



## Marketing Messages

### MARY CHARLESON

#### *Successful companies define core, supporting strategies*

At the center of every successful business is a well thought out and executed marketing strategy. Fundamentally this strategy allows you to achieve the maximum positive differentiation over your competition in meeting customer needs. Your marketing strategy is based on the interaction of your business, the customer and the competition. There are really only three core marketing strategies that a company may use: operational excellence, product leadership and customer intimacy. Let's examine each of these and look at some local examples.

1. **Operational excellence:** Typically these companies offer mid market products at the best price with the least customer inconvenience. Under this strategy, the proposition to the customer is simple: low price or hassle-free service, or both. Burnaby based retailer, **Future Shop** is an example of a company pursuing a best price strategy. Founded in 1982, they are now the fastest growing national retailer of consumer electronic and computer products with more than 100 stores across Canada. Their marketing strategy is structured on high sales volume, driven by heavy price point advertising and low margins. Customer service and product knowledge is of secondary importance.

2. **Product leadership:** This concentrates on offering customers the best product. Typically product leaders continue to innovate year after year. The primary competition is not about price or customer service, it is about product performance. **Mountain Equipment Coop (MEC)** is a member owned and directed retail consumer cooperative. Established in 1971 by a group of Vancouver mountaineers, they now have 1.8 million members worldwide and 7 stores in major Canadian cities. **Peter ter Weeme, Senior Manager Communications & Marketing** states, "our priority is to ensure that MEC maintains its edge in innovative products offerings". The company has developed its own extensive MEC clothing and Serratus packs, bags and tents line. Today, 60% of goods sold at MEC are designed in-house. MEC tests fabrics and designs extensively through their own labs and through member feedback. Although functional clothing, presented in a classic style, has been the earmark of MEC designs, there has been an increasing focus on fit and fashion in recent years with 95% of clothing now being available in both men's and women's styles.

3. **Customer intimacy:** This strategy focuses not on what the market wants, but on what specific customers want. Businesses pursuing this strategy cultivate relationships and specialize in satisfying unique needs. **Banyen Books** is an excellent local example of this strategy. Since 1970 the store has carried an exhaustive selection of books and recordings on personal growth and spiritual awareness. More than just a bookstore, they position themselves as a resource for learning and a sanctuary for discovery. In addition to more than 27,000 books, CDs, tapes and videos, the store sponsors weekly author discussion events. Notes **Kolin Lynworth, company founder and owner**, "we cultivate the relationships once they come, we don't engineer it by tracking them." They are a single location, destination retail, recently relocated to 4th Ave at Dunbar.

Although the core strategy positions the company, it is in combination with the supporting strategy that the intricacies and true competitive advantage often play out. Decisions in the areas of price, promotion and distribution form the supporting strategy and reflect the particular strength of the company, the specific demands of the marketplace and the competitive thrust. Defining the supporting strategies helps to further differentiate the business and defines the areas where they pursue competitive advantage.

To understand the concept of core and supporting strategies, let's take another look at Mountain Equipment Coop. Although their core strategy of product leadership is at the basis of their business model, their marketing strategy is infinitely more complex. They further define their core product leadership strategy through supporting price, promotion and distribution strategies. MEC positions themselves as delivering value priced quality products. Because MEC manufactures their own brands and they realize economies of scale on materials, their margins and prices can be much lower than traditional retailers in their sector. Where others might spend 4-6% of sales on promotion, MEC spends much less, instead choosing to focus their efforts on 1:1 communication with members through two annual catalogues and their web site. They rely heavily on word of mouth advertising. As a co-operative, they sell goods only to members, but anyone can join for life by purchasing a \$5 share. This model makes their distribution system quite unique. Sales topped \$165 million in 7 national stores last year and an 8th location is opening in Montreal this year. With the addition of a fully commerce capable web site in 2001, their distribution system truly expanded to members worldwide. E-commerce sales last year were \$7 million. Although their catalogue was originally intended for a rural audience, it has become a critical marketing tool. Customers frequently pre-shop or phone order after visiting a store in urban areas. Used in concert with the web site to gain product knowledge and order goods, both are a key part of their multi-channel distribution strategy. A final differentiating supporting strategy is one of values. The company has strong social and environmental principles, which guide everything from building enviro-friendly stores to the use of 30% post consumer waste for their catalogue. Clearly MEC has unique supporting strategies.

Successful companies clearly define their core and supporting marketing strategies. The key of course is to select one, which fulfills a market need, and is not being met by competitive providers. Too many companies don't clearly define their strategy or select one, which does not adequately differentiate them from competitors. Business is not static. You must re-assess your strategy in light of environmental and competitive changes. That is how businesses succeed.

*Mary Charleson, MBA is president of Charleson Communications, a company specializing in market research, strategy and advertising development. She writes monthly and can be reached at mary@charleson.ca*