MARKETING
IT

PRODUCTS AND SERVICES

Jessica Keyes

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AND SERVICES

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This book is dedicated to my family and friends.

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Supplementary Resources Disclaimer

Additional resources were previously made available for this title on CD. However, as CD has become a less accessible format, all resources have been moved to a more convenient online download option.

You can find these resources available here: https://www.routledge.com/9781439803196

Please note: Where this title mentions the associated disc, please use the downloadable resources instead.

Marketing IT Products and Services

IT managers are responsible for developing computer systems. There's nothing new here. But what happens when management decides that they want to market the software to external customers? Even if the software isn't ready for prime time, it probably still needs to be marketed across divisional lines. In both cases, the IT manager really does need to know a thing or two about the art and science of marketing.

The purpose of *Marketing IT Products and Services* is to enable IT managers and developers to understand the roles, responsibilities, and management techniques of those who are involved in marketing activities.

Special emphasis is placed on the uniqueness of marketing issues that involve technology, because technology markets are characterized by a high degree of innovation, market uncertainty, abrupt technological shifts, and increasingly shortening product/technology life cycles. An understanding of the unique features of these markets is critical in developing successful marketing strategies.

Topics this book covers include strategic market planning, targeting markets (segmentation and evaluation), the market research process, understanding the competition, developing a market and product strategy, developing and managing products, crafting the distribution and sales strategy, understanding the nuances of global markets and international marketing, developing a marketing budget and determining price, and implementation.

Marketing IT Products and Services also comes with a plethora of appendices so you can get up and running right away. Aside from a complete marketing glossary, which provides one-stop shopping for all concepts and terms related to marketing, there are two complete marketing plans—one for a hardware product, and one for a software product. These marketing plans map nicely to what's being discussed in the book. Using these as templates will enable you bypass the "scut" work of developing a marketing plan so that you can focus on the creative aspects of marketing. Since the marketing plan is closely aligned with the organization's business and strategic plans, this book provides you with templates for both of these as well as a template for that all-important business plan executive summary. These appendices are included on the book's CD-ROM.

The CD-ROM also features numerous fill-in templates that are real time-savers. Figure out whether or not your market is loyal to a particular brand using the brand loyalty survey. Assess the competition using the competitor analysis survey, competition matrix, and competitive analysis worksheet. Churn out those press releases using the sample press release. Craft a sales pitch using the sample sales letter. Safely contract with outside services using the sample reseller agreement, non-disclosure agreement, and general letter of agreement. Figure out your market using the demographic comparison worksheet, demographic analysis worksheet, and target market worksheet. Plan your marketing campaign using the market research cost analysis, market planning checklist, industry analysis checklist, general market survey, market position and strategy matrix, and cost benefit study forms.

If you've got a need, this book has a template for you. Happy marketing!

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About the Author

Jessica Keyes is president of New Art Technologies, Inc., a high-technology and management consultancy and development firm started in New York in 1989.

Keyes has given seminars for such prestigious universities as Carnegie Mellon, Boston University, University of Illinois, James Madison University, and San Francisco State University. She is a frequent keynote speaker on the topics of competitive strategy and productivity and quality. She is a former advisor for DataPro, McGraw-Hill's computer research arm, as well as a member of the Sprint Business Council. Keyes is also a founding board of director member of the New York Software Industry Association. She completed a two-year term on the Mayor of New York City's Small Business Advisory Council. She currently facilitates doctoral and other courses for the University of Phoenix. She has been the editor for WGL's *Handbook of eBusiness* and CRC Press's *Systems Development Management* and *Information Management*.

Prior to founding New Art, Keyes was managing director of R&D for the New York Stock Exchange and has been an officer with Swiss Bank Co. and Banker's Trust, both in New York City. She holds a master's of business administration from New York University, and a doctorate in management.

A noted columnist and correspondent with over 200 articles published, Keyes is the author of the following books:

The New Intelligence: AI in Financial Services, HarperBusiness, 1990
The Handbook of Expert Systems in Manufacturing, McGraw-Hill, 1991
Infotrends: The Competitive Use of Information, McGraw-Hill, 1992
The Software Engineering Productivity Handbook, McGraw-Hill, 1993
The Handbook of Multimedia, McGraw-Hill, 1994
The Productivity Paradox, McGraw-Hill, 1994
Technology Trendlines, Van Nostrand Reinhold, 1995
How to Be a Successful Internet Consultant, McGraw-Hill, 1997
Webcasting, McGraw-Hill, 1997
Datacasting, McGraw-Hill, 1997
The Handbook of Technology in Financial Services, Auerbach, 1998

