# HOW TO DEVELOP A WINNING STRATEGY IN THE MEDIA

By

Charles Warner

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## Introduction

The continuing fragmentation and decline of advertising-supported media, coupled with dramatic changes in the overall structure of the media, incredibly rapid changes in technology, and new business models based on free or fremium have caused all media to place greater emphasis than ever before on eating the competition, on winning.

In the past, traditional media such as television, radio, newspapers, and magazines have too often depended on their facilities, government license, ingrained and habitual viewing or reading habits, or star personalities or writers for their success and not on strategic planning or creating a strong competitive position through product differentiation and marketing. Businesses in the media economy (see “Media Economics and Structure” in Presentations at <http://charleswarner.us>) must develop strategic marketing plans that put them either alone in serving a profitable market niche or being number one, number two, or a close number three in a large, mass market.

The dinosaur media such as newspapers, magazines, radio, television, and cable are business that distributes their content by means of outmoded, buggy-whip technology. They are all clearly on the decline slope of the S curve that charts the business life cycle (development, introduction, growth, maturity, and decline) that *every* business goes through, as seen in Figure 1.1 below.

In every business that reaches maturity and begins to decline, the overall strategic emphasis must focus on marketing more than at any other stage of the cycle – finding new markets, focusing the efforts of all of a business's resources on serving the customer better than direct competitors do, and finding new revenue streams, such as events and ecommerce. Where mass was once king, there are now a mass of niches on the web. The switch of consumer attention to the Internet has caused hyperdeflation in traditional/legacy media value and the rapid declimne of the blockbuster and mass-media era.

 **Product** **Promotion** **Advertising** **Marketing**

 **(Free/Low** **(Paid)**

 **Cost)**

**Sustaining**

**Strategies:**

**Customer success**

 **management**

**Less advertising**

**Personal selling**

**Sustaining**

**Strategies:**

**Personalization**

**Innovation**

**Brand extensions**

**Social media**

**Search**

**Events**

**Experiences (trips)**

**Ecommerce**

**Education**

**Drivers of Growth:**

**Mass media**

**Search**

**Social media**

**Events**

**Drivers of**

**Growth:**

**Free giveaway**

**Free trial**

**Freemium**

**Puplicity**

**Public relations**

**Drivers of**

**Growth:**

**Product features**

 **Service**

 **Development Introduction Growth Maturity Decline**

**The Business Cycle**

**Figure 1.1**

According to Anderson (2009), because storage, processing power, distribution, transaction, and production costs have all gone down dramatically in recent years (approaching free), old-fashioned ad-supported and subscriber-supported media must now compete with free or fermium business models because traditional barriers to entry into a business have been virtually eliminated. For example, a free Craigslist.com took classified revenue away from newspapers – traditionally 30 percent of most newspapers’ revenue. Aggregators such as Google and Facebook have dominated digital advertising, and legacy ad-supported media are starving from lack of advertising revenue.

## What Is Strategy?

Strategy, as defined by Davis and Smith (1984) is "How do I get more than my fair share?" Any company should be able get its fair share, but it takes a *sustainable, differential competitive advantage* to gain the upper hand and get more than a fair share.

Strategic planning, or planning how to get more than your fair share, is not an arcane science, it is simply the coordination of the activities of all of the departments or units in a business so that they are directed toward achieving stated objectives. Strategic planning requires the following process, as suggested by Day (1990):

1. Scanning the overall environment

2. Scanning and researching the industry/market environment

3. Researching direct competitors

4. Researching a company’s skills and resources

5. Analyzing current strategy

Peter Drucker (1954) defined the purpose of a business with the brilliantly simple statement "to create a customer." Thirty years later the renowned Harvard Business School marketing professor Theodore Levitt (1983) expanded slightly on Drucker's concept with the equally simple definition: "to get customers and keep them." In the terms of the media or Internet businesses, this purpose translates into two sets of objectives depending on the definition of a customer.

In the dual-product business of the advertising-supported media, there are two customers: *consumer*s who use the product (viewers, readers, website visitors) and *customers* who buy the product (advertisers). For example, the primary objectives for the team who markets to an audience, in the case of a news website, such as the Huff Post, is to attract visitors, to keep them (getting them to stay longer and go deeper into the site and come back more often), to enhance the site’s brand image, and to achieve the lowest cost-per-visitor. Thus, the Bravo cable network puts reality programs on in prime time primarily because of reality TV’s low cost of production compared to scripted comedy or drama programs. Attracting and holding viewers or website visitors forces content providers to face the necessity of figuring out what the audience really wants and then catering to those wants in a way that is in keeping with and augments a company’s image. This effort requires marketing and strategic planning.

On the other hand, the objectives of a sales team that sells to advertisers is: to get results for advertisers, to develop new business, to retain and get increases from current advertisers, and to delight customers.

The two different marketing focuses of these teams (audience, or consumer-oriented teams and advertiser, or customer-oriented teams) must be integrated into an overall, coordinated marketing strategy. In the modern, budget crunching, and rapidly changing media and internet business environment, the two focuses must be totally integrated. The old days of separating church (editorial) from state (advertising sales) are over, as the two departments must now work together to uncover new revenue-and audience-generating ideas based on what customers and consumers want as gained from usage data. As McKenna (1991) writes: “Marketing is not a function; it is a way of doing business. Marketing is not a new ad campaign or this month's promotion. Marketing has to be all-pervasive, part of everybody’s job description, from the receptionists to the board of directors.”

## Strategic PlanningThe success of strategic planning is determined by how well an organization aligns itself with and continually adjusts to its external environment and direct competitors. Strategic choices are determined by the following elements, according to Miles and Snow (1978):

1. *The dominant coalition:* The top decision-makers who have problem-finding and problem-solving responsibilities.
2. *Perceptions:* A business responds to what its management perceives. Those environmental conditions that go unnoticed or are deliberately ignored have little or no effect on management's decisions.
3. *Scanning Activities*: The dominant coalition is responsible for constantly surveying the rapidly changing environment. The dominant coalition can be reactive (waiting for events to happen before reacting) or proactive (anticipating the shape of events and acting quickly).
4. *Dynamic Constraints*: Decisions constrained by a company's past and current strategy (or lack of it), organizational structure, and performance.

