

- Good people want to work for the best company. The originator of a market may benefit from being able to ... the best people without necessarily having to pay than the competition.

How to be first

Getting into a market can be a result of many factors:

- G..... i.....
- T..... b.....
- S....
- G... o.....
- S..... e.....

Is being first always best?

Multinational Procter & Gamble has always said, "It's better to be ... than to be first". In high-technological sectors, being first may buy some time, but unless a sustained competitive advantage can be built, market share will slide towards the best quality or most innovative supplier.

The strategic issue

The real conclusion must be that there is no single best strategy. Firms should know their own strengths and build on them. The only wrong approach is

NORTHWESTERN MUTUAL'S ED ZORE ON STAYING RELEVANT TO CUSTOMERS

A conversation with Ed Zore.

Read the conversation and match the questions to Ed Zore's answers.

- *How do you know whether you're staying relevant?*
- *So what's wrong with focusing on innovation?*
- *What's the best way for a company to stay on top of its game?*

It is relevance, not just innovation, that matters to customers, says Ed Zore, president and CEO of Northwestern Mutual, the 150-year-old insurer that is consistently ranked by Fortune as the most admired company in life and health insurance and is the U.S. market share leader for total individual life insurance premiums. For Northwestern Mutual, staying relevant to customers means watching the right dashboard gauges, including the one that shows "persistence" - the percentage of customers who stay with the company year after year.

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There's obviously nothing wrong with innovation. Innovation is great as long as it improves your ability to provide value to the customer, but too often it doesn't. In technology industries, you have to come up with a new gizmo every month. I heard a 50-minute speech in which a CEO must have used the term "innovation" 35 times. And I'm sitting there trying to figure out what he means. I don't have a clue. He's not talking about making the stuff work. He's not talking about making it useful.

Don't innovate just for the sake of being innovative. Stay relevant that's the name of the game, no matter what industry you're in. Being relevant means lowering costs, improving customer service, or generating business. An innovation doesn't make sense if it can't do that.

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We have several ways of measuring relevancy. One is results. You can see if you're relevant by how you're performing. Your results tell you if you understand the business. Our company is exceptionally good at managing the fundamentals: Long-term investments. Low expenses. Careful underwriting. We believe that one of our obligations as a mutual company is to provide as much value as we can to our policy owners. That's one reason we're so proud of how greatly our dividend payout exceeds even our closest competitors'. We've also stayed relevant by adding new products and services that are consistent with our initial value proposition. But, of course, any company can benefit from looking at its results and the value it provides customers.

Another measure is: Are we gaining or losing ground? If we're gaining on the competition, we're moving in the right direction. If we weren't growing, we'd probably be decaying, because we wouldn't be able to keep good people. Our numbers show we're doing well.

We also gauge relevance by listening to our customers and to our 7,500 financial reps. Our reps are our eyes and ears in meeting with clients, assessing client needs and implementing our financial security value proposition. They let us know what's working and what's not. We have committees of reps - for investment products, long-term care products, life insurance, disability insurance - zillions of committees of reps that give us focused feedback, not just random sales reports, and we take their input very seriously. And persistence is a number we religiously track - it's the rate at which customers stay with the company from year to year. Right now it's 96.5%, and it keeps creeping up. Alongside that, we measure the level of complaints per unit of sale and per rep. That not only saves us money, but it also provides us with information we can use to keep improving customer service.

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To stay relevant, you've got to keep increasing the value you deliver to customers. Here's one example: Several years ago, we figured out how to restructure policies to create more value for policy owners, and we gave it to them retroactively at no increase in premium. Nobody else did that. We did it a couple of times - we do it with all our products today. We're adding some features to a long-term care policy, and we plan to add them retroactively to all the policies out there. We'll go to our policy owners and say, "Look, we just made this better for you." It's good for the customer, and it's good for the field force that sells the policies, because they don't have to apologize.

Our goal is to have customers for 40 to 50 years and to be around to pay their claims and help them achieve financial security. We want to make sure we're here when they need us. General Motors would love it if everybody came back and bought a GM car, and how do you do that? By making sure there's substance under the chrome, not just flashier chrome.

*Thomas A. Stewart
Harvard Business Review, December 2007*

Are these statements true or false? Correct the false ones.

1. Customers care more about innovation than relevance.
2. Sometimes innovation doesn't provide any value to the customer.
3. To be relevant you should lower costs, improve customer service, generate business.
4. Good performance is the best measure of relevancy.
5. You are relevant if you gain on the competition.
6. You shouldn't listen to your financial representatives. They are too subjective.
7. To keep increasing the value you deliver to customers can help you stay relevant.

