BusinessPlus+ Newsletter

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Linking Your Marketing Strategy with Your Operations

A strategy that is both profitable and defendable is only achievable through a differentiated value proposition or through a distinctive value chain.

Simply put, that means that your products and services should be different AND valuable to your target consumers, or to some extent they should have something that is difficult for your competitors to imitate.

Strategic positioning therefore demands clear decisions about the value that your products and services will offer, and how those products and services will be made and delivered by your company *profitably*.

So in essence, **you need a *market* strategy to identify and define market opportunities, and an *operations* strategy that makes decisions about how you will configure your value chain (assets, processes and human resources) to capture that opportunity profitably.**

Strategic Positioning

Strategic positioning makes decisions about the value that a company's products will offer, and how that value will be created by the organization.

To occupy a market position that is both profitable and defendable, a business must make decisions to differentiate its products and services from other solutions, or make products differently from competitors.

Market Strategy

Defines how a business plans to position its products and services in the minds of target consumers, making decisions about product design and pricing models as well as sales, distribution and promotion efforts.

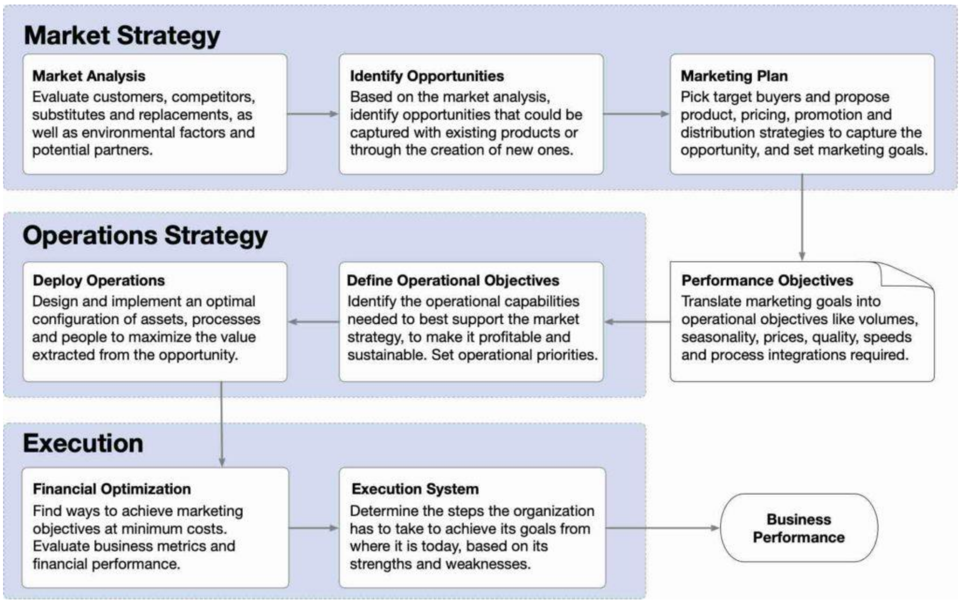
Operations Strategy

Makes decisions about how the business will align its resources (people, assets and processes) to deliver the products' value propositions and support its market strategy profitably.

Effective strategic positioning requires alignment between a company's strategy and its operations

Although each case is unique and depends on the specific type of company and industry where you operate, we could say that *in general* the strategy process follows a sequence which usually starts at the market level, through some kind of market research or discovery process, which then leads on to the definition of a target market, value propositions and business models, and from there it keeps moving upstream to the optimisation and streamlining of the activities in the business's value chain that will support the capture of those opportunities.

Although many rightly argue that a "forward" approach is also feasible, where an organisation analyses its capabilities and then goes out to find opportunities that fit its strengths, it doesn't seem to be the norm, and we consider those as *sales* efforts rather than strategy formulation. **Ideally, the process should flow from market opportunities to operations as shown in the diagram below.**



Simplified sequence of a typical strategy planning process

Once you understand your market positioning intentions clearly, you can then move on to define the metrics that will measure your performance and the constraints of your operations.