**The Dominant Coalition**

The dominant coalition consists of those who actually have the greatest influence on making strategic decisions. The composition of this dominant coalition will determine what kind of decisions are made. For example, a management coalition dominated by financial people will tend to take few risks, keep expenses for advertising and promotion low, and have analysis paralysis. Or coalitions dominated by sales types will tend to emphasize the salability of content regardless of that content’s compatibility with the business's overall image. Atypical sales department wants content that pleases advertisers.

A common problem for media companies is what Levitt (1983) calls the bull-fight syndrome. He makes the point that down in the ring in the heat and confusion of combat, things may not be seen clearly, but this does not mean that what the combatants do is any less right. He says that nothing is as certain as what is directly experienced.

Many managers are painfully aware of the bull-fight syndrome. They often proclaim in frustration about corporate executives, that "everyone wants to be an operating manager." Levitt's (1983) message to company presidents and high-level executives is clear: let the fighters in the ring decide on the best strategy for fighting the bull.

Levitt (1983) also stresses the importance of the experience, feelings, intuition, and imagination of those closest to the consumer in making strategic decisions. Therefore, an organization's dominant coalition should consist of those who understand the needs and wants of both their consumers and customers. Others can help with their input, but the final strategic decisions should be made by those fighting the bull down in the ring, by those whose careers will rise or fall with the decisions they make about how to get and keep both an audience and advertisers.

However, as Mintzberg (1989) suggests, strategies need not be deliberate – they can emerge. Action can drive strategic thinking. For example, a minor improvement in a website’s content or functionality can work, followed by more, similar small improvements, which can develop into a strategy of kaizen, or continuous small improvements. Reis and Trout (1989) refer to this process as bottom-up marketing, or letting strategy bubble up from small things that work. By taking advantage of little wins, an organization can build confidence and often accomplish more than with purposeful top-down planning. Thus, it is vital that management constantly challenge assumptions and look for strategic ideas from those who understand both consumers and customers; in other words, those who are driven by data and analysis of that data. Therefore, the new form of achieving competitive advantage is to compete on analytics, as detailed by Davenport and Harris (2007) in their *Harvard Business Review* article, “Competing on Analytics.”

**Perceived Problems**

Managers respond only to problems they perceive. They are too often complacent and do not take an imaginative look at opportunities; the tendency is to search in their neighborhood – to look in familiar and traditional places – for solutions. Another dangerous perception is "we know it all." Too many executives believe that their company's success and the profit margins are due to their own brilliance and expertise.

Often successes, by their very nature, contain the seeds for their own destruction. This tendency is labeled as the Icarus paradox by Miller (1990). As was the case with Icarus, whose powerful wax-and-feathers wings melted when he flew too close to the sun and plunged to his death, the greatest asset of every successful business contains the potential for destroying the company. As Miller writes about people who were once quality-conscious craftsmen but become nit-picking tinkerers:

(They) get so wrapped up in tiny technical details that they forget that the purpose of quality is to attract and satisfy buyers. Products become over-engineered but also overpriced; durable but stale. Yesterday's excellent designs turn into today's sacrosanct anachronisms.

That passage could have been written with several once-dominant television networks, newspapers, and magazines in mind.

Another perceptual problem that can crop up is Defender Hubris, as defined by Foster (1986). Leaders in any product or service category not only tend to become complacent, but also to develop a hubris, or arrogance, about their current strategy z(or presumed strategy, which is often more like drifting with the tide than purposefully sailing).

A similar list of management mistakes was outlined by Jim Collins in *How the Mighty Fall* (Collins, 2009). The author of *Good to Great* writes that great, mighty companies go through five distinct phases of decline:

* Stage 1: Hubris Born of Success
* Stage 2: Undisciplined Pursuit of More
* Stage 3: Denial of Risk and Peril
* Stage 4: Grasping for Salvation
* Stage 5: Capitulation to Irrelevance or Death

Collins could not have described much of the newspaper industry better, although *The New York Times,* the *Washington Post,* and *The Wall Street Journal* have adapted to the web quite well by developing multiple revenue streams, especially subscriptions.

**Scanning Activities**

 An organization must constantly monitor the external environment in order to stay in touch with regulatory, economic, social, technological, industry, market, demographic, competitive, and consumer (audience) trends in order to stay ahead of its competitors. Thus, organizations must continually be on the lookout for threats of new competitors coming on the scene or for opportunities caused by the weakening of current competitors. Organizations must be proactive (change fast) rather than reactive (change too late, after competitors have changed) to continue to be successful.

**Dynamic Constraints**

Too often managers invest their egos in a decision and will not change because they are afraid to admit they are wrong. Or, they will not admit that their current strategy is not working. Also, a company's structure often gets in the way of making effective strategic decisions.

The point is that *structure should follow strategy*. This axiom means that managers should change organization structure to meet the needs of the strategy they have selected, and not let some outmoded structure dictate strategy.

Past performance constrains strategic decisions, too. It is virtually impossible to resurrect a product with a poor brand image (MySpace, e.g.). In television it is usually better to bury a failing local TV station newscast and to come up with an entirely new newscast title, set, and approach than to try to resuscitate a failing newscast slowly in small increments. Reinforce success, but "shoot the losers," as Reis and Trout (1989) suggest. Reis and Trout also indicate that it takes too much time and money to change perceptions, so change strategy.