The Handbook of Internet Management, Auerbach, 1999
The Handbook of eBusiness, Warren, Gorham & Lamont, 2000
The Ultimate Internet Sourcebook, Amacom, 2001
How to Be a Successful Internet Consultant, 2nd ed., Amacom, 2002
Software Engineering Handbook, Auerbach, 2002
Real World Configuration Management, Auerbach, 2003
Balanced Scorecard, Auerbach, 2005
Knowledge Management, Business Intelligence, and Content Management: The IT Practitioner's Guide, Auerbach, 2006
X Internet: The Executable and Extendable Internet, Auerbach, 2007
Leading IT Projects: The IT Manager's Guide, Auerbach, 2008

Chapter 1

Introduction to Strategic Marketing Management

When you think of marketing, what comes to your mind? Do you think of an advertising campaign? Perhaps you remember some automobile commercials from the last comedy show you watched. Or do you think about the yearly sale at your favorite clothing store? Maybe what you first think of is the annoying telephone call during dinner last night from someone trying to sell you a newspaper subscription.

These are all examples of marketing elements we face each day. Marketing is an integral part of our society, and we are all familiar with its basic purpose: to sell a product or service. In our case, we are going to focus on selling technology products and services. However, no matter what you are pitching, the fundamentals of marketing remain the same.

One way to look at marketing is to consider it as a cycle that includes a range of activities (Figure 1.1), which are explained in the following text:

Research: The process of marketing should begin with research. Research includes tasks such as collecting information about the organization's target markets, including customer demographics, psychographics, and competitive intelligence. Some say that a market can be created. Others insist that marketing is purely a response to an identified market need. In other words, pioneers create the "need," while followers try to jump on the bandwagon. Research assists in distinguishing between these two viewpoints.

Strategy and planning: Data collected during the research activity are inputted into the strategic planning process. A strategic marketing plan will be created. A series of tactical plans (e.g., promotional, advertising) will be derived

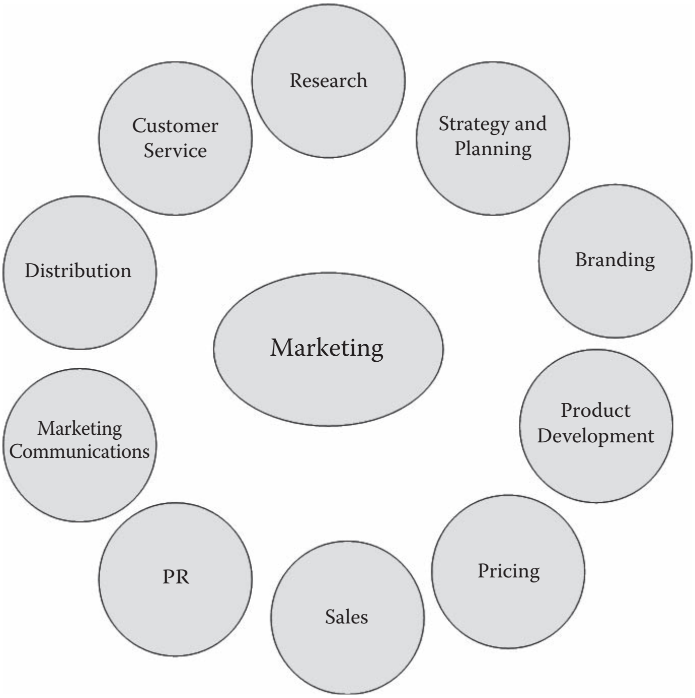

Figure 1.1 The marketing cycle.

from the strategic plan. The strategic marketing plan includes elements of the other activities in this list.

Branding: Building a brand involves marketers' examining the market positioning of the product (or firm) in the marketplace and establishing how they would like the product to be perceived by consumers. For example, Donald Trump has become a billionaire essentially by branding himself in the United States. Sony has branded itself as a global leader in consumer electronics.

Product development: Product development is usually initiated after research has been conducted. For example, an automobile company's market research finds that there is an untapped opportunity for hybrid sport-utility vehicles (SUVs). The product development initiative involves research and development, and careful attention to innovation management within the company.

Pricing: Determining price is not easy, but it is the easiest factor to adjust. Price communicates to the market the company's intended value positioning of its product or brand. Think Mercedes Benz versus Ford and Rolex versus Timex.

Sales: After the product or service has been established and before it goes to the market, the marketing team will train the sales force to understand the product or service, answer questions, support the customer, and close sales.