Things like demand forecasts, seasonality and prices must be translated from your market strategy into capacity needs, dependability, flexibility and maximum costs allowed for your operations.

With those metrics at hand, you can then set your *operational priorities*, that is, the factors that your operation teams must focus on to support your market strategy. If your strategy is based on differentiation, for example, you may have to put more emphasis on the factors that make your products different.

You need to have a clear understanding of your operational priorities, and put the corresponding plans in place to support, develop and invest in those capabilities. With those priorities well established, you can do a better job at configuring and optimising the activities in your value chain and defining more specific things like project capacity and making location decisions.

You must be extremely careful when evaluating capacity investments, since hard (capital) assets could eventually become stranded costs if your business doesn't succeed as expected. You should also consider how your proposed capacity plans might play out against the capacity plans of other companies attacking the same segments.

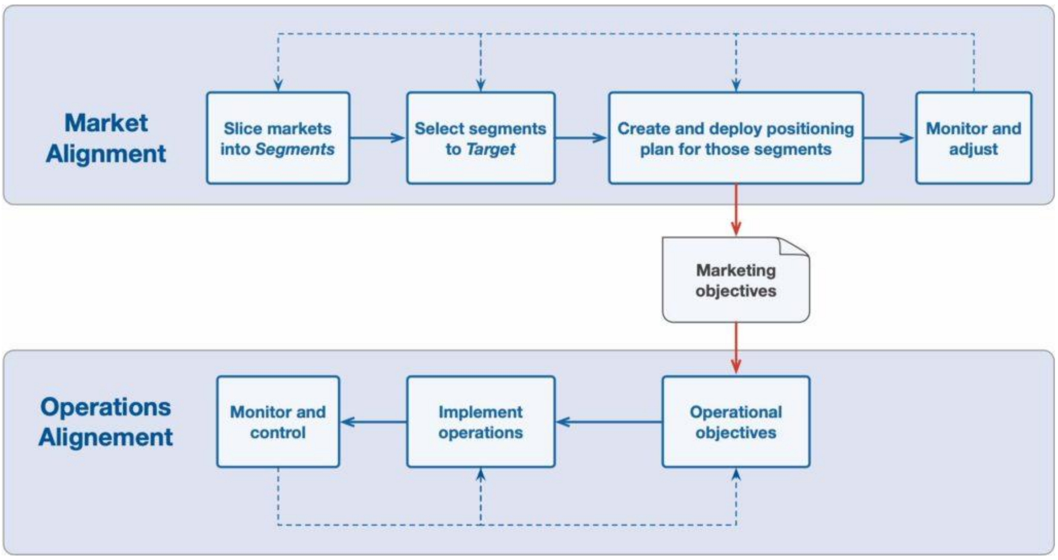
If too much capacity accumulates in a particular market, its players may be forced to start price wars as a way to stay in business. Boeing and Airbus have several times engaged in races to produce the largest planes, but they both know there is not enough of a market for two aggressive players producing huge planes.

Sometimes the numbers would suggest that very large scales are needed to turn a profit, but the larger these numbers are, the higher the risks of dragging out large fixed costs for a long time (or even forever) if demand never catches up as you expect.

Other important value chain decisions involve the labour needed, in both quantity and quality. Highly skilled labour is sometimes hard to find, and so is cheap labour in high quantities, so those considerations must also be seriously pondered.

Business Operations is usually seen as a technical subject, but it should not be. It is a fundamental component of strategic positioning and is all about making your marketing plans, hence your strategy, happen**. Without a good operations strategy, there would be no such things as competitive advantages, superior profitability or sustainability.**

In a dynamic environment, operations and marketing must be always aligned to ensure that your organisation is efficiently using its resources and that profitability is always maximised.



Keeping alignment between marketing and operations is critical to making your strategy both profitable and defendable over time.

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