

Market Map: A New Strategy Tool to Deliver the iPod, Wii or Prius of Your Industry

By Mike Kanazawa

Over time different factors rise and fall in importance in driving business value, and the models for winning strategies shift accordingly. In the 1970s it was conglomerates, efficiency in the 1980s, and technology in the 1990s. The 2000s have become about customer needs. As the core drivers of value have changed over the years, so have the tools required to analyze and develop strategy. There are hallmark tools we all keep in our strategy toolboxes, but today too many of us are using these outdated tools to try to solve the challenges of today and there is a need for a new customer needs-driven tool to develop truly breakthrough strategies.

Roots of Traditional Strategy Tools

In the 1970's the Boston Consulting Group (BCG) matrix was an extremely effective tool for simplifying the drivers of value across a conglomerate. Unique corporate structures were what investors valued. As companies grew, they didn't always recognize that each subsidiary could contribute to the overall value of the holding company in very different ways. The BCG matrix became the standard tool for managing a portfolio of businesses and studying the potential value of the subsidiaries from a portfolio perspective based on growth and market share.

Then, in the 1980s, the trend of conglomerates was over-played and businesses had become too big, too bureaucratic and inefficient. Investors wanted best-of-breed competitors finely tuned to compete in specific markets. The movie *Wall Street* captured the essence of this era when Gordon Gecko berated the board and management of a company by saying, "The new law of evolution in corporate America seems to be survival of the unfittest. Well, in my book you either do it right or you get eliminated." As a result, companies were broken up into component parts and driven to be more efficient. The Michael Porter Five-Forces model became very popular for understanding how individual and unique businesses could position themselves in their industry to drive more value and gain market power.

In the 1990s, information technology solutions started to revolutionize businesses in terms of efficiency as well as began changing the way business was done. The concepts from Michael Hammer and James Champy around core process reengineering (CPR) encouraged companies to

consider total technology-driven overhauls of major business processes as the most critical strategic imperatives to remain competitive. In the late 1990s, technology moved way beyond an efficiency tool and was threatening to prove that there was a “new economy” that didn’t comply with any fundamental strategic thinking or analysis at all. By 2001, that trend in thinking was clearly over as well.

A Shift to Customer-Driven Strategy

Today, the primary strategic driver for businesses has changed. It is no longer how to manage a mix of subsidiaries, to drive business process efficiencies through IT or to understand the structure of industry forces. Today strategic advantages are won by companies that better understand and stay in front of shifting customer needs. This was substantiated in a recent American Management Association study titled, “The Keys to Strategy Execution: A Global Study of Current Trends and Future Possibilities 2006-2012.” The study, based on input from over 1,500 global executives, identified, “Changing Customer Needs and Demands” as the number one area impacting strategy execution today and going forward into the next ten years.

Beyond research studies, consider the evidence in the market as well, where Apple was almost out of business until it surpassed all competitors by meeting the true customer needs in the digital music industry. Or Nintendo, arguably with only one shot left to hold a position against Sony and Microsoft, reinventing the entire video game market by delivering a completely unique customer experience. Think about Motorola’s explosive gains with the Razor and then sudden fall when they failed to keep up with the rapidly shifting customer needs in the mobile handset markets. Setting strategy based on shifting customer needs is the number one driver of business success today. And, none of our historical strategy tools were built around customer needs. We need a new model.

The best strategy tools over time have always been those frameworks that can bring simplicity to very complex information and put it into the context of the decision drivers that matter most. In the world of customer-driven strategy, the most important elements of strategy are to:

1. Understand your customer’s life or business from their perspective
2. Assess spending patterns and revenue potential across their needs
3. Evaluate competition and where there are gaps in meeting customer needs
4. Match your capabilities and strengths to best meet the most promising areas of customer needs