Point-of-purchase (POP) materials are those items that a sales force might need to help sell a product. Examples include sale signs on top of sales racks in clothing stores, brochures next to cosmetics at the cosmetics counter, and blank DVDs in a technology store.

Public relations (PR), media relations, public affairs, and investor relations: The softer side of marketing involves communication with various target publics. Public relations enables the company to make the public aware of its products (e.g., press releases that wind up as articles in newspapers). Media relations deals specifically with the press and often involves courting one or more members of the press for favorable coverage of the product or service. Public affairs, also known as governmental affairs, deals with various governmental entities that impact the organization. Firms whose stock is traded publicly will have investor relations departments that act as the intermediary between the investing public and the firm.

Marketing communications: PR and media relations are often subsumed into marketing communications, which provides the literature that supports the sale of the product or service. If you've recently gone to a trade show, you have probably brought back a shopping bag (with the logo of a company that hopes to sell you something) filled with product literature. In today's digital society, marketing communications might also encompass a company's Web site, Internet promotions and advertising, e-mail marketing, and even social networking efforts.

Distribution: Building a product is only half the equation. Getting it to the consumer is the other half. The distribution strategy consists of packaging, use of channels and affiliates, retailing, wholesaling, and even e-commerce.

Customer service: Good marketers want to know about their customers' experience, including complaints and questions. This enables the company to determine if there are any product issues. On the basis of these issues, research is performed, and the entire marketing cycle starts again. Customer relationship management (CRM) systems are often the basis for connectivity to customers (as well as potential customers). Use of CRM extends beyond customer service throughout the organization (i.e., sales, marketing, management).

Essentially, marketing can be defined as the process by which companies create value for customers and build strong customer relationships to capture value from customers in return. The process of marketing uses all the just-described activities to create and communicate that value to customers.

The Micro-Marketing Level

Marketing concepts can be used in both for-profit and nonprofit organizations; they can be used by individuals or governments. The modern micro-marketing perspective considers customer needs first, rather than focusing on what the organization can easily produce. It also goes beyond just persuading a customer to buy, and reflects a need to build a relationship with the customer. Finally, it is important to remember that effective marketing at the micro level depends on collaboration among a number of managerial functions and requires an understanding of the macro-marketing system.

The Macro-Marketing Level

Different countries, states, communities, and even neighborhoods present different circumstances and combinations of customers, needs, and wants. These factors determine which macro-marketing system a given community is in. It is important to identify the general macro-marketing system, as well as the stage of a community's economic development, in order to use micro-marketing effectively and to help develop the systems to create greater utility.

For example, say a company is interested in expanding its television sales. Televisions require electricity and a broadcast signal, and use different transmission systems in different countries (e.g., Pal, NTSC). The company will accept only monetary currency for its televisions. If this company does not consider macro-marketing systems and a macro level of economic development, it might decide to try to sell its televisions to a nomadic tribe. The nomads do not have electricity and only occasionally trade their excess sheep for clothes that other tribes offer them in exchange. The company in this example would clearly be making a big mistake. While this example is absurd, organizations do make mistakes when they do not understand a society's macro-marketing system and stage of economic development.

Business Plan versus Strategic Plan versus Marketing Plan

Like IT, marketing is a single component of an organization's strategic plan. Organizational strategic planning suggests strategies to identify and move toward desired future states. It consists of the process of developing and implementing plans to reach goals and objectives. Strategic planning operates on a grand scale and takes in "the big picture" as opposed to tactical planning, which by definition has to focus more on individual, detailed activities.

A good strategy will have the capability to obtain the desired objective; fit well both with the external environment and with an organization's resources and core competencies; appear feasible and appropriate; be able to provide an organization with a sustainable competitive advantage, ideally through uniqueness and sustainability; and prove to be dynamic, flexible, and adaptable to changing situations.

A business plan is a summary of how a business intends to organize an endeavor and implement activities necessary and sufficient for the venture to succeed. It is a written explanation of the company's business model. A business plan can be seen as a collection of subplans, including a financial plan, production plan, technology plan, and marketing plan.

Strategic marketing planning is complex, but it is guided by basic principles. Among these is the marketing concept that emphasizes the concentration of all the activities of a firm into meeting the needs of its target markets—at a profit. Ideally, the strategy should take advantage of trends in the external market, not buck them or try to radically alter them.

Ideally, the ingredients of a good marketing mix flow logically from the relevant dimensions of the target market. Information gaps, competition, and the changing marketing environment make developing a good mix very difficult. Successful strategies are based on sound marketing planning processes.

