that person aside from what is in Appendix B in this syllabus? Could you give him/her a template—a step-by-step process—what?

1 page\*      \*What did you learn personally from doing and observing the case process?

\*all double-spaced, 12 pt. type, “normal” margins

### GRADING CRITERIA

Your paper will be graded based on the extent to which it delivers on all of the above tasks and the general level of intellectual excellence and the professional/managerial relevance demonstrated.

## TEAM ASSIGNMENTS

A number of the learning assignments for the course are to be done as a member of a team. Each student in the class will join with other students to form a team. Each team will be responsible for two written and an oral presentation as described below.

### **STRATEGY GROUP: ORAL PRESENTATION (35% of final grade)**

Each team will be assigned one of the cases listed earlier. The team will present orally to the class its recommended strategy for dealing with the strategic situation confronting the focal firm in the case. Appendix A presents details of the recommended format for the presentation. Some important guidelines are highlighted here. These guidelines must be strictly followed.

- The prepared presentation can be presented (uninterrupted) in an absolute maximum of 25 minutes (timed).
- The actual presentation, however, will be fully interactive.
- The very highest level of communication quality is expected.
- A one-page outline is to be distributed to the class at the beginning of the presentation. This should identify the participants, contain a brief description of the strategic situation, and telegraph the essential logic of the analysis and recommendations being made.
- No reading of presentations will be allowed (not even note cards!)—you will be stopped if you do so.
- Every team member must participate in the oral presentation.
- A requirement for the course is that each team is obligated to meet for at least one, two-hour session to begin work on their assigned case prior to the third class session.

### **SENIOR MANAGEMENT BOARD: PRESENTATION PARTICIPATION**

As part of your same team, you will sit as primary recipients of another team's presentation and should consider yourselves *as the senior management group empowered to approve the recommendation*. You are expected to act as a senior manager would during such a meeting. You may ask pertinent questions, discuss ideas with the presenting group, and, with the concurrence of your colleagues, move the presentation in directions other than that planned by the presenting group. Don't waste time on trivial points, learn to focus on key assumptions, pivotal points, conceptual issues. Active participation is mandatory. You will also be asked to formally evaluate the presenting team's recommendations and professionalism.

## **MANAGEMENT BOARD: PREPARATION PAPER (20% of final grade)**

To prepare for its role as a board, each team is required to write a paper entitled “Fitting the Text’s Concepts to the Case.” This is due the same day the team serves as a board. The goal of this assignment is to relate concepts and ideas presented in each chapter of the text to the case.

### ***REQUIRED FORMAT***

- One page prose per each text chapter that relates the main concepts in that chapter to the case on which you serve as Management Board. Yes, every one of the 13 chapters in the text must be included.
- Exhibits which present relevant analyses of case facts and data based on concepts/techniques suggested in text are expected. Simple reproduction of text figures is not desired or acceptable. Each exhibit to be descriptively titled: **“Analysis Shows Co. X has Dominant Market Positions.”**

### ***GRADING CRITERIA***

- Were concepts most relevant to the case chosen for coverage?
- Were those ideas used analytically? (Mere mention of idea/technique is insufficient)
- Did the analysis include appropriate types and level of quantification?
- Were the financial implications of obvious strategy options calculated?

Did the document demonstrate the expected level of intellectual excellence and professional/managerial relevance?

## ATTENDANCE AND CLASS PARTICIPATION

The assumption is that all students will attend every class and participate in the class discussion. The course is a collaborative effort among all the students and the instructor. Together we will develop a framework that will allow us to formulate value enhancing marketing strategies and communicate those strategies in a logical persuasive manner. If you will not be able to attend a session due to sickness or some other legitimate circumstance, please inform me by voice message or email.

## A NOTE ON CASES

CASES are descriptions of business situations that provide opportunities to define and solve problems in real settings. The case method is one of the most effective means *for developing decision-making capabilities* in the complex situations that characterize strategic marketing problems. The case method requires us to analyze the relevant facts and information and apply the analytical techniques and frameworks developed in class. The philosophy behind the use of cases in this course is that learning marketing is not simply a matter of mastering a series of analytical tools, but also developing *a process of thinking* that leads to informed decisions.

The cases chosen for this course represent real, important, strategic choices faced by well-known firms spanning a thirty-year period. The industries include traditional packaged goods, retail, and catalogs, medical equipment, insurance, internet, paper, and electronics. Each case has been selected based on the following criteria. First, they represent types of strategic situation that are the subject of this course. Second, they provide information on options that were actively considered by the firm. Third, they contain enough information and data to assess the financial implications of the recommended strategy. Fourth, they are strategically interesting.