The Market Map Tool

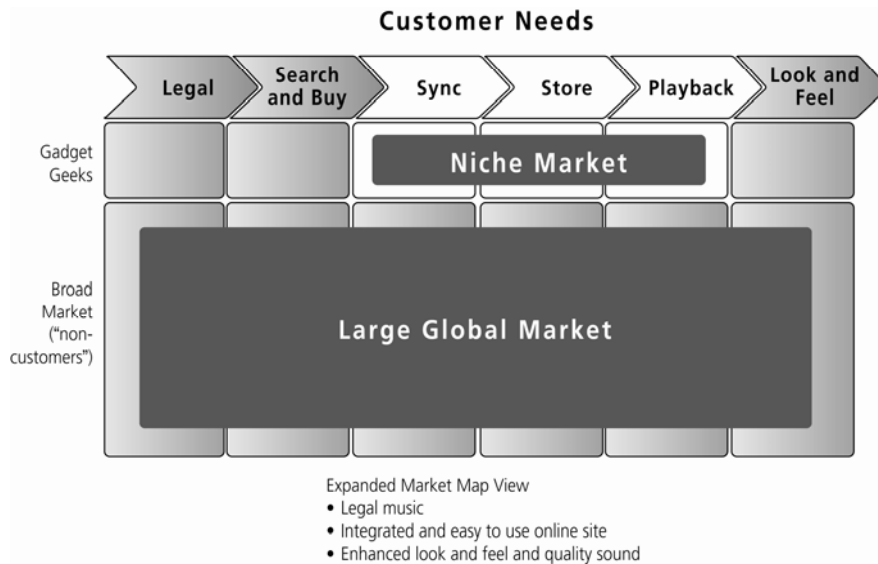
A tool called a Market Map (source: BIG Ideas to BIG Results – FT Press, 2008) has emerged as the most simple and powerful analysis framework for analyzing and developing strategy from a customer perspective. Like most powerful strategy tools, the concept is simple but the insights are invaluable when the tool is infused with the right data.

The core of the Market Map is a two dimensional matrix that lays out the full set of customer needs on the horizontal axis, which becomes the context for the model. On the vertical axis, you can use rows that represent segments of the market. This is the most basic market map. However the power in decision making comes as you populate the matrix. First the customer needs should be built with direct input and discussions with your customers and represent how they think about their needs. This gives you a perspective on how you fit into your customer's life and a much deeper understanding of their broader needs.

Then, all of your strategic analysis is layered directly onto the map. Market size and growth data is structured to populate the matrix and show the areas of customer needs and segments that are large or growing quickly. Customer research is developed to understand where customer needs are the strongest and where their needs are not being fully met by current solutions. Competitors and their strategic positions and moves are also plotted onto the same Market Map.

This consistent context for the strategic and market data is what then allows you to quickly see where your company is best positioned in the right growth markets, in areas where you have competitive strength and where customer needs are strong and not fully met. When all of those conditions exist, you have the foundation for a winning customer-driven strategy.

An example of a high level market map is shown below. Prior to the iPod and iTunes, the white area indicates the customer needs that were being met by free download sites and MP3 players. When Apple entered the market, they both expanded into a completely new segment of customers by serving the full set of needs that existed for that group, legal content, ability to easily search and buy from an entire online catalog, and a simple look and feel to the solution.



Source: BIG Ideas to BIG Results, FT Press/Pearson Hall, Kanazawa and Miles, 2008

The more traditional strategy tools will always have value in certain situations. However, there are large cycles and trends in business that cause shifts in what are the largest drivers of business value. There has been a clear shift that favors companies that set strategy based on customer needs. The Market Map is a powerful tool that simplifies the process of understanding and setting strategy based on customer needs. The iPod, Wii and Prius did not become successes based on process reengineering or optimizing a portfolio of subsidiaries. These examples are successes borne out of deeply understanding customer needs, looking for unmet or latent needs, and delivering on the needs better than anybody else, which are the core outputs and perspectives provided by the Market Map. This strategy tool should be at the top of your strategy toolbox today and, if the AMA study was correct, for the next ten years as well.

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