Strengths, Weaknesses, Opportunities, Threats (Trends) (SWOT[T])

It is important to leverage the distinctive capabilities of an organization as a key component in developing a market-driven strategy. This means that an organization must know itself and where it is going. A SWOT (strengths, weaknesses, opportunities, and threats) analysis is extremely effective, but to be useful it must be based on facts and objective opinions. A biased or flawed analysis can hurt your marketing plans. It is only after this analysis that a competitive strategy can take shape. The next step is to understand where you and your competitors stand in the market. It is equally important that the strategic direction chosen be aligned with the organization's capabilities and differentiators. A sample SWOT for a fictional animal greeting card Web site can be found at http://www.wilsonweb.com/wmt5/plan-swot.htm.

Most industries have a firm that has the largest market share and leads competitors in price changes, distribution coverage, and promotional intensity. Intel is one of these firms; it has to work hard to stay at the top. See "Only the Paranoid Survive" (Andrew Grove, Intel site: http://www.intel.com/pressroom/kits/bios/grove/paranoid.htm). This company knows that if it does not outdo itself in the microprocessor business, some other company will. Along with microprocessor competitors, Intel faces rivals in a variety of market niches. Intel combats competitors not just by designing chips with more features, but also by pushing the limits of its manufacturing technology. Indeed, this is the company's chief strategic means of product leadership.

However, strategy involves much more than internal analysis. Companies must also analyze which markets look attractive—now and into the future. This is why the SWOT model has been extended to including trend analysis, SWOT(T), as shown in Figure 1.2.

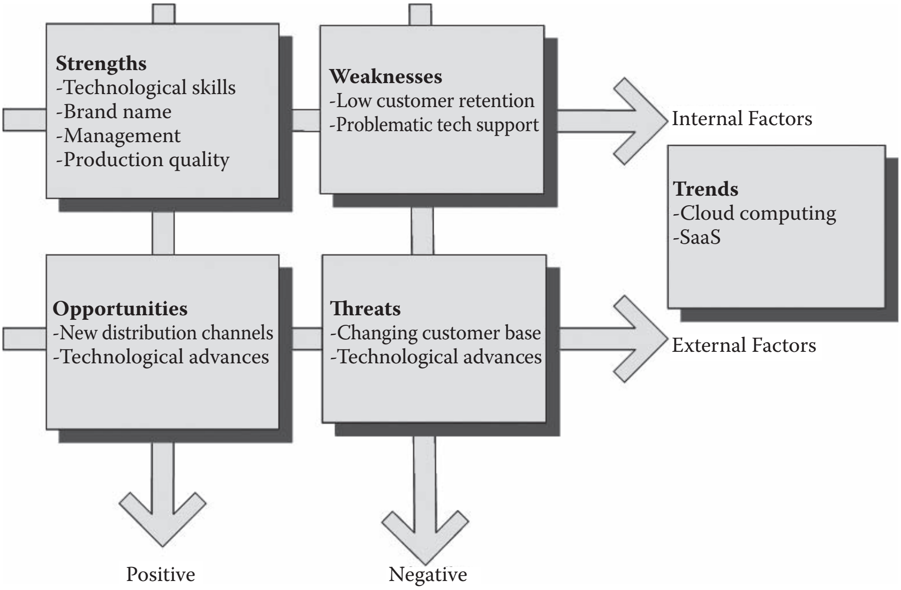
Strengths
-Technological skills
-Brand name
-Management
-Production quality
Weaknesses
-Low customer retention
-Problematic tech support
Internal Factors
Trends
-Cloud computing
-SaaS
Opportunities
-New distribution channels
-Technological advances
Threats
-Changing customer base
-Technological advances
External Factors
Positive
Negative

Figure 1.2 Strengths, weaknesses, opportunities, threats (trends) (SWOT[T]).

A strength is something a firm does well. It may be a process, a patent, some other product-related activity, great customer service, delivery, or channel support. Well-developed strengths can lead to a distinct competitive advantage.

Weaknesses are areas in which the firm performs less well than competitive firms. These are areas in which the firm needs to improve, or at least not compete head-to-head with better-performing organizations.

Opportunities are events, conditions, or situations in the external environment that are particularly well suited or attractive to the way a firm does business or is planning to do business. The firm tries to match its strengths to opportunities that emerge, are emerging, or will emerge within the planning period.

Threats are events, or conditions, in the external environment that are not well suited or attractive to the way a firm does business or is planning to do business. Companies try to avoid threats or minimize their impact.

Trends are external factors in the business or the environment that may impact the company positively or negatively. Forecasting and trend analysis, both being techniques used in market research, are used to determine future trends.