As noted, the cases span a thirty-five year time span: The General Foods Maxwell House case describes a situation the firm faced in 1965. Despite the date, there is much to be learned from discussing the strategic issues discussed in the case. Given that we are likely to be quite familiar with the products and the outcomes of the strategic situations described in some of the cases, we do face a special challenge: We cannot use hindsight to justify our decisions. In making your recommendations you must restrict yourself to the information given in the case.

## **A REMINDER ON PERSONAL ETHICS AND RESPONSIBILITY**

A major facet of managerial life is the web of trust that knits together superiors, subordinates, and peers within an organization and suppliers and clients in the marketplace. It is also central to the relationship between teacher and student and among students. We expect that all of the work in this course is to be the work of the individual or the team, as defined by the assignment. It is contrary to the Code of Conduct for any individual to (1) solicit, receive, read, or review the written work product (final papers, notes, slides, etc.) of any current or former member of this course and (2) to solicit or receive verbal input with respect to any case or other assignment from any former student of this course. Problem identification is a major issue in every assignment and, in this course, discussing such with prior students is a clear violation of the Code of Conduct.

**Your continued presence in this course indicates your acceptance of this responsibility and the consequences that violations will incur.**

## **Appendix A**

### **CASE PRESENTATION FORMAT**

The format described below is required for all presentations.

The presentation must consist of the following parts in the order listed:

- A. Summary of the team's interpretation of the strategic situation facing the focal firm.
- A. Brief review of the strategic ideas that make the strategy work and a preview of the strategy you will recommend later together with a few key actions that illustrate the team's recommendations for the focal firm.
- A. Analyses of the relevant facts that led the team to interpret the situation as it did and to choose the recommendations it made.
- A. The range of strategic alternatives available to the firm (in the form of a decision tree).
- A. Recommendation for one of those alternatives, and the argument in support of that recommendation.

#### **PART A (2-3 minutes)**

Report in a summary form your understanding of the strategic situation. You need to communicate the nature of the problem/opportunity facing the firm in simple strategic terms:

- Who is competitively advantaged or disadvantaged?
- Who is attacking or defending?
- What is the form of the strategic problem? (E.g., industry is being transformed from specialty to commodity, cost (or distribution) is becoming the predominant competitive factor, technology is changing, value chain is shifting, etc.)

Always start your presentation with a concise summary of the strategic situation with statements similar to these:

We are under attack. Both competitor A and B have superior resources, have leapfrogged our product's performance and are offering lower prices to the market.

The market is ripe for another competitor. The problem we face is to devise a strategy that will let us successfully defend our leading position in the market.

As the market is now entering maturity, price competition is intensifying and we need to find a way of competing that will allow us to maintain share as well as profitability.

Think about the Battle of Cannae discussed in the BSA class and in the text. Put yourself in Hannibal's position.

Here is how Hannibal may have communicated the strategic situation in which he found himself:

Varro is going to attack. My forces are outnumbered 3½ to 1 (72,000 to 22,000). I am pinned by rivers and hills. Retreat is not feasible. What kind of strategy can I devise that will allow me to win?

Whenever possible, use a visual interpretation of the situation in the form of a diagram, picture, cartoon or other device. Think about how about how Hannibal's strategic situation can be captured in a battlefield map.

See Appendix B for further information on the strategic situation analysis.

### **PART B (1-2 minutes)**

In this section you are required to identify for your audience the strategic idea(s) that underlies your recommendation (why it will work) and a preview of the strategy you are going to recommend, along with a few key actions that embody that strategic idea. This should be brief, but sufficient to allow the audience (the board) to understand where you are headed.

Begin this section with statements such as the following:

The strategy we are going to recommend is based on the strategic ideas of segmentation and differentiation. Specifically, our strategy is to defend our position in the market by first focusing our current marketing efforts on the segment of the market which perceives greater value in our product because of its functionality. We will also invest in R&D to improve the heat-resistance of the product to appeal to the segment of customers that value this feature. We will further enhance value by changing our batch production system in order to lower unit cost.

Think again about Hannibal. How would he have explained his strategy?

The actions I am going to recommend are based on two strategic ideas and one physical law.

Those are (1) concentration, (2) defense, and (3) gravity.

Specifically, by dividing my cavalry unequally and entrenching them in strong defensive positions on the hillsides I gain competitive advantage. By doing this I can defeat Varro in the situation where my forces are larger than Varro's. I will be able to hold position even where I am outnumbered, because Varro's forces will have to fight gravity as well as my entrenched, defending forces. When my victorious cavalry can attack Varro's forces from the rear; I will be able to vanquish the enemy.

