FSIP FOODVIEW:
THE BASES OF STRATEGIC CHOICE (PART 3 OF 3)

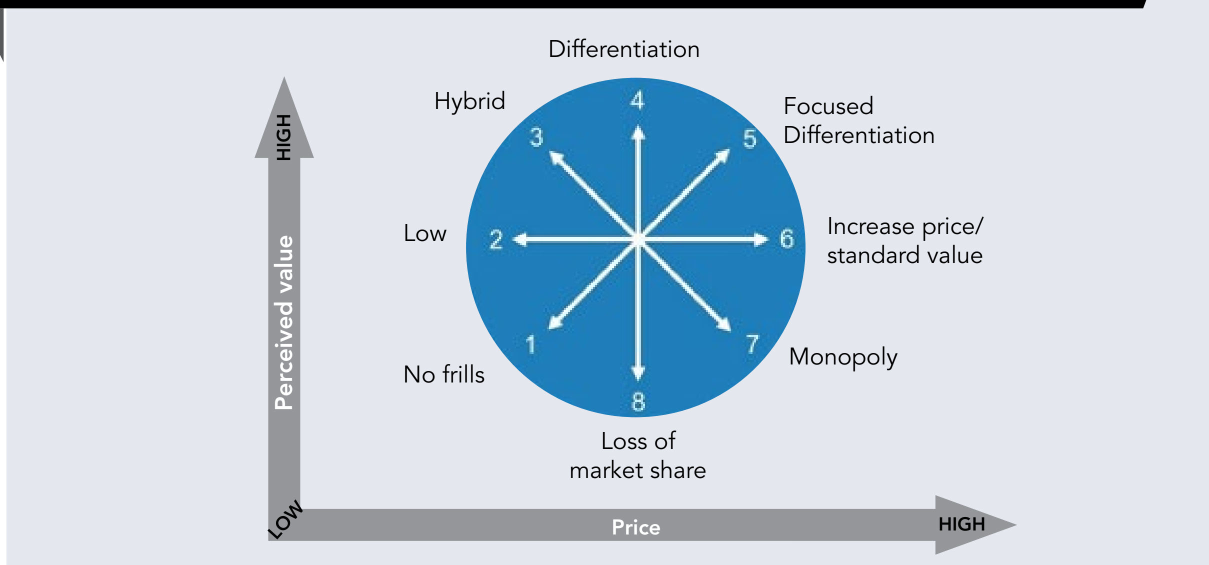
HOW TO DISCOVER THE MOST ATTRACTIVE & VIABLE OPTIONS FOR MARKET POSITIONING

By Tim Powell, Managing Principal

Our previous papers discussed the importance of a business-unit strategy and the need for targeted, evidence-based research. A foundation based on faulty information will have little chance of success, further impeding the success of strategic options. We can't emphasize more the importance of research to fuel strategy and urge food executives to apply sound insights. The cost to fix a faulty design — in this case using gut-based evidence — is typically ten times more in lost resources than designing the tested strategy from the start.

What makes foodservice strategy critical is that food executives often try to combine both retail and foodservice as a collective go-to-market approach. This is a mistake. However, there does need to be a compatibility between corporate-level strategy and strategy of the separate business units — foodservice, retail, industrial. In some organizations these may be one in the same, but in most companies there are a number of separate divisions and business units. In either event it is important to food executives to be clear about the bases of strategic choice.

ONE SOLUTION: ANALYZE MARKET POSITIONING WITH BOWMAN'S STRATEGY CLOCK



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The Bowman's Strategy Clock was developed by two famous economists Cliff Bowman and David Faulkner. The purpose of the model is to help companies analyze their position in the market.

Using an example of a frozen food manufacturer, the implications of strategic choice can help marketers and strategists determine the most attractive and viable options.

Illustrating Competitive Choice of a Frozen Potato Product

STRATEGY CLOCK POSITION	NEEDS/RISKS	OUTCOME
1. No frills	The firm will be only segment-specific (say K-12).	The value add and price is low. Little to no differentiation.
2. Low	Risk of price war and low margins. Need to be a cost leader.	May compete on the buy side, but competition will be based on price.
3. Hybrid	Low cost base and reinvestment in low price and differentiation. Buying raw potatoes below cost, for example.	The value is higher, yet the price is low. Sustaining value remains tough without price concessions.
4. Differentiation	Perceived added value by user yielding market share benefits. Tying yield benefits to the potatoes to justify higher prices.	This is a differentiator.
5. Focused differentiation	Perceived added value to particular segment. Frozen potatoes that work specifically for third-party delivery hold times.	This is a differentiator.
6. Increase price/ standard value	The risk is higher pricing but competitors can do the same. Market share loss is a reality.	Likely short-term success, but not sustainable.
7. Monopoly	Only available in monopoly situation. A patent on a potato technology, perhaps.	Likely failure and not applicable in foodservice industry.
8. Loss of market share	Loss of market share and value.	Failure. Divest or abandon.

The purpose of this fundamental model is to show that sustainable competitive advantage is a moving target — much like a clock. Food companies must continue to revisit the external market forces and changing needs which means this is never a static process.

A food company trying to achieve cost leadership doesn't mean the firm needs to price lower than the competition. Some companies often choose to invest surpluses from higher margins in research and development or marketing.

FSIP encourages firms to continue to review its price versus value on a regular basis to insulate against market share erosion and the threat of substitutes.

NEXT STEPS

Looking for help with developing a strategic plan for your firm or foodservcie division? You've come to the right place. Foodservice IP is a research-based management consulting firm that specializes in strategic planning for foodservice companies. Let's build a better strategy together! Contact a FSIP team member today:

JOYCE BAIRD
Sales Director
312.955.0437
jbaird@foodserviceIP.com

TIM POWELL
Managing Principal
312.602.9899
tpowell@foodserviceIP.com

JULIE HESEMAN
Principal
312.955.0252
jheseman@foodserviceIP.com