A SWOT(T) analysis can assist your company if it is considering a strategy that focuses on a target market that is already being served by several strong competitors. These competitors are usually successful because of a competitive advantage. A competitive advantage might be based on a better marketing mix, which may include improved distribution, effective promotion, or lower prices. Offering a marketing mix that is identical to that of competitors will not provide superior value or create a competitive advantage for your firm. Your firm needs to position or differentiate its marketing mix as better for customers.

4Ps: The Marketing Mix

The marketing mix is what most marketing people call the "4Ps": product, price, place, and promotion, as shown in Figure 1.3. So, what do these things mean?

- Product: A product is the need-satisfying offering of a firm, including physical goods or services (e.g., a new car). The product also includes the features, benefits, quality level, accessories, installation, instructions, warranty, product line extensions, packaging, and branding of the product. All aspects of the product area (e.g., benefits, quality, service dimensions) must match customer needs. Demographic dimensions of the target market determine where customers are located. Where customers shop helps to define channel alternatives. Whether, and how, customers search for information helps to define the promotion blend.
- Price: The price is the amount of money charged for the product or service (i.e., a thing of value). In determining price, a firm must consider factors such as cost of producing the product, return on investment, competitive pressures, discounts, and allowances.
- Place: This involves making goods and services available in the right quantities at the right locations. In determining the place, a firm must consider such factors as objectives, channel type, distribution, kinds or locations of stores, transportation, storage, and managing or coordinating sales channels.

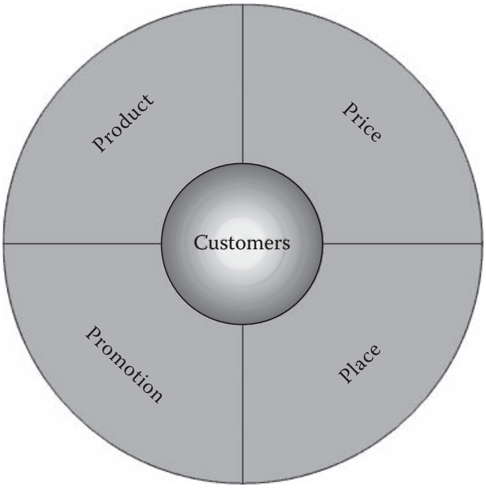

Figure 1.3 The 4Ps or marketing mix.

- Promotion: Promotion is the communication of information between a seller and a potential buyer. It involves objectives, promotional blend, salespeople, advertising, and publicity.

Individual decisions made for each of the 4Ps are guided by the need to develop logical and coherent strategies, plans, and programs. Each P describes a separate function that requires managerial decision making. However, those decisions are not made in isolation: They affect and are affected by the decisions made for every other P. For example, a can of soda might cost one amount in a vending machine at a local business but may cost double that amount in a vending machine on a college campus. As the place changes, the price of the can of soda might also change.

The 4Ps must be creatively blended because marketing planning is more than making decisions about each area of the marketing mix and then assembling the parts. The job of integrating the four Ps belongs to the marketing manager.

Marketing Planning

Marketing planning involves finding a competitive advantage in meeting the needs of some target markets that it can satisfy very well. Once the manager has selected the target market, decided on the marketing mix, and developed estimates of the costs and revenue for that strategy, the marketing plan provides a blueprint for implementation.

The marketing plan spells out the timing of the strategy. As part of the blueprint for implementation, it should include the time frame for the elements of the plan, along with expected estimates of sales and profit, so that the plan can be compared to actual performance in the future.

A complete plan spells out the reasons for decisions about the marketing mix by including information about customers, competitors, the environment, the company's objectives, and its resources. The plan should be routinely checked and updated. As some elements of the plan or the marketing environment change, the whole plan may need a fresh approach. Most companies implement more than one marketing plan at the same time. The specification of a target market and a related marketing mix form a marketing strategy. A marketing plan is created by adding time-related details to the marketing strategy. Several plans make a marketing program, as shown in Figure 1.4. The marketing program blends all the firm's plans into one big plan.

Marketing Ethics

Ethics is a set of values of acceptable behavior that outlines the decisions individuals or organizations make. The conscious application of principles of moral rights and

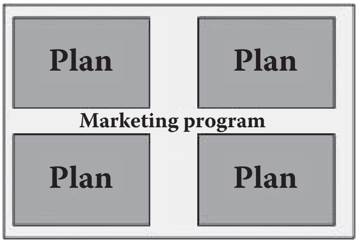

Figure 1.4 The marketing program is composed of one or more marketing plans.

wrongs and fairness in marketing decision making, practice, and behavior in the organization is what practicing ethics in marketing means.