### **PART C (10-12 MINUTES)**

To complete Parts A and B, you had to analyze the facts and data presented in the case. Some of those facts and analyses gave you insight and ideas; some you initially thought were important

but turned out not to be; some were simply not relevant. Which should you present? Present those that gave you insight and ideas. And present those that the audience would expect to be important even though you may have discovered otherwise.

Part A, for example, is the interpretation in strategic terms of analyses you did -- you must present enough of these analyses to allow your audience to check on your interpretation. Next, you need to provide your audience with a sufficient factual and analytical basis (right now, up-front) on which to judge your strategic options and recommendation. Don't save it for later -- establish a strong foundation.

You must learn to discover which facts are important and which are not. That is what this course is about and only you can answer that question. There is a section in Chapter One titled “Devising Strategy” and the whole of Chapter 12 is concerned with strategizing. Both should get you started. As a hint, take every analytical concept in the text and lectures and try it out on the facts in your case. Present those that give you insight. Then do the same in reverse: if there is data in the case, whether financial or consumer, analyze it and see if it helps to understand the strategic situation. If you have not used data, a table or a chart in the case, ask yourself why.

The presentation in this part is to be neutral and evenhanded and is not to be used to argue your recommended strategy. Biased analyses and “whitewashed” data lead only to personal and business disaster. You are searching first for “truth and beauty” and only once you have found that can you begin to form your arguments.

Lastly, avoid the temptation to share everything you learned. You do not have the time and we, the class—your collective boss—do not care to listen. We expect you to do the sifting and sorting and to tell us only what is relevant and important and always with the most important information first. Of course, if we ask about something, we expect you to have done the analysis and to be able to respond. You will feel really good when you reply, “Oh, we’re glad you asked. We have a back-up slide which demonstrates...”. If you don't know the answer, or have it on a back-up but have to look it up in the case you are in trouble.

This is where most groups sink badly, lose credibility, or fail to bring their audience along with them. Use real numbers to demonstrate competitive advantage (or lack). Compare offerings feature-by-feature. Present and analyze consumer data.

#### **PART D (3-4 minutes)**

In this section you present the range of the different strategic alternatives available to you (not every variation and shading but those which are conceptually different strategies). Use of a decision tree incorporating the key strategic choices for the focal firm is required in this section. Don't oversimplify or over-complicate.

#### **PART E (5 minutes)**

In this section, make your recommendation and present the major arguments that support the recommended strategy as well as the risks of which the board should be aware.

By this time your recommendation and the major forces driving you to that recommendation should be clear to the audience. Your task now is to pull together the logic of your actions and convince the audience that they too should come to the same conclusions. You need to argue fairly and well. But if you cannot convince the board of the logic of your recommendation then you have failed. One way to argue is to point to the fact that the strategy is built on sound principles:

This strategy will work because it pits our strengths against our competitors' weaknesses. As the slide shows...

A second way to argue is to point to the benefits that your recommendation brings versus other courses of action (bosses do not buy actions, they buy results; mechanics do not buy quarter inch drills, they buy quarter inch holes):

These next slide compares the probability of success, the estimated competitive response risk and vulnerability, the expected value based on those probabilities, and the range of IRR's and cash flows for the different alternatives. As can be seen in the highlighted rows, our recommended strategy best meets our strategic objectives and also results in the best NPV.

An analysis of the economic consequences, investments, cash flows, NPVs, etc., are required in every case. All NPV analyses are encouraged to use the Crystal Ball or @risk Excel Spreadsheet add-ons to test the effect of key assumptions. This is not required, however.

### **Some Important Points**

- It is understood that English is not everyone's native tongue, we all understand that and make the necessary adjustments.
- Every team member must participate—we are all in this together and understand that it is a learning experience for each of us.
- Absolutely no reading allowed. Don't even think about bringing note cards up with you because then you'll start to use them and I'll stop you right then and there.
- Make your slides work for you—put the message of the slide in its title, use bullet point words that capture the idea for you or that use the word you can never remember. If necessary, put transition or lead-in phrases that help you remember. For example, if you have a slide comparing the production costs of different competitors, put titles such as, “We have the lowest cost position,” or “We have a disadvantaged cost position.” This will help you remember the point to be made from that slide.
- Make the logical flow of your presentation clear to your audience. “First we will show you this and then, in the second section, Tom will demonstrate...”