Another dynamic constraint is the over-reliance on traditional financial practices such as revenue projections, forecasts, and yearly budgets. As McKenna (1991) suggests, "Forecasts, by their very nature, must be unreliable, particularly with technology, competitors, customers, and markets all shifting ground so often, so rapidly, so radically." The emphasis must be on the tasks and activities that will carry out the strategies that will get more than your fair share, which will require a new forecast every time you overachieve, which, hopefully, will be continually. In a business environment where the future cannot be predicted, the only chance an organization has is to be agile and react faster to changes than the competition.

Another problem with conventional budgeting practices is that there is no practical way to take account of the opportunity cost of not investing in new technology or ideas.

**Creating Possibilities and Contingency Plans**

Finally, the most challenging and creative act of strategic planning and decision-making is to dream up the possibilities from among which choices can be made, and a possibility has to be created before it can be chosen. Brainstorming is an excellent way of stimulating creative juices and coming up with a wide variety of strategic possibilities. See “Old-Fashioned Brainstorming Doesn’t Work” in the Presentations section at <http://charleswarner.us>.

Creating possibilities also means creating contingency plans for several scenarios that might come about in the future. Although no one can accurately predict the future, it is possible to guess what might happen if current trends continue and determine several directions the future might take. Developing contingency plans for these possible future scenarios is not only fun and stimulating (it is often referred to as gaming), it is also a way to prepare an organization to make lightning fast strategic moves when something close to one of the scenarios occurs. Without contingency plans, when something happens that calls for an intelligent response, an organization has to slow down and plan.

Contingency plans should also be developed for possible moves a competitor might make. Competitive "what-if" scenarios should be developed that outline what your response to competitive moves might be.

## Types of Generic Strategies

There are three basic generic strategies, as defined by Michael Porter (1985): 1) Low-cost producer, 2) differentiation, and 3) focus on a niche market. In media companies such as broadcast television networks and mass-appeal digital companies such as Google, Facebook, and Twitter, differentiation is the most effective strategy. Some cable television networks and digital companies focus on a smaller, niche market segment such as Country Music or Hispanics.

The generic strategy of being a lost-cost producer, which applies to a manufacturing or retail business, does not necessarily apply to the media or online industries because the goal is to create a popular product, a hit, which does not necessarily depend on how much it cost to produce. Differentiation is the strategy to employ if a media or digital company has competitors. Virtually all highly successful media and digital companies (as is the case with most successful consumer products) have highly differentiated content, services, and brand images. A focus strategy is the one to employ if an organization has limited competition for a particular target audience (old movie fans or LGBT people, for example). Typically, niche markets are found out in the long tail of the internet. Focus is an effective strategy if you are the only business serving a market you are focusing on. However, if it is you are making high profit margins, there will almost certainly be competitors entering the market. Once you have competitors, you must switch your focus strategy to differentiation.

**Differentiation**

This strategy is the more difficult that a focus strategy because it requires strong marketing ability, creative flair, strong research capabilities, excellent promotion, excellent content, and advanced technology (platform and UI) execution.

Another example of differentiation are television stations. Television is a mass-market medium with broad appeal to virtually all demographic groups, and most TV stations in the past have depended on a differentiation strategy. The major differentiating elements for local television stations are: 1) Their network affiliation, community service image, and local news programming. Some stations have been successful at a focus or niche marketing strategy, especially those in foreign language telecasting.

**Focus**

This strategy is easier to execute than differentiation because there are fewer (hopefully zero) direct competitors fighting for market share. The focus must be on a market niche that is sizable (big enough to make a profit) and measurable (definable by some research or measurement method).

Cable networks have been somewhat successful in pursuing a focus strategy: ESPN with sports, Fox News with appeal to conservative viewers, and MSNBC with liberal commentators, for example. CNN was the first all-news cable network that focused on news, but didn’t switch its strategy to differentiation fast enough when Fox News started to compete aggressively, especially with the brilliant positioning statement, “Fair and balanced. We report, you decide” (which, of course, is as false as it is brilliant). By differentiating itself effectively, Fox News became the number-one cable news network.

## Crafting Strategy

Mintzberg (1989) suggests surveying the external and internal environment is a fundamental element in crafting strategy, and research must be conducted in order to gather data about the environment, the target audience, the competition, and the internal strengths and shortcomings of a company in order to expand the possibilities from which strategic choices can be made. This creation of possibilities is where imagination comes into play. The two vital ingredients of imagination, or creativity, are information and intuition.

Imagination creates new ideas, and *new* is vital. Psychological research has shown that people are drawn to novelty and variety. It is imperative to be the first mover with any new product, for as Reis and Trout (1989) point out, copy-cat products usually lose. First-mover and highly differentiated products such as Ivory, Intel, and Coca-Cola have to screw up to lose (which has happened often – consider MySpace). As Reis and Trout write, "you never get a second chance to make a first impression," so when introducing an innovation, launch the product and then promote it big once you have worked out the kinks. For example, don’t promote a new website until it’s been tested fully and vetted by hundreds or even thousands of users. Google and Facebook are able to test innovations on, say, 1,000 users, and if it works, test it on 100,000, and then if it works, test on 1,000,000 and so forth until the innovation is introduced to its billions of users.

Strategy must be crafted in order to *create a discernable, promotable, and sustainable competitive advantage.* For example, in a smaller market, a television station that has a strategy of building its news image around an attractive anchor who might soon leave for a larger market would be attempting to build a non-sustainable advantage, or a website or an app that isn’t instantly recognizable as offering something new, different, and better, like Twitter did, stands a good chance of failing.

## Research

Research is the process of gathering information about a market, an audience or users, competitors, and your own organization. Research can be conducted by outside suppliers or internally by an organization itself. If an organization goes outside to a reliable research company or consultant, there are the advantages of knowing that the research will be done under professional supervision, with technical precision, and without insider, perceptual bias. Responsible research suppliers and consultants can also help companies examine a wider range of possibilities than might otherwise be considered, can help look outside the neighborhood for more strategic alternatives, can help and organization develop contingency plans and competitive scenarios, can help companies examine ingrained assumptions, and in some cases can help them overcome management hubris.