There has been an increasing focus on adhering to ethical values. This is because customers develop a better attitude toward an organization and its products or services when a firm behaves ethically. Unethical practices generally lead to lack of trust, bad publicity, dissatisfied customers, or, sometimes, legal action.

The Federal Trade Commission (FTC) and various local and state government agencies are responsible for creating policies and enforcing laws to prevent unethical marketing practices. Marketing associations also play a role in this. One such example is the American Marketing Association, which has specified a code of ethics that is available on its Web site: www.ama.org.

There are a wide variety of practices that are considered unethical. These include the following:

1. Misleading pricing: This can be done in the form of giving discounts valid only when other products are also bought, omitting significant conditions of the sale, providing deceptively suggestive selling prices, or making false price comparisons.
2. Misleading promotion practices: Deliberately misstating how a product performs or is constructed; making false or highly exaggerated claims; and intentionally mislabeling the contents, weight, size, or other critical information are examples of this practice. Using a bait-and-switch selling method (a method in which a product or service is sold, often at a lesser price, to catch the fancy of customers who are then encouraged to buy a more costly product); selling defective or hazardous products without disclosing their dangers; not honoring warranty obligations; failing to reveal information concerning pyramid sales (a sales method in which people are recruited for a plan that generates revenue only by recruiting others), etc., are other unethical practices in this category.

Ethical issues may also come up during the distribution process. For the most part, sales personnel are evaluated on the basis of their sales performance. Performance pressures may lead to ethical dilemmas.

Example

Pushing products that generate better commissions and pressuring retailers to purchase more than they need are temptations. Influencing the retailers to trim down display space for competitors' products, or paying retailers to sell their product and not that of competitors should also be considered unethical.

Direct marketing is also coming under the radar of unethical marketing. Distasteful practices range from trivial irritants, such as the bad timing and unnecessarily high frequency of commercials or sales letters, to some offensive or even illegal practices. Annoying telemarketing calls, persistent and high-pressure selling, sales appeals disguised as contests, use and exchange of mailing lists leading to junk mailing, television (TV) commercials that are too lengthy or run too recurrently, etc., are some examples of practices that pose ethical dilemmas.

Subliminal Advertising

Subliminal advertising messages are embedded in another medium. Such messages are not recognized by the conscious mind but are processed by the subconscious mind. This has the potential to affect future actions, behaviors, attitudes, thoughts, beliefs, and value systems.

A certain amount of subliminal persuasion happens regularly despite the fact that such hidden messaging is considered to be deceptive by the FTC. Some subliminal techniques used include the following:

1. Some hardware products are unnecessarily stuffed with completely useless wads of aluminum just to make them heavy. The general perception among customers is that the heavier the product, the more sturdy and substantial it is. As a result, they end up paying higher prices.
2. Stress makes people unconsciously adhere to comforting and familiar rituals, a fact that is very well exploited by marketers.
3. The fact that slow music with a tempo lower than the human heartbeat causes shoppers to shop slowly, and hence buy more, is put to good use by shopkeepers.
4. A product's place of origin also has the potential to subliminally influence what customers buy. Fancy, high-tech, metropolitan cities' names on a product have a cachet that seems to appeal to the self-esteem of most people.

Murketing

Murketing, a term coined by Rob Walker (http://www.murketing.com), is a vague advertising method used to promote a brand in ways that are extremely nontraditional. The term murketing is a combination of "murky" and "marketing," emphasizing the fact that this is a type of marketing that is murky and sometimes confusing, in which the advertisements do not really relate to the product or service. Murketing creates a buzz around a product by the creation of a blurred brand identity with a lot of scope for manipulation in the future. Such marketing focuses on new media, infiltrating chat rooms, distributing viral videos, and establishing promotional blogs or mysterious treasure hunts across the Web. The aim is a slow and thorough market penetration by creating an image around the product instead of focusing on mere brand recognition. While murketing is not considered unethical at this time, the practice can stretch the limits of acceptable practice.

Conclusion

Analysis of marketing opportunities requires an understanding of the marketing environment at both the macro and micro levels. Strategic planning must then follow and be supported by effective organization, implementation, and controls of the organization.

In the early 1700s, a Dutch inventor, trying to simulate ice skating during the summer months, created the first pair of roller skates by attaching spools to his shoes. His "in-line" arrangement was the standard design until 1863, when the first skates with rollers set as two pairs appeared. The two-pair design became the new standard, and in-line skates virtually disappeared from the market.