- Anticipate and prepare for the questions that are likely to arise. Prepare back-up slides.
- Practice, practice, practice. It's only your future, your job, your raise, the mortgage payment, and baby's new pair of shoes. It's all under your control before you get up there—then it's under your boss's control. You can never be too prepared.
- There is no such thing as a spontaneous remark. The best spontaneous remarks have been carefully thought out.
- Drag a piece of bait across the trail that will lead your boss to ask a question to which you can reply “Glad you asked. It's a good question that we thought about too and as you can see on this slide...”.
- Use a pointer and remember the three T's: Touch – Turn – Talk. You know where on the slide you are looking, the audience does not. But, do not conduct an orchestra with the pointer.
- Keep slides simple—there should not be anything on them that you do not use. Remember **KISS: Keep It Simple, Stupid!**
- **Note on the use of adjectives and numbers.** Without an anchored referent, adjectives are poor communicators of size or rate. Words like large, tremendous, fast and so forth can mean anything depending on the communicator's and listener's viewpoints. “Tall” means one thing if you are 5'1”, quite another thing if you are 6'1”. In this course, all descriptions written and oral are to cite exact or approximate numbers wherever possible.

## **APPENDIX B**

### **WHAT IS A STRATEGIC COMPETITIVE SITUATION ANALYSIS?**

A strategic situation analysis defines the competitive environment in terms of:

- (e) the actions being taken by the competitor(s),
- (e) the characteristics of the terrain on which the competition is being staged,
- (e) the relative strengths and weaknesses of the competitors,
- (e) the constraints which limits the players' action options,
- (e) the rules which define who deserves to win, and
- (e) the objective(s) which the strategy must achieve to be successful.

Think about Hannibal versus Varro:

- (c) Hannibal is defending; Varro is attacking,
- (c) Hannibal is on a plain between mountain ridges with a river at his back,
- (c) Hannibal is outnumbered in infantry (70,000 vs 20,000) and equal in cavalry (2,000 each for Hannibal and Varro),
- (c) Hannibal cannot augment his troops nor safely retreat (Varro will nail Hannibal if he tries to retreat across the river),
- (c) The laws of physics in terms of force and violence define who deserves to win,
- (c) Hannibal's objective is first to survive, second to defeat Varro.

In Hannibal's case, the question is:

“What strategy will allow me to win given that: I am outnumbered 72,000 to my 22,000 by Varro's troops who are going to attack me head-on in a classic rank and file formation, positioned as I am on the plain with mountains at my sides and a river at my back, which prevent my safe retreat and with no chance of resupply or reinforcements, and given that force and violence at the point of attack suggest that Varro is advantaged in those strengths which define the outcome of the conflict?”

This situation is easily shown graphically by a battlefield map.

In the case you are given, what is the analog to this?

- (a) Who is attacking, defending and how is this being evidenced in the case?
- (b) What does the marketplace (terrain) in which we are positioned look like?
- (c) What are the relative strengths and weaknesses that define each of positions in the marketplace and the relative resources available to us?
- (d) What constraints to our actions do each of us face?
- (e) What defines “superior value” in this competition?
- (f) How do I define the specific objectives my strategy must achieve if I am to survive or win?

Can you create a diagram, picture, or cartoon that captures the strategic situation as accurately as the battlefield map shows Hannibal's?

## APPENDIX C

### Competitive Marketing Strategy Presentation Evaluation

Case \_\_\_\_\_

<b>1. The Strategic Situation and Recommendation Preview: (weight 25%)</b>	
Accurately and succinctly explained the strategic situation	1---2---3---4---5---6---7+
Communicated <u>idea</u> underlying strategy	1---2---3---4---5---6---7+
Sufficiently described actions embodying that idea for audience to understand recommendation	1---2---3---4---5---6---7+
<b>1. Data Analysis (weight 25%)</b>	
Presented <u>unbiased</u> analysis of relevant facts which define the strategic situation	1---2---3---4---5---6---7+
Used relevant concepts in selecting and interpreting data	1---2---3---4---5---6---7+
<u>Data</u> were used where appropriate and presented visually	1---2---3---4---5---6---7+
<b>1. Recommendation and Arguments (weight 25%)</b>	
Presented clear understanding of the range of strategic alternatives available	1---2---3---4---5---6---7+
Argued fairly the pros and cons of the recommended strategy	1---2---3---4---5---6---7+
Presented market and financial implications of strategy clearly	1---2---3---4---5---6---7+
<b>1. Q&amp;A Session (weight 10%)</b>	
Actively listened to questions and attended to concerns	1---2---3---4---5---6---7+
Anticipated questions and prepared for them	1---2---3---4---5---6---7+
Team acted a group in answering questions	1---2---3---4---5---6---7+
<b>1. Overall Presentation Quality (weight 15%)</b>	
Logic of presentation	1---2---3---4---5---6---7+
Ability to attract audience	1---2---3---4---5---6---7+
Clarity of presentation	1---2---3---4---5---6---7+

Note: A “4” rating means “meets the expected level of performance;” a “7” rating means “walks on water, leaps over tall buildings in a single bound, etc.”