However, there are some problems with buying external research and hiring consultants. First, it can be quite expensive, and for many organizations evaluating the tradeoffs can be painful. Should a company pay $50,000 for a marketing study or invest that money in a marketing campaign? Next, who is going to interpret the research and consultants' advice? Strategic marketing research seldom comes up with absolutely clear-cut, black-and-white answers. Data and advice have to be interpreted, and it is here that market knowledge, experience, and intuition are important.

For instance, research will always show that television viewers like "positive news." Those inexperienced in news programming might interpret this information literally and emphasize too many soft news stories. Knowledgeable pros know this reaction means that most news viewers do not want positive stories *only*, but that they want the hard news (most of which would be considered negative) presented in a style that is not overly sensationalized.

Data on users is much easier to gather on the web and it is unambiguous because the data is based on actual behavior, not on attitude or opinions. Google is obsessive about basing its decisions on data, and has been incredibly successful with this approach.

Also, research companies and consultants, no matter how reputable, are sometimes influenced by the preference and prejudices of their clients – they do not stay in business designing research studies and giving advice that proves how stupid their customers are. Finally, any research that deals with people's intentions or tries to predict their future is going to be flawed because tastes and actions (especially if the research is based on what people say they are going to do) is virtually worthless. Ask viewers if they want to watch documentaries and the will say “yes,” but when documentaries are scheduled they get miniscule ratings. People often give a socially acceptable answer of their intentions which does not reflect their ultimate behavior.

Research that is conducted internally, if it is thorough and well designed, can be as penetrating and enlightening as research conducted externally by professional suppliers and consultants and a lot less expensive. On the other hand, research consultants can give benchmark advice as to what has worked and has not worked in other similar situations – a major benefit of consultants.

## Scan the External Environment

 Examine the following external environmental elements to look for potential threats and opportunities:

1. Political/regulatory (on the web, privacy issues are a political hot button)
2. Economic
3. Social
4. Technological

**Research the Industry and Market Environment**

 Examine the following external elements to look for threats and opportunities:

1. Market size and potential
2. Consumer behavior
3. Consumer segments
4. Potential competitors
5. Industry and market revenue and profit trend

*Consumer research*. Gathering information about consumers can be done in a number of ways: with internally or externally generated research, with focus groups, with mall surveys, etc. What the research is seeking are a company’s key success factors or core competencies.

*Consumer assessment*. Research must answer the following questions:

1. Who is the audience?
2. What benefits are they seeking?
3. How well does a medium deliver these benefits compared to the competition?
4. What are the sources of these perceived differences?

The underlying premise must be that perceived differences between a company and its competitors are not meaningful unless the differences can be converted by consumers into:

1. Benefits - "Why should I use the website or app – what's in it for me (WIIFM)?”
2. Benefits to a large enough consumer base to be profitable.
3. Benefits that are meaningful enough to consumers to keep them from going to competing sites or shutting off their computer or mobile phone.
4. Benefits consumers cannot get elsewhere.

The goal of consumer research is to isolate four, five, or six main benefits that you can provide effectively (key differentiators). Once those key differentiators are isolated, you should concentrate only on them and not try to be all things to all people.

First and foremost, a business must set itself apart from its competition. To be successful, it must identify and promote itself as the best provider of benefits that are important to target consumers. (Day, 1990.)

**Research Direct Competitors**

Competitors' strengths, weaknesses, and vulnerabilities must be defined and understood by doing a thorough strengths, weaknesses, opportunities, and threats (SWOT) analysis.

**Exhibit 1.1**

|  |  |  |  |
| --- | --- | --- | --- |
| **S**trengths | **W**eaknesses | **O**pportunities | **T**hreats |
| * Things your company does well
* Qualities that separate you from competitors
* Internal resources such as skilled, expert staff
* Tangible assets such as intellectual property, patents, capital, proprietary technologies
 | * Things your company lacks
* Things your competitors do better than you do
* Resource limitations
* Unclear unique selling proposition/value proposition
 | * Underserved markets for specific products
* Few competitors in your area/niche
* Emerging need for your product or service
* Press/media coverage of your company
 | * Emerging competitors
* Changing regulatory environment
* Changing customer attitudes about your product, company
 |

Above exhibit is adapted from <https://wordstream.com/blog/ws/2017/swot-analysis>. For complete details on how to conduct a SWOT analysis, go to <https://wordstream.com/blog/ws/2017/swot-analysis>.

Research becomes likes spies in wartime. As the Chinese general Sun Tzu wrote, "Spies are a most important element in war, because upon them depends an army's ability to move." Competitive intelligence and analysis (not illegal spying) includes detailed descriptions of the following elements, as recommended by Michael Porter (1980) in his groundbreaking book *Competitive Strategy*.