WHEN PUBLIC SPEAKING IS ENEMY № 1

It's happening again. Your pulse is racing, your palms are sweating, and your voice is choking up. No, you're not being robbed at gunpoint; you're about to address a group of your most promising potential investors.

Can public speaking actually cause such panic and dread? "Some people fear it more than they do death," says Kim Dower, author of *Life Is a Series of Presentations* and owner of Kim-From-L.A. Literary and Media Services. "The idea of failure in front of a group is terrifying. The anxiety is so real and so physical.

"Whether it's a new business prospect or a band of venture capitalists you're trying to influence, the fear factor can drastically inhibit the delivery of your pitch. Even experts in their field often experience "imposter syndrome"¹," Dower says. "We think when we get up, we won't know what we know. We don't believe our own talk."

And if you think your type of business excuses you from having to perform under such scrutiny², think again. Defeating your nerves and developing a gift for persuasive gab is critical to success in business.

"The two most important skills to your career success are the ability to speak and write well," says Diana Booher, a communication consultant to Fortune 500 clients, key-note speaker and author. "Ideas are a dime a dozen. It's what you have documented, e-mailed and filed for the world or what you've spoken in front of a group that gets noticed," she says.

The Power of Preparation

The good news is you can transform the apprehension and dread that consumes you prior to a presentation into the passion and positive energy you need to wow an individual or crowd. Preparation is what gives most polished speakers an advantage over others. This means knowing your audience and mission.

"Everyone listens and takes in information in a different way," Dower says. "Tailor your talk accordingly. For example, school teachers like to have an outline, as opposed to salespeople who tend to shoot from the hip and are more impromptu³."

To make a winning first impression, you'll also need to look the part. For instance, if you're a woman talking to a group of businessmen, don't show up in a long skirt and shawl, Dower says. "Look like the people you're talking to." A good rule of thumb is to dress like the senior decision-maker in the group. You should also ensure your look doesn't compete with your message. Don't wear loud jewelry or anything that reveals too much cleavage.

Since people judge how credible you are by your appearance, your posture, movement, gestures, facial expressions and demeanor⁴ should be smooth and natural, Booher says. "If you're standing rigidly still, are breathless and not pausing, people can see through to your lack of self-assurance." If possible, she advises to behave as you would when with a group of friends, focusing on your facial animation, hand placement and energy level. If you're launching a new product line or trying to get a budget passed, it's that one-on-one connection you need to get others to believe and invest in you.

Also, before a presentation or speaking engagement, listen to the radio and watch television. Analyze why you switch from one station to the next and what makes certain guests annoying. Are they argumentative or defensive? Take note of these turn-offs and don't emulate them. Discover what is alluring about someone's style and copy it.

¹ a psychological phenomenon in which people are unable to internalize their accomplishments

² a careful examination

³ made or done without previous preparation

⁴ behavior

To relax before your opening remarks, Booher recommends finding your fans. "Don't glance at sour, grumpy-looking people who aren't with you. When you first start, you're the most nervous, so pick out smiling faces who are eager to be there and focus on them," she says.

Avoiding Common Mistakes

To draw your audience in early on, make sure you begin with your bottom line message. Poor communicators try to cover all their bases before giving the punch line, Booher says. People, however, tend to get lost in the details and start looking at their watches. Instead, walk in and start with your main point, then provide background and fill in the gaps, she advises.

Your likeability factor will also increase if you're perceived as humble, informal, kind, genuine and funny, rather than arrogant and aloof¹. However, Booher says to never start with humor. "If you're not good at it and people don't react favorably right off the bat, your confidence will be destroyed, and you may not recover."

Another common mistake is relying on PowerPoint presentations. "You become a slide narrator and put people to sleep most of the time," Booher adds. "Audio-visual technology should be your support - a reminder of what point comes next, not a crutch."

When organizing your speech, it's wise to overprepare. Anticipate questions so you're not caught off guard. If you get a question you didn't plan on, you can still save yourself by changing spots in the room or taking off your glasses to buy yourself a few extra seconds. Honesty is another good policy to follow when you've been stumped. "People will respect and empathize with you if you respond honestly, saying, 'That's a very good question. I don't want to give you an incomplete answer,' or 'I'd like to double-check my figures. May I get back to you on that,'" Booher says. You can also use humor to deflect your embarrassment.

Above all, if a comment comes at you from left field, don't take it personally. Stick to the points you want to make, regardless of what you're asked. Don't go off message or on a tangent. Remain fueled by the passion you have for your ideas, Dower advises.