In 1980, two hockey-playing brothers found an old pair of in-line skates while browsing through a sporting goods store. They modified the design of the skate by adding hard plastic wheels, a boot, and a toe brake. They sold their product as the "Rollerblade Skate." During the 1980s, Rollerblade focused on marketing its skates to hockey players and skiers as a training skate. However, after they performed some market research, they discovered that there was a bigger market for their product. People thought that in-line skating was great fun as well as a wonderful aerobic workout. By 1997, after repositioning the product, there were more than 27 million users of in-line skates in the United States alone (Kerin et al., 2006).

The next time you go to the grocery store, look at all the different products that you encounter. Do different brands appeal to different segments of people? Try describing these target markets. What type of market research do you think the marketers of these products performed before positioning their brands? What do you think they put into their marketing plans? And, above all, what do you think their strategy was?

References

Kerin, R., Hartley, S., Berkowitz, E., and Rudelius, W. (2006). *Marketing*. New York: McGraw-Hill.

Chapter 2

Strategy and Implementation

You just heard through the company grapevine that your biggest competitor is about to launch the Web site to end all Web sites. From what you hear, this Web site is not only going to enable the competitor's customers to order online, but they'll also be able to check order status and even communicate in real time with sales staff. If this is not bad enough, your competitor will simultaneously be launching an internal Web site that will enable it to buy all of its supplies and parts online and even control and monitor its supply chain. Just how will you approach this challenge? What issues will you look at? Whom will you interview? What will you study?

Don't think this doesn't happen. The success of Amazon.com came as a big surprise to Barnes & Noble (B&N). Who would have thought that a no-name virtual start-up would soon outpace and outsell the biggest bookseller in the world? B&N started life as a sleepy bookseller chain. In the late 1980s, it morphed itself into the largest chain of superstore bookstores in the United States. When the Internet appeared on the scene in the early 1990s, B&N joined a host of other companies that took a "wait and see" approach to the newfangled concept of e-business. It waited and watched as tiny Amazon.com, a company no one had ever heard of, opened its e-doors in 1995. Unfortunately, it continued to wait and watch as Amazon.com became the world's largest bookstore, leaving B&N far behind.

B&N found out the hard way that it was impossible to compete without jumping on the e-business bandwagon. And jump it did, by launching barnesandnoble.com with German-based megamedia firm Bertlesmann in 1997. B&N's stated strategy is to be an e-commerce leader in the sale of books, music, and digital video discs (DVD)/video. While Amazon had the luxury of building its e-business from the ground up, B&N was a well-established company. E-business, therefore, had to be retrofitted to existing business processes and functions. While they geared up quickly, they still find themselves a very distant second to über-bookstore Amazon.com.

Trying to replicate the profitable moves of the market leader, however, is fraught with danger in the online world. B&N found this out the hard way. In December of 1999 (Fry, 2000), the U.S. District Court for the Western District of Washington issued a preliminary injunction to bar B&N from infringing on Amazon's patented "1-Click" shopping feature. Amazon went on to e-patent a whole host of other e-commerce processes, including its associates concept. U.S. Patent 6,029,141 is entitled "Internet-Based Customer Referral System" and discusses a method of selling items through associate Web sites. Small Web site providers often want to sell products without the bother and cost of dealing with ordering and fulfillment. The Amazon associates program enables these small businesses to earn commissions for purchases of products on Amazon's Web site if the consumer links to Amazon from the associates' Web sites via virtue of a special code. Multiple million members strong (http://www.amazon.com/gp/browse.html/ref=gw_bt_as/002-2514903-9765660?node=3435371), this program makes Amazon a formidable, perhaps even unbeatable, competitor.

Competing with a first mover, particularly one as creative and dynamic as Amazon.com, is no mean feat. Over the years, Amazon has morphed from, as the media so succinctly put it, the Earth's biggest bookstore to the Earth's biggest anything store. B&N is in the process of morphing as well. It has begun to go beyond books and CDs and is now selling calendars and providing free courses. Can electronics and clothing be far behind?

The goal, then, is to create a viable strategic plan that will, if not make you a first mover, at least let you effectively compete with first movers. In the world of high tech, this is often a make-or-break scenario.

Strategic Planning

It is said that "failing to plan is planning to fail." Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Put simply, strategic management is planning for an organization's future. The plan becomes a road map to achieving the goals of the organization, with marketing as the centerpiece of this plan. Similar to the person taking a trip to another city, the road map serves as a guide for management to reach the desired destination. Without such a map, an organization can easily flounder.