1. Future goals. What drives competitors; where do they want to go? Some companies that have very low debt are run by owners who are often satisfied, complacent, ego-involved, stubborn about sticking with what they are comfortable with. If this type of company is attacked, the owners are apt to hunker down, not promote much, and try to wait it out in a war of attrition because they can afford it and are uncomfortable in the unfamiliar territory of competitive battles. On the other hand, companies financed by money from investment bankers and venture capital firms (leveraged buy-outs and highly leveraged transactions especially) usually have a go-go outlook and need excellent short-term results – bankers allow and VCs allow three to five years to make it – then they tend to get crazy if financial projections are not met. Save money during an initial push and then come back strong after they have blown their wad and cannot defend themselves – they often find it difficult go back to the bankers and VCs for more money.
2. Assumptions. What is a competitor's perception of its relative position and what are the historical or emotional identifications it makes (with show business or with the technology industry)? It is usually pretty safe to go after a company whose owners have strictly a bottom-line orientation and are used to large profit margins – they will cut sinew to keep margins high. Does the top executive of a competing company have a sales background and are his or her financial rewards based on one-year profit figures? If so, defending an attack from a competitor by cutting back inventory available for sale and substantially increasing promotion is unlikely by this type of manager. Does a competitor rely on extensive research or assume that gut feel is adequate? Always attack a competitor who runs his or her business by gut feel and instinct rather than by analyzing data. Thus, attack this type of competitor with heavy promotion and user-friendly functionality.
3. Current strategy. A strategy does not have to be explicitly stated, it can be implicit in actions. A competitor's strategy is best described by the major operating policies in each department and, most important, by the management style and values of its key executives. A top executive who is an insensitive autocrat, whose only focus is on the bottom line, who does not feel serving consumers is important, or who does not produce a quality product is vulnerable to a company whose management has opposite values.
4. Capabilities. How good is a competitor's top management? CEOs are more critical to a company's success than any single team leader. An ignorant CEO will not let his or her people do what must be done to win, will take few risks, and will blame the others for failure. Eventually, good people will leave. A smart CEO will hire a good people, take intelligent risks, take responsibility for setbacks, and give others credit for winning. In organizations like this, good people will probably stick around for a while. How easy is a competitor to buy from, how good is its sales department (can it bring in enough business at high enough prices to generate profits that will sustain a defensive effort), and how effective are its operating people who organize and execute the competitor's strategy? Does a competitor conduct on-going research, including focus groups, to keep up-to-date on market and industry trends? What is a competitor's financial position? Can it afford to do research or mount an expensive counter-attack? Ask a company’s customers what your target competitor is best at and worst at. Is it likely to change what it is doing in order to react to a competitive assault? Does it have the ability and talent to adapt to changes in consumer tastes and to respond? How quick is its response to changes and to competition likely to be? What is its staying power?
5. Competition's response profile. Is the competition happy with its current position? What likely moves will the competition make and what strategy, if any, is it likely to respond with? Where is the competition most vulnerable? What actions will provoke the greatest and most effective retaliation from them? Obviously avoid taking these actions.

 It is vital to have a well-organized and thorough competitor-intelligence-gathering system in order to collect, compile, catalog, digest, and evaluate complete, detailed information about your main competitors. With good data, scenarios about competitors' likely strategic moves can then be developed as well as your possible responses to their strategies.

## Scan the Internal Environment

**Research Your Company’s Skills and Resources**

The next step in strategic planning is to conduct internal research to examine your own strengths and weaknesses. Strategic thinking starts with your basic skills, and considers how to use them, according to Dixit and Nalebuff (1991). Marketing audits must be conducted to get an objective appraisal of what your organization is good at and what it is not so good at. This type of evaluation is difficult to conduct because of the potential of stepping on individual and collective toes. Everyone overestimates your company's strengths, and no one wants to admit that any weaknesses exist.

However, honest, candid, and objective internal analysis is crucial to the success of strategic planning. Therefore, conducting a strengths and weaknesses assessment is often best accomplished by outside consultants.

Organizational assessment typically is, and should be, a major function of group or corporate management. However, this assessment must be based on a variety of factors, including people, human relations, and qualitative elements, and not merely on ivory-tower, bottom-line-only judgments.

The same type of detailed descriptions of the elements examined in competitive research must be developed for a company's skills and resources, as follows:

1. Ability to conceive of and create content and promotion. Does a company have the creative, innovative people necessary to develop new content or functionality and promotion ideas that will clearly position a firm to have a differential competitive advantage? A candid assessment of strengths, weaknesses, and capabilities is vitally important to the success of any strategy. Is current management and other personnel open and objective enough to make valid assessments?
2. Ability to produce and execute content and promotion strategies. Does an organization have the type of people who can execute a strategy day in and day out? A Web site redesign or promotion can look good on paper, but if the development people, engineers, and others responsible for execution or are not committed to it or might soon become bored with it, the project will probably fail.
3. Ability to get and keep advertisers. The costs of any content and promotion strategy must be covered by the revenue generated by the sale of advertising or by charging for content. Does a company have effective, intelligent enough salespeople to sell the strategy to advertisers and to bring in the revenue to support the strategic plan?
4. Ability to finance. Does the company have the financial resources to carry out the strategy in the long term? Quick-fix strategies rarely work, so an organization must have sufficient resources not only to implement a strategic plan but also the persistence to stick with it long enough to allow it to work.
5. Ability to manage. How good is management at all levels? What are they best at and worst at? What are their areas of expertise? This strengths assessment is crucial because strategy must be built on strengths – doing the things that an organization does best.
6. Commitment. Without the full and enthusiastic commitment of a corporate parent, investors, and company management to a strategic plan, it will probably fail. Does the organization have the commitment and the persistence to make the plan work? Does the organization trust and completely support the people who are responsible for implementing the strategy? Many well-conceived strategic plans have failed because someone in management for political reasons did not want it to succeed.

**Core Competencies.**

One of the main goals of internal assessment is to identify an organization's core competencies, as defined by Hamel and Prahalad (1990). Core competencies are the handful of skills and resources that will exert the most leverage on competitive advantages and results.

Core competencies to be a useful concept, they should identify a source of advantage where a change could have a large impact on that advantage, and where differences between it and competitors are sizable. Core competencies must be aggressively nurtured and protected, and managed obsessively to ensure success.

Core competencies must be based on customer-oriented assessments, not on what management perceives them to be. A recent study by a leading television news consulting firm revealed that news management (including producers) had completely opposite views of the most interesting or "best" stories in a newscast from those of a focus-group audience – a situation that must be guarded against. Don’t depend on management opinion; always check the data with consumers and customers.

**Analyzing Current Strategy**

Examine a firm's current strategy based on the following elements to look for strengths and weaknesses:

1. Description of current strategy
2. Current performance vs. objectives

Once the above descriptions and evaluations have been made, two questions should be asked: "What went wrong and how can we avoid making the same mistakes again?" and "What went right and how can we repeat these successes?" However, keep in mind that you learn infinitely more from mistakes than from successes. Unfortunately, people don’t like to talk about mistakes and love to talk about what went right and pat themselves on the back. You learn nothing from patting yourself on the back. You must develop a culture that views mistakes not as bad but as learning opportunities.

