

1

Strategy Is All about Survival

Using good strategy is how you survive in a world of killer competition. Using good strategy is how you survive what I call *the tyranny of choice*.

In the beginning, choice was not a problem. When our earliest ancestors wondered “What’s for dinner?” the answer wasn’t very complicated. It was whatever animal in the neighborhood they could run down, kill, and drag back to the cave.

Today you walk into a cavernous supermarket and gaze out over a sea of different types and cuts of meats that someone else has run down, killed, dressed, and packaged for you.

Your problem is no longer catching dinner. Your problem is to try to figure out what to buy of the

TROUT ON STRATEGY

hundreds of different packages staring back at you from the case. Red meat? White meat? The other white meat? Make-believe meat?

But that's only the beginning. Now you have to figure out what part of the animal you want. Loin? Chops? Ribs? Legs? Rump?

And what do you bring home for those family members who don't eat meat?

FISHING FOR DINNER

For that early ancestor, catching a fish was simply a matter of sharpening a stick and hoping to get lucky.

Today it can mean drifting into a Bass Pro Shop or an L.L. Bean or a Cabela's or an Orvis and being dazzled with a mind-boggling array of rods, reels, lures, clothing, boats, you name it.

At Bass Pro Shop's 300,000-square-foot flagship store in Springfield, Missouri, they will give you a haircut and then make a fishing lure out of the clippings for you.

Things have come a long way from that pointed stick.

GOING TO DINNER

Today many people figure it's better to have someone else figure out what's for dinner. But figuring out where

STRATEGY IS ALL ABOUT SURVIVAL

to go is no easy decision in a place like New York City.

That's why, in 1979, Nina and Tim Zagat created the first New York restaurant survey to help us answer that difficult question of choice.

Today the pocket-sized *Zagat Survey* guides have become bestsellers, with 100,000 participants rating and reviewing restaurants in more than 40 major U.S. and foreign cities.

AN EXPLOSION OF CHOICE

What has changed in business over recent decades is the amazing proliferation of product choices in just about every category. It's been estimated that there are 1 million stock keeping units (SKUs) out there in America. An average supermarket has 40,000 SKUs. Now for the stunner—an average family gets 80 to 85 percent of its needs from 150 SKUs. That means there's a good chance you'll ignore 39,850 items in that store.

Buying a car in the 1950s meant the choice of a model from GM, Ford, Chrysler, or American Motors. Today you have your pick of cars, from GM, Ford, DaimlerChrysler, Toyota, Honda, Volkswagen, Fiat, Nissan, Mitsubishi, Renault, Suzuki, Daihatsu, BMW, Hyundai, Daiwa, Mazda, Isuzu, Kia, and Volvo. There were 140 motor vehicle models available in the early 1970s. There are 260 today.

TROUT ON STRATEGY

Even in as thin a market as \$175,000 Ferrari-type sports cars, there is a growing competition. You have Lamborghini, a new Bentley sports car, Aston Martin, and a new Mercedes called the Vision SLR.

Three decades ago, most manufacturers offered half a dozen vehicle styles. Today, there are so many (sport utility vehicles [SUVs], roadsters, hatchbacks, coupes, minivans, wagons, pickups, and “crossovers”) that companies are being forced to outsource manufacturing. A manufacturer in Austria now makes BMWs, Jeeps, Mercedeses, and Saabs. Good old Henry Ford is probably looking down on this with some amusement. His concept was “all black and all the same.”

And the proliferation in the choice of tires for these cars is even worse. It used to be Goodyear, Firestone, General, and Sears. Today you have the likes of Goodyear, Bridgestone, Cordovan, Michelin, Cooper, Dayton, Firestone, Kelly, Dunlop, Sears, Multi-Mile, Pirelli, General, Armstrong, Sentry, Uniroyal, and 22 other brands.

The big difference is that what used to be national markets with local companies competing for business has become a global market with everyone competing for everyone’s business everywhere.

CHOICE IN HEALTH CARE

Consider something as basic as health care. In the old days you had your doctor, your hospital, Blue Cross, and

STRATEGY IS ALL ABOUT SURVIVAL

perhaps Aetna/US Healthcare, Medicare, or Medicaid. Now you have to deal with new names such as MedPartners, Cigna, Prucare, Columbia, Kaiser, Wellpoint, Quorum, Oxford, Americare, and Multiplan, and concepts like health maintenance organizations (HMOs), peer review organizations (PROs), physician hospital organizations (PHOs), and preferred provider organizations (PPOs).

CHOICE IS SPREADING

What we just described is what has happened to the U.S. market, which, of the world's markets, has by far the most choice (because our citizens have the most money and the most marketing people trying to get it from them).

Consider an emerging nation such as China. After decades of buying generic food products manufactured by state-owned enterprises, China's consumers now can choose from a growing array of domestic and foreign brand-name products each time they go shopping. According to a recent survey, a national market for brand-name food products has already begun to emerge. Already China has 135 national food brands from which to pick. They've got a long way to go, but they are on their way to some serious tyranny.

Some markets are far from emerging. They are so poor and chaotic that choice is but a gleam in people's eyes.

TROUT ON STRATEGY

THE LAW OF DIVISION

What drives choice is the *law of division*, which was first published in the 1993 book I wrote with Al Ries, *The 22 Immutable Laws of Marketing*.

Like the computer, the automobile started off as a single category. Three brands (Chevrolet, Ford, and Plymouth) dominated the market. Then the category divided.