The value of strategic planning for any business is that it can be proactive in taking advantage of opportunities while minimizing the threats from the external environment. The planning process itself can be useful to rally the troops toward common goals and create buy-in to the final action plan. It is important to keep

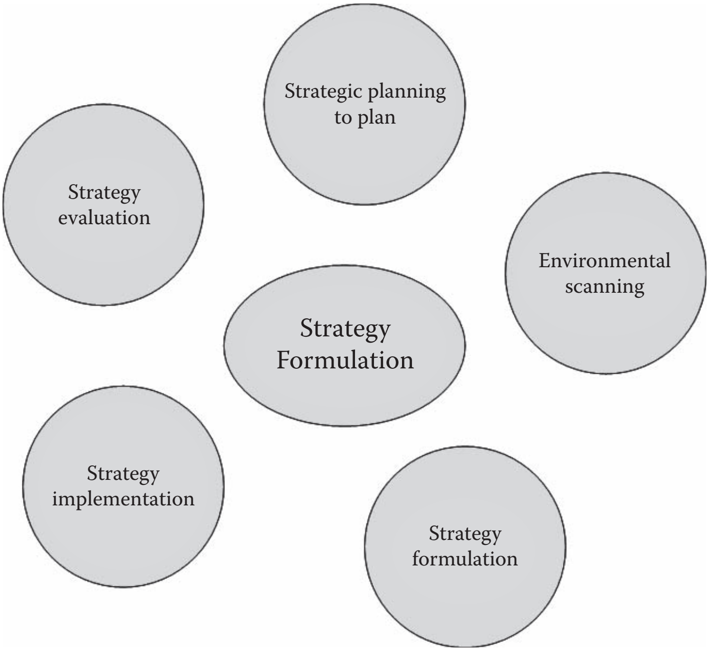
Strategic planning to plan
Strategy evaluation
Environmental scanning
Strategy Formulation
Strategy implementation
Strategy formulation

Figure 2.1 Strategy formulation.

in mind that planning is a process, not a one-shot deal. The strategy formulation process, which is shown in Figure 2.1, includes the following steps:

1. Strategic planning to plan (assigning tasks, time, etc.)
2. Environmental scanning (identifying strengths and weaknesses in the internal environment, and opportunities and threats in the external environment)
3. Strategy formulation (identifying alternatives and selecting appropriate alternatives)
4. Strategy implementation (determining roles, responsibilities, and time frames)
5. Strategy evaluation (establishing specific benchmarks and control procedures, revisiting plan at regular intervals to update plan, etc.)

Business tactics must be consistent with a company's competitive strategy. A company's ability to successfully pursue a competitive strategy depends on its capabilities (internal analysis) and how these capabilities are translated into sources of competitive advantage (matched with external environment analysis). The basic generic strategies a company can pursue are shown in Figure 2.2:

a. Cost leadership
   1. Lower prices
   2. Lower costs

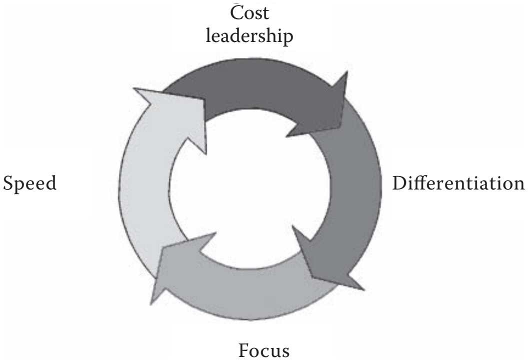

Figure 2.2 Basic competitive strategies.

   3. Experience curve
   4. "One size fits all"
   5. Large volume
   6. Conformance quality
   7. Example: Cheapest car wash in town (self-serve)

b. Differentiation
   1. Higher prices
   2. Product innovation
   3. Higher value added
   4. A product for each market
   5. High relative perceived quality
   6. Example: "Touch-free" car wash (drive through)

c. Focus
   1. Specific customers
   2. Specific market segment
   3. Either focused cost leadership or focused differentiation
   4. Target cost leadership or differentiation strategy to specific segments of the market
   5. Example: Car wash catering to high-end vehicles, hand detail, polish, wax specifically designed for Mercedes, Lexus, etc.

d. Speed
   1. Speed of new product innovation and product introduction
   2. Example: Applies mainly to software and biotech products

In all strategy formulations, it is vital for the company to align the strategy's tactics with its overall source of competitive advantage. For example, many small companies make the mistake of thinking that product giveaways are the best way to promote their business or add sales. In fact, the opposite effect may happen if there is a misalignment between price (lowest cost) and value (focus).