**Be Best At a Few Things**

As Davis and Smith (1984) suggest, it is vital to be the best at a limited number of things and only those things that internal research has indicated you can do better than your competitors. This notion of being best a few things is imperative for a startup business. These things you do best at startup and are recognized by consumers and customers as the best and that delight consumers and customers once established can be expanded on. For example, when Jeff Bezos started Amazon, the ecommerce website just sold books, but because Amazon delighted consumers, it owned the relationship with consumers and was able to expand into the “everything store.”

**Develop a Game Plan**

After you have conducted research and analyzed it, you can develop a strategy – a game plan. In *The New Thinking Man's Guide to Pro Football*, Zimmerman (1984) quotes Bill Walsh, the ex-coach of the San Francisco 49ers, as saying that he always had a plan that allowed for the unforeseeable. Walsh also said that his game plans were all keyed to screw up one opposition player.

In other words, thoroughly attack weaknesses in the competition – weaknesses in terms of what target consumer preferences and needs competitors are not satisfying well or what content or functionality competitors are not promoting effectively. Go after competitors that do not conduct research and analyze data, that do not have enough money to or are reluctant to retaliate, that have a track record of ineffective corporate interference, that are slow to move because of a stifling bureaucracy, that are apt to react emotionally to competition, that leave ineffective managers in their jobs too long, or that continually hire low performers and underpay them.

Developing a game plan also means having some understanding of game theory, which is the purest form of strategic thinking. To learn more about game theory, read “The Prisoner’s Dilemma and the Mini-Max Strategy” in the Publications section at <http://charleswarner.us>.

**Intuition**

Intuition is a combination of imagination and experience. However, in order for the creative imagination to function, it must be thoroughly absorbed in the subject – it must have lots and lots of information. The ability to absorb large quantities of research data, synthesize it, and then come up with an unusual approach is at the heart of creative thinking. Imagination comes from being able to think of a large number of alternatives analyzing them all, and then making an unusual, unique connection. Imagination also involves taking risks, in doing something new. However, just because something is new, different, or “creative” does not mean it is right or that it will work. What works is keeping up on industry trends and viewers' tastes and then using imagination to give people what they want. Experience is essential in knowing how to interpret data and in understanding what alternatives have not been successful in the past and why. It is in this area that research and consultants can be of great help.

**Final Steps in Defining a Strategy**

1. Position a company for competitive superiority. Day (1990) writes: “The essence of competitive advantage is a positioning theme that sets a business apart from its rivals in ways that are meaningful to the target customers.” Successful themes are built on some combination of two or three thrusts:
	1. *Better*. A perception or image of better content, information, amusement, organization, or functionality.
	2. *More*. A perception or image of more features, more functionality, more information, or more of what consumers like.
	3. *Closer*. A perception or image of being more friendly, more user oriented, or "more like me."
2. Write a brief, two- or three-sentence *positioning statement*. A positioning statement is not a slogan, it is a description of the three or four most important benefits a product provides to consumers.
3. Develop a one-, three-, and five-year *strategic plan*. Revenue and profit budgets usually do not have strategic components, and, therefore, do not show in detail how the budgets are going to be achieved. A strategic plan should include marketing, advertising, promotion, and content elements. In 1990, the year the Honda Accord became the number-one selling car model in America at the time, Honda unveiled its 100-year plan. The two occurrences are not coincidental.
4. Develop a *current marketing plan*. Keep a file on your computer in which the following columns are included for each project: (a) Strategic goal ("to develop interesting, salable information content," e.g.); (b) team members; (c) who does what specifically assigned tasks and activities to each team member); (d) deadline; and (e) results expected. Update the plan weekly, and when each project is completed, conduct a debriefing as described under Analyzing Current Strategy above, by asking the questions: "What went wrong and how can we avoid making the same mistakes again?" and "What went right and how can we repeat these successes?"
5. Look for *new competitive space*. A company must continually analyze its core competencies to look for opportunities they create for new products and new markets that do not currently exist and then to stake them out before competitors do.

 A company will strive to create new competitive space only if it possesses an opportunity horizon that stretches far beyond the boundaries of its current business. This horizon identifies, in broad terms, the market territory senior management hopes to stake out over the next decade, a terrain that is unlikely to be captured in anything as precise as a business plan. (Hamel and Prahalad, 1991)

Thus, in the search for new products or extensions, companies must go beyond asking what their consumers want, and through experience and intuition come up products that consumers will want before they know they want them. This creative clairvoyance is the only hope for long-term survival.

**Potential Traps**

When crafting a strategy, there are several traps to avoid:

1. Meaningless differentiation. For a benefit to be a key differentiator it must make a real difference to consumers, not to employees. Subjectivity (“that’s what I like”) has killed more strategies than inadequate promotion dollars have.
2. Getting greedy. How many websites and apps have done well appealing to a particular market segment then have tried to broaden their appeal out of their niche and fail? They got greedy.
3. Group-think. Group-think occurs when people get together and start talking about how great they are and how awful the competitors are. Successful organizations and sports teams usually begin to lose when they underestimate their competition. Group-think also occurs in a meeting or within a group when they do not encourage dissension, and subsequently everyone agrees with an idea. A popular member of the group will throw out an idea and someone else will agree with it. Suddenly everyone begins agreeing and reinforcing everyone else – the cascading begins – and dissention and disagreement are squelched.
4. Throwing money at a problem*.* The best money spent to support a strategy is for good managers. The right strategy that is prudently and well executed will eventually win. No amount of money spent in promotion or advertising can rescue a poor strategy, lousy content, or awful execution. Throwing money at a problem often happens at a startup that is overfunded by venture capital. It’s better to be “lean and mean.”
5. Lack of commitment. Some companies have a track record of giving up easily and not fighting a challenge, always pick on them. Some companies have an enormous amount of pride and commitment to their people, values, and the quality of their product – avoid picking on them. Organizations and managers who have the proper goals of providing an excellent service to their consumers and executing well are virtually impossible to overtake.

