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Strategy Is Not about the Competition

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BY KEN FAVARO

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The concept of strategy originates in war, where the objective is to destroy the enemy. In business, if the enemy is your competitor, then the objective of strategy must be to crush the competition. Michael Porter gave academic standing to this way of thinking when he made popular the idea of "competitive advantage" with his best-selling textbook, Competitive Strategy, published in 1980. A decade and a half later, Microsoft gave corporate life to the "crush your competition" version of strategy when CEO Bill Gates very publicly went after Netscape as the dot-com era was just heating up.

Today, we see military metaphors used everywhere in business: price "wars," market share "battles," marketing "campaigns," promotional "blitzes," and even "bullet" points. Books on war are often cited as sources of great wisdom for business strategy. Even Tony Soprano, the TV mob boss, got into the act when he argued that Sun Tzu, who wrote *The Art of War,* was a better strategist than Machiavelli.

But war is mostly a zero-sum game, and business is mostly not. Companies are disproportionately rewarded when they create new value for customers and grow the market for everyone. None benefited more than Pan Am from its early adoption of the jet airliner, but that move also expanded the market for all airlines. The iPhone didn't just make Apple a leader in smartphones; it also greatly expanded the market for mobile voice and data telephony. Sierra Nevada's Pale Ale made it the first national—even global—brewer of craft beer while simultaneously growing the market for premium beer. Thanks in large part to novelties such as the Frappucino, Starbucks became a global icon in less than 20 years; but it also created millions of new customers for a whole slew of premium coffee purveyors. And George Mitchell—the recently deceased "father of fracking"—who injected new life into the U.S. oil and gas industry, not only benefited hundreds of companies but also his own entrepreneurial efforts. In each case, the new value created for customers expanded the pie for everyone while giving the company a bigger slice of the pie. Business never has to be a zero-sum game, particularly beyond the very short term, because there's no limit to creating new customer value.

On the other hand, when leaders think of business as a war with their competitors—and many continue to do just that—they inevitably seek to beat their rivals in ways that don't meaningfully enhance customer-perceived benefits—such as with product-feature frenzy or predatory pricing. Such moves rarely grow the total market and almost always produce lower margins and losing products. This is what happened when GM and Ford went to war with the Japanese in the late 1970s and '80s, and, as I wrote about recently, when the mainstream air-

Ken Favaro
ken.favaro@
strategyand.pwc.com
is a senior partner with Strategy& based in New York. He leads the firm's work in enterprise strategy and finance.

lines took a costly wrong turn because they tried to beat JetBlue and Southwest Airlines with their own discount airlines. When strategy is about competitors, leaders lose focus on the unlimited opportunities to grow customer value. Even the revered Steve Jobs made a big mistake when he declared "thermo-nuclear war" on Google, pledged to destroy the Android operating system, and subsequently introduced Apple's own version of Google Maps, a clearly inferior product whose only real purpose was to inflict harm on the competition. His customers revolted, his successor was forced to apologize, and Apple's halo became a bit dimmer.

Whereas making strategy about competitors can be highly destructive, making it about the customer encourages leaders to find ways to win without having to pay the price for their victories. Does this mean that competitors can be safely ignored when it comes to strategy? No. Understanding competitors' value propositions is one effective way to generate new thinking on how to improve your own value propositions. For example, JetBlue systematically studied traditional airline offerings and what customers liked, disliked, and didn't care about them. This led to a strategy of "focus on what really matters." Out went free meals and first-class seating. In came media consoles for every passenger; comfortable leather upholstery with more legroom for every seat; and multiple healthy or indulgent food options for purchase. The idea was to give a "premium travel experience at a discount price." Fliers love the value proposition and have helped JetBlue penetrate a highly competitive market with formidable incumbents that have decades more operating experience.

As an inherently competitive species, we are greatly tempted to think of business as war or sport where one's gains can only come at the expense of our rivals—where winning means the other guy is losing. (Or as Genghis Khan is often quoted: "It is not enough that I succeed. Everyone else must fail.") Indeed, there are strong motivational benefits to rallying around "beat Coke" if you are Pepsi, "buy Detroit" if you are Chrysler, or a "holy war with Google" if you are Apple. But such "strategies" will only be successful if they spur their organizations to bring better products and total value propositions to their target customers.

Business is not war or sport. Strategy in business is different than strategy in war and sport. It's not about competitors. It's about the customer, your value proposition, and the capabilities you need to deliver it better than anyone else. It's that simple—and that difficult. +

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