Today a wired household has over 150 channels from which to choose. And they are threatening us with “streaming video” that promises to make the cable industry’s dream of a 500-channel universe look pathetically unambitious. With all that, if you flip through the channels and try to find something to watch, by the time you find it the show will be over.

Division is a process that is unstoppable. If you have any doubts, consider the accompanying table on the explosion of choice.

THE “CHOICE INDUSTRY”

All this has led to an entire industry dedicated to helping people with their choices. We’ve already talked about Zagat’s restaurant guides.

STRATEGY IS ALL ABOUT SURVIVAL

The Explosion of Choice		
Item	Early 1970s	Late 1990s
Vehicle models	140	260
KFC menu items	7	14
Vehicle styles	654	1,121
Frito-Lay chip varieties	10	78
SUV styles	8	38
Breakfast cereals	160	340
PC models	0	400
Pop-Tart varieties	3	29
Software titles	0	250,000
Soft drink brands	20	87
Web sites	0	4,757,894
Bottled water brands	16	50
Movie releases	267	458
Milk types	4	19
Airports	11,261	18,202
Colgate toothpaste varieties	2	17
Magazine titles	339	790
Mouthwashes	15	66
New book titles	40,530	77,446
Dental flosses	12	64
Community colleges	886	1,742
Prescription drugs	6,131	7,563
Amusement parks	362	1,174
Over-the-counter pain relievers	17	141
TV screen sizes	5	15
Levi's jean styles	41	70
Houston TV channels	5	185
Running shoe styles	5	285
Radio stations	7,038	12,458
Women's hosiery styles	5	90
McDonald's menu items	13	43
Contact lens types	1	36

TROUT ON STRATEGY

Everywhere you turn, someone is offering advice on things like which of the 8000 mutual funds to buy. Or how to find the right dentist in St. Louis. Or the right MBA program from among hundreds of business schools. (Will it help you get a Wall Street job?)

Magazines like *Consumer Reports* and *Consumers Digest* deal with the onslaught of products and choices by rotating the categories on which they report. The only problem is that they go into so much detail that you're more confused than when you started.

Consumer psychologists say this sea of choices is driving us bonkers. Consider what Carol Moog has to say on the subject: "Too many choices, all of which can be fulfilled instantly, indulged immediately, keeps children—and adults—infantile. From a marketing perspective, people stop caring, get as fat and fatigued as foie gras geese, and lose their decision-making capabilities. They withdraw and protect against the overstimulation; they get 'bored.'"

CHOICE CAN BE CRUEL

The dictionary defines *tyranny* as absolute power that often is harsh or cruel.

So it is with choice. With the enormous competition, markets today are driven by choice. The customer has so

STRATEGY IS ALL ABOUT SURVIVAL

many good alternatives that you pay dearly for your mistakes. Your competitors get your business and you don't get it back very easily. Companies that don't understand this will not survive. (Now *that's* cruel.)

Just look at some of the names on the headstones in the brand graveyard: American Motors, Burger Chef, Carte Blanche, Eastern Airlines, Gainesburgers, Gimbel's, Hathaway shirts, Horn & Hardart, Mr. Salty Pretzels, Philco, Trump Shuttle, VisiCalc, Woolworth's.

And this is only a short list of names that are no longer with us.

AND IT WILL ONLY GET WORSE

Don't bet that all this will calm down. I feel that it will get worse for the simple reason that choice appears to beget more choice.

In a book titled *Faster*, author James Gleick outlines what can only be called a bewildering future, which he describes as "The acceleration of just about everything." Consider the following scenario:

This proliferation of choice represents yet another positive feedback loop—a whole menagerie of such loops. The more information glut bears

TROUT ON STRATEGY

down on you, the more Internet “portals” and search engines and infobots arise to help by pouring information your way. The more telephone lines you have, the more you need. The more patents, the more patent lawyers and patent search services. The more cookbooks you buy or browse, the more you feel the need to serve your guests something new; the more cookbooks you need. The complications beget choice; the choices inspire technology; the technologies create complication. Without the distribution and manufacturing efficiencies of the modern age, without toll-free numbers and express delivery and bar codes and scanners and, above all, computer, the choices would not be multiplying like this.

Ladies and gentlemen, we haven't seen anything yet

WHAT REALLY WORKS

Nitkin Nohria, William Joyce, and Bruce Roberson conducted what was described in the *Harvard Business Review* (July 2003) as “the most rigorous study of management practices ever undertaken.” They reported that what really works is not CRM, TQM, BPR, and other tools or fads. Superior performance in this competitive world is all about mastering business basics. Vince

STRATEGY IS ALL ABOUT SURVIVAL

Lombardi of Green Bay Packers fame would have described it as good blocking and tackling.

Their number-one basic was “Devising and maintaining a clearly stated, focused strategy.” To achieve excellence in strategy is to be clear about what the strategy is and to constantly communicate it to customers, employees, and shareholders. It’s a simple, focused value proposition. In other words, what’s the reason to buy from you instead of one of your competitors?

THE DEFINITION OF STRATEGY

If using good strategy is how you are to survive, a good starting point is to look at the definition of strategy, as found in *Webster’s New World Dictionary*:

The science of planning and directing large-scale military operations. Of maneuvering forces into the most advantageous position prior to actual engagement with the enemy.

You’ll notice that this is a military word with the enemy in mind. If you are going to seek that “most advantageous position,” you must first study, understand, and maneuver around the battleground. And that battleground is in the minds of your customers and prospects.

TROUT ON STRATEGY

SUMMATION

.....
**In a tough world,
using strategy
is how you survive.**