## Whom to Attack

It is best to be an attacker, as the attacker always has the advantage (Foster, 1986). The defender is at an inherent disadvantage, according to Foster. In fact, a defender may not even know it is being attacked until the attack is well along. The attacker can hide in a niche, can be more powerful than it appears at first glance, and can be, and usually is, more motivated. Foster also points out that defending is difficult because a defender must be both a defender of old technologies (positions, strategies, content, or functionalities) and an effective counter-attacker with new technologies (positions, strategies, content, or functionality). In order for a defender to be successful as both defender and attacker, the defender must develop a new strategy and culture – it cannot hang onto the past, which is why MySpace lost to a well-positioned, attacking Facebook.

When deciding how to craft a strategy and how to position a company, attack a competitor based on the following priorities:

1. Weak management
2. Weak financial resources
3. Weak execution
4. Weak corporate commitment
5. Weak technology, design, and/or functionality

Many attackers make a fatal mistake early in their attack, according to Foster (1986). They get too worried about a defender’s ability to improve, so they decide to bet their whole wad on one major move. They often hold off unveiling their new strategy until they have designed what they believe is the ultimate product. By the time the attacker comes out with its “killer” product, the defender, by improving incrementally, has protected its market, its customers, and its image. Thus, when attacking, it is imperative to make a preemptive strike. Strike hard and fast from apparently nowhere, pour it on, and to go faster (more advertising and promotion).

## Strategic Moves

The brilliant Chinese general Sun Tzu wrote 2,500 years ago:

Thus we may know that there are five essentials for victory:

* He will win who knows when to fight and when not to fight.
* He will win who knows how to handle both superior and inferior forces.
* He will win whose army is animated by the same spirit throughout its ranks.
* He will win who, prepared himself, waits to take the enemy unprepared.
* He will win who has military capacity and is not interfered with by the sovereign.

 If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.

“A strategic move is designed to alter the beliefs and actions of others in a direction favorable to yourself.” (Dixit and Nalebuff, 2008).

When deciding on what strategic moves to make, the fundamental rule is: “Look ahead and reason back.” (Dixit and Nalebuff, 2008). The idea is to anticipate where your initial decisions will ultimately lead and then use this information to calculate your best strategic choice to get where you eventually want to be. Since strategic decisions usually involve a sequence of your own and your competitors’ decisions, it is imperative that you create a Decision Tree and a Payoff Matrix showing the various options that you will face along the way as your competitors make their possible moves. (See “The Prisoner’s Dilemma and the Mini-Max Strategy” for examples of a Decision Tree and a Payoff Matrix.)

Strategic moves to consider are:

1. **Brute force** is the strategy to use if you are big, powerful, and have extensive capital resources which you can overwhelm smaller competitors with massive marketing and advertising campaigns. The brut force move also includes buying a competitor the way Facebook bought Instagram.
2. **Tit-for-tat** is a strategy that mirrors the other side’s behavior. If the other side defects in a Prisoners’ Dilemma game, then you must defect. If the other side is aggressive and insulting, you must be aggressive and insulting. By using tit-for-tat, you give the other side the message that it will move things along if it cooperates**.**
3. **Bluff** is essentially a lie, but a lie with a straight face. You bluff when your leverage is not strong, but you don’t want the other side to know it. Bluffers make statements, show behaviors, and perform activities that would be perfectly all right if they were not completely unfounded. According to Laszlo Mero in *Moral Calculations,* “Bluffing is like vitamins. It is essential in small amounts, but harmful if used excessively.” For example, in poker you can’t bluff all the time, because if you do no one will believe you, stay in the pot, and you will loose big. If you never bluff in poker, if you bet everyone will fold because they know you’re telling the truth. The best bluffing strategy is to bluff only occasionally, which is referred to as using a mixed strategy, and bluffing on a random basis with no identifiable pattern.
4. **Trial balloons** can be sent up, or announced, to see if they fly. The White House under several presidents has used trial balloons to test ideas on congress and the public before committing to implementing programs. Major manufacturers sometimes announce a price increase and then wait and see if competitors follow; if not, they roll back the increase. A trial balloon is like sticking your toe in the water to see how warm it is – it is clearly a test.
5. **Prior announcements** can preempt a competitor's move and show commitment to a position. Of course, if the prior announcement meets with highly unfavorable reactions, you can back off, but you can’t do this often, because you will lose credibility. Prior announcements should not be used as trail balloons; they should only be made with every intention of carrying them out.
6. **False announcements** can throw the competition off and delay defensive responses, particularly in introducing a new product and in purchasing advertising. However, a false announcement, like bluffing, should be used infrequently and on a random basis because if you cry “wolf!” too often, no one will believe you and you will lose your credibility and any possible advantage.
7. **Secrecy** cuts the lead time for competitive defensive reactions. A secrecy strategy should be used to prevent competitors from knowing what changes you are making and to prevent them from reacting before your changes are implemented.
8. **Preemptive strikes** can be extremely effective in cutting into a competitor's planned strategic maneuver. For example, if a company finds out that a competitor has hired a developer a producer who is expert in a particular type of content, you might implement and announce before the competitor does a new feature similar to the one you anticipate the competitor will introduce. Preemptive strikes motivate your team and de-motivate the competition. Little is more demoralizing than having someone else execute your new strategy first. Preemptive strikes occur when you make the first move, but the move must be unconditional and irrevocable, otherwise you will lose credibility in the future.
9. **Threats, warnings, and promises** can be made in advance of a competitor's anticipated move in order to deter the competitor from making the move. Threats involve punishment, and promises involve rewards. In other words, if you know a competitor is thinking about introducing a new feature, you could issue a threat of doing it the same week the competitor does (which increases everyone’s costs) if the competitor proceeds. On the other hand, you could promise not to implement the feature if the competitor doesn’t (and save money). An example would be for a rental car company to promise not to offer prize points for rentals if it believes a competitor is contemplating doing so. Often threats and promises can keep costs from escalating. If you issue a threat, you must follow up to remain credible. A threat would be, “If another rental car company offers prizes, we offer bigger ones.” A warning is less emphatic and does not require a response. A warning would be, “If another rental car company offers prizes, we would consider doing likewise.”
10. Using a **fighting brand** is a strategic move that pits a new product of yours against a newly designed product of a competitor or a competitor's planned new product. The fighting brand is intended to take market share away the competitor's new or planned product without cannibalizing your established product. An example of a fighting brand was MTV's VH1 all-adult-music video channel that was designed to fight Ted Turner's planned launch of a new music-video channel, which it did. Turner's planned launch was scuttled.

