"Who Should Play on the **High Ground?**"

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In the parlance of the military, as business leaders, slash marketers, you always want to take the high ground position in a given industry or market... well, sometimes.

For simplicities sake we will use the Michael Porter LEADERSHIP segmentation chart as the basis for this discussion of HIGH GROUND positioning.

By Porter's well conceived logic, a Market Leader (ML) in a well-defined market segment is a company that has attained a Value-Volume of 20 percent (or more) greater than its next strongest competitor. This ML not only has the highest volume but it maintains the highest profit margins, sets the tone in innovation, pricing, promotion and brand recognition for the segment. The ML is placed on the "high ground" say, a mountain, and must work smart and hard to stay there in any dynamic market segment.

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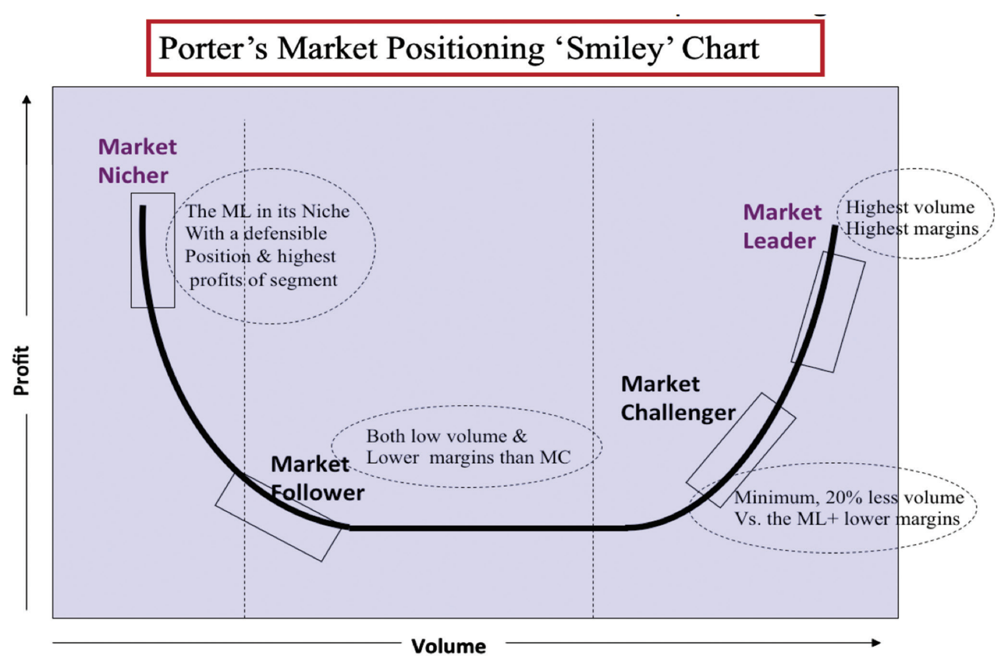
Porter considers a market segment that has no ML by his definition, is leaderless and, therefore, unorganized market, resulting in a confused segment direction and consequently, a lower profit segment.

Within an "organized" market segment the ML usually "controls" that segment in many aspects of doing business such as . . . . price levels, innovation, service, cost and can play different tactical games with its Market Challenger (MC) competitors in this market and in a given market space. There are four of these tactics as mentioned below:

- Offensive... Market Challenger's central tactic
- Defensive... Market Leader's central tactic
- Flanking... Market Leader, Market Nicher & Market Challenger tactics
- Guerrilla... Market Follower's central tactic

As a ML a company it could chose to become offensive and go directly and aggressively at its' Market Challenger (MC) competitors in a toe-to-toe battle. However, this offensive tactic would be absolutely WRONG!

A ML should never take an offensive tactic, instead a ML should be defensive in its dealings



with the Market Challengers. A ML should obliquely compete with the MC's by developing unique new products; new systems; new service techniques; new production approaches, etc. in tactics that continue to keep it ahead of the MC's, but never go on direct offence with them.

An sustainable offensive conflict is what a MC must do in reducing the ML's position in Share-Of-Market strength.

An example of market spaces where the ML does not use offensive tactics to compete is the so-called social media space. Facebook and LinkedIn are market leaders in separate markets . . . . Facebook in Social Media and LinkedIn in-Professional Media, respectively. At this point in time neither company is overtly trying to compete in the others' adjacent space. So, one would conclude that both Facebook and LinkedIn are MLs in their respective spaces.

Another example would be the major appliance so-called "white goods" segment. Whirlpool Corporation several years ago was a MC to GE, the Appliance ML. Whirlpool concluded that it could not organically grow and move fast enough to overtake GE in this space. To overtake GE it must acquire, however, its acquisitions needed to be in the Market Niche (MN) space where profits and brand recognition was exceptionally strong and the volume was reasonably high and the product output efficient.

Here are the familiar brands Whirlpool has acquired over the past 15-20 years:

JENN-AIR®

KitchenAid®

MAYTAG®

Amana®

Bauknecht
Mehr als Technik

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With no exception, these mentioned acquisitions were all independent Market Niche companies with major brand equity and very high profit margins versus both Whirlpool itself and certainly GE.

Whirlpool is now considered the global ML at $21 billion in sales revenue in 2015

As in these examples, assuming the ML is sitting on the High Ground it can fend off MCs provided it has the best offering in a given market. The MC attack space is where the ML is weak. What the ML owns is a position in the minds of the customer base. At the MC level in the valley of the power diagram, to win the battle of the mind, the MC must take away the ML's position before a substitute can be positioned. In other words, find an inherent weakness in the ML's strength and attack at that point. It' not enough for you to succeed, the ML must fail in some critical portion of its offering.

A marketing Flanking tactic is basically a daring option. More than any other form Flanking demands an intimate knowledge of the other competitors involved and an capability to visualize clearly how the encounter will unfold after the tactical launch is made.

Success in a Flanking tactical plan must be made into a uncontested area.

A Flanking tactic does not always demand a new unique product to the market although, it is one method of out-flanking the ML. However, successful flanking does require an element of exclusivity. The offering must place the MF into a new category within which the ML does not occupy. Flanking is not for the faint-of-heart. It is a gamble with the possibility of a large payoff or an equally big loss.

Years ago, in the Automotive segment and Body-In-White primer application, PPG out-flanked Inmont/DuPont (the ML) by innovation and systems value-selling/marketing its new Electrocoat dip primer system, for example. PPG took a BIG gamble.

As the PPG example indicates, the success of a market Flanking tactic hinges on the flankers' ability to create and maintain a separate category. They did!

In Guerrilla tactics, as in warfare, a market segment player (normally the Market Follower – MF), finds a sub-segment of the overall market small enough (in volume or geography) to be placed in the shadows of the ML or MC defenses or in some other aspect, in a position difficult for a larger company to justify attacking.

In Guerrilla tactics one such tactic that must be first recognized and second avoided is the "line extension trap." My father was a Packard fan. In the fifties, Packard introduced the Packard Clipper, a low-priced version of a high-price car. Guess what . . . the cheap cars sold; expensive ones did not. Not too long after, Packard faded into automotive history.

So, pick your fights carefully by memorizing the rules of each possible alternative strategy and using them. Remember, there is good money to be made at any point on the Porter Power Chart. ***CW***