If you find yourself truly falling flat and losing your audience, rely on your presentation arsenal to switch gears. Use personal examples, statistics or jokes, or physical aids like brochures, quizzes and business cards to divert a question or change the direction of the conversation.

Overall, remain confident and remember the reasons for your talk, Dower says. "When we are there for some sort of higher reason, it takes away the self-consciousness, allowing us to focus and give to the group."

*Erika Praefder
Entrepreneur.com*

Answer the questions.

1. Why can public speaking cause panic and dread?
2. What are the two most important skills to your career success?
3. Why should you tailor your talk?
4. How to make a winning first impression?
5. What are common mistakes?
6. Is it possible to avoid these mistakes? How?

¹ remote

STRATEGY – COMPETITIVE ADVANTAGE

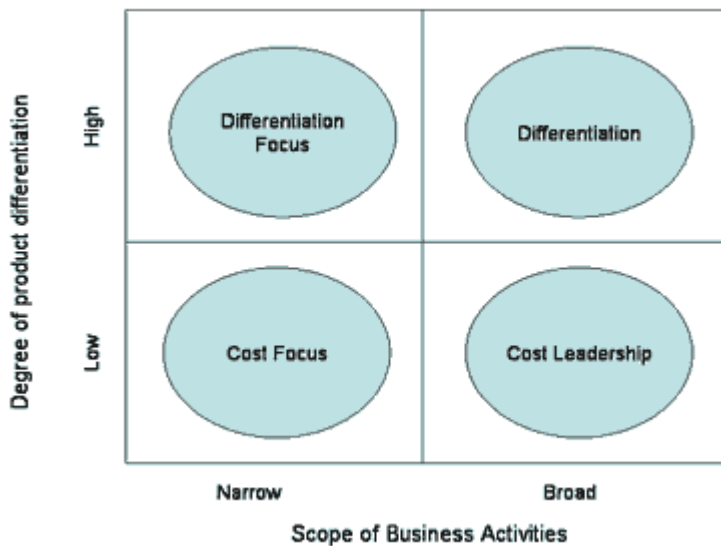
Competitive Advantage - Definition

A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

Competitive Strategies

Following on from his work analysing the competitive forces in an industry, Michael Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of a businesses' activities are narrow versus broad and the extent to which a business seeks to differentiate its products.

The four strategies are summarised in the figure below:



The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By contrast, the differentiation focus and cost focus strategies are adopted in a narrow market or industry.

Strategy – Differentiation

This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product - often to reflect the higher production costs and extra value-added features provided for the consumer. Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products.

Examples of Differentiation Strategy: Mercedes cars; Bang & Olufsen

Strategy - Cost Leadership

With this strategy, the objective is to become the lowest-cost producer in the industry. Many (perhaps all) market segments in the industry are supplied with the emphasis placed minimising costs. If the achieved selling price can at least equal (or near)the average for the

market, then the lowest-cost producer will (in theory) enjoy the best profits. This strategy is usually associated with large-scale businesses offering "standard" products with relatively little differentiation that are perfectly acceptable to the majority of customers. Occasionally, a low-cost leader will also discount its product to maximise sales, particularly if it has a significant cost advantage over the competition and, in doing so, it can further increase its market share.

Examples of Cost Leadership: Nissan; Tesco; Dell Computers

Strategy - Differentiation Focus

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants - in other words that there is a valid basis for differentiation - and that existing competitor products are not meeting those needs and wants.

Examples of Differentiation Focus: any successful niche retailers; (e.g. The Perfume Shop); or specialist holiday operator (e.g. Carrier)

Strategy - Cost Focus

Here a business seeks a lower-cost advantage in just on or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. Such products are often called "me-too's".

Examples of Cost Focus: Many smaller retailers featuring own-label or discounted label products.

http://tutor2u.net/business/strategy/competitive_advantage.htm

Answer the questions.

1. What is a competitive advantage?
2. What are the ways to gain a competitive advantage?
3. What strategies does Michael Porter offer to gain a competitive advantage?
4. What strategies can be applied to a broad range of market or industry segments?
5. What strategies are suitable for a narrow market or industry?
6. What is the essence of the differentiation strategy?
7. Why is the differentiation strategy associated with a premium price?
8. Which strategy helps to become the lowest-cost producer?
9. What enables businesses to offer the lowest price?
10. What does the cost leadership strategy help achieve?
11. What is the crucial difference between the differentiation strategy and the cost leadership strategy?
12. How are the differentiation strategy and the differentiation focus strategy different?
13. What should be ensured to adopt the differentiation focus strategy successfully?
14. How are the differentiation strategy and the differentiation focus strategy different?
15. In what is the cost leadership strategy different from the cost focus strategy?

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