Finally, when making strategic moves, it is vitally important to mix your tactics as a great quarterback mixes plays in football or a Hall-of-Fame pitcher mixes his pitches in baseball. When mixing your moves, unpredictability is the key; otherwise your opponents can observe and exploit any systematic pattern almost as easily as they could if there were an unchanging repetition of a single strategy (Dixit and Nalebuff, 1991).

## Executing a Strategy

Determining the right strategy is the easy part. The hard part is gathering the right information and executing the strategy. Doing the necessary research which collects, compiles, and catalogs information is usually boring drudgery, like watching endless game films is for professional football coaches. Executing the strategy is often painful and tiring, like trap blocking and tackling are for pro football players. However, all the boredom and pain are forgotten when it is done right and a company wins.

In football and in business, executing the basics is a requisite for success. A classic example of executing on the basics were the Green Bay Packers under their Hall-of-Fame coach Vince Lombardi. A competing NFL team sent a coach to watch a Packer game. When the coach returned to his team and when asked what Lombardi’s winning strategy was, the coach answered, “blocking and tackling by experts.”

Executing the basics is even more appropriate in the media for several reasons. First, a personality’s popularity or a creative concept is virtually impossible to pre-test, as is the design and functionality of a website or app. Therefore, a new TV program, new talent, or new website or app needs to go live and then wait to see whether or not consumers like it. Companies must wait for at least a month (depending on the frequency of rating and research reports) to see if the strategies are working. The only security management has under these circumstances is precise execution of the basics, obsessive analysis of data, and a commitment to make the changes work, based on ratings or usage data.

Second, the majority of ad-supported media are free to consumers. Because they are free, there is no penalty or cost involved with switching. Thus, it is not a case of making a sale of a product just once – the media have to promote constantly. They have to deliver their very best product continuously, because it is relatively easy and cheap to go elsewhere, especially on the Internet, and to cut the cord in TV. Maintaining excellent execution of the basics in these circumstances is crucial.

Third, media are intangible products – a service. One of the unique things about intangible products is that customers are rarely aware when they are being served well. They are only aware when they are being served poorly or until they are aware of the availability of something better. Even if they are aware of something that offers more benefits, they are not apt to switch unless they are dissatisfied, because they are usually more comfortable with a current, habitual choice. Therefore, excellent execution on the basics and delighting customers, as Steve Jobs first articulated, is essential.

Free media must concentrate on executing their strategies consistently well so that consumers do not have any reasons for feeling dissatisfied. Good, consistent execution keeps people coming back and minimizes the reasons for going elsewhere. Amazon provides an excellent example of consistently excellent execution.

Remember, that if the niche a company focuses on is big enough to be profitable, someone else is sure to enter the fray. Once there are two or more companies serving a market niche, the strategy of the game turns from focus on the niche to differentiation. When competitors enter a niche, clear differentiation is vital, and excellent execution is the key to establishing a differentiated product. Therefore, even if a website is alone in a market niche, it had better execute and promote exceptionally well to discourage competitive entry.

## The Strategic Planning Cycle

How often should strategic planning take place? The answer is hourly, daily, weekly, monthly, quarterly, and yearly. It is vital that the planning cycle be completely flexible in order to respond immediately and nimbly to any environmental, competitive, or internal organizational changes. Scanning activities must be thorough, constant, and conducted at a rapid pace. The moment any changes are noticed in the internal, external, or competitive environment, those responsible for crafting strategy and the dominant coalition should discuss the change with condor, objectively, and in depth to determine what, if any, responses are appropriate. Strategy shifts, no matter how slight, must be discussed, agreed upon, and implemented with lightning speed. In the current fast-paced business climate, analysis paralysis is deadly.

The major value that managers and their associates add is not producing a product, but it is the ability to stay ahead of their competitors. Jack Welsh, ex-CEO of General Electric, is rumored to have once said at a meeting with managers at a plant, “I don’t want a news report. The question is what can we do now? How fast? With whom? It’s war out there – do something!”

## Summary

 To be successful, a strategy must be clear, simple, and able to be expressed in no more than a short paragraph. The strategy must define three things: 1) how to get more than your fair share, 2) what has to get done, and 3) how to do it.

Once a company has decided on making a strategic move, it must communicate to everyone, consumers, customers, and competitors alike, that it is unequivocally committed to sticking with the strategic move and to retaliating against any counter move by competitors. Then it must follow through continually on the commitment and retaliate aggressively against any attack, no matter how small.

The two keys to developing a winning strategy are good information and good intuition, both of which will help a company recognize industry trends early, which is the single most important requisite to continued success in the highly fragmented media industry.

Furthermore, no strategy is etched in stone; it must be continually updated and be changed instantly in order for a company to stay ahead of competitors – top management's most vital and difficult task.

Finally, staying ahead of competitors means continually redefining your business in order to get more than you fair share and making strategic moves in response to your competitors’ moves.

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