
Defensive vs Offensive strategies

- Offensive strategy is focused on achieving competitive advantage.
- Defensive strategy is focused on attacking the competitor in order to take him off.
“Do not assume the enemy will not come, but be prepared for his coming… Do not presume he will not attack, but instead make your own position unassailable.” (Sun Tzu).
Defensive strategies

They are used to protect a competitive advantage, but rarely they can establish any competitive advantage. They are not suited to all businesses.

- Lessen risk of being attacked.
- Soften impact of any attack that happens.
- Drive assailant to aim at other rivals.
- Make stronger firm’s present position.
- Help sustain any competitive advantage held.
Defensive strategies

Approaches

Approach #1.
Actively block competitors who attempt an attack on the firm.

Example:
If there is a new entrant, the company can take him off by cutting prices.

Approach #2.
Make it known that any attack on the business will be met with a strong counterattack.

Example:
Making advertising campaigns about product development.
Defensive strategies

Approaches

Approach #1.
- Patent alternative technologies.
- Sign exclusive contracts with distributors.
- Give better credit terms to buyers.
- Increase warranty coverage.
- Sign exclusive contracts with best suppliers.
- Etc.

Approach #2.
- Give out advance information about new products, technological breakthroughs, and other moves.
- Publicly announce information about new production capacity to meet forecasted demand.
- Make occasional counter-responses to rivals’ moves.
- Etc.
Defensive strategies

**Benefits**
- It is considerably less risky and needs less resources than offensive strategy

**Drawbacks**
- It doesn’t allow development. A firm that uses just defensive strategy may be able to maintain its current position and competitive advantage, but can’t grow beyond this situation
Offensive (attack) strategies
Offensive (attack) strategies

Three main principles:

• The need to concentrate the attack.
• The element of surprise (the right time).
• The need to consolidate the attack.
Offensive (attack) strategies

Four main alternatives:

• Head-on against the market leader.
• Flanking or market segmentation.
• Occupy totally new territory (i.e. where there is no existing product or service).
• Guerrilla (a rapid sortie to seize a short-term profitable opportunity).
Head-on against the market leader

- Unless resources are sustained, the campaign is unlikely to be successful.
- Attack where the leader is weak.
- Pick a narrow front to open up the campaign.
Flanking or market segmentation

- Choose a flank that is relatively undefended.
- Aim to take a significant market share.
- Expect to invest in the flank for some years.
- Pricing and value for money are often distinguishing features of a successful flank.
Occupy totally new territory

- Innovate if possible.
- Seek market niches.
• Relies on good information to identify opportunities.
• Fast response needed and rapid withdrawal after success.
• Important not to stand and fight leaders on their own ground but pick new areas.
Innovatory strategies

1. Rewriting the rules of the game (the phone selling in the insurance industry).
2. Technological innovation (Internet and the distribution of recorded music).
3. Higher levels of service (i.e. shoe industry & retailing).
4. Co-operation (joint ventures, alliances, etc.).

They are particularly suited to the underdogs, that is to say, to small companies that don’t have substantial resources.
Caution about:

• The exaggeration of the importance of size and scale: distinctive capabilities are more important.

• Excessive emphasis on charismatic leadership, vision and attack (instead of teams).
EXAMPLES

Source: Ries & Trout: “Marketing Warfare”
In 1915 Coca-Cola introduced its unique 6-1/2 ounce bottle that became closely associated with the brand. The size and shape was just right to fit the hand, and this bottle and its association with Coca-Cola was a major strength. However, when Pepsi introduced a larger bottle for the same price as the smaller bottle of Coke, Coke did not have many options to respond. Because of the way the size and shape of the bottle fit the hand, it could not be enlarged easily. Furthermore, the dispensing machines for Coke were designed for nickels only, so the price could not easily be changed. These weaknesses were a direct result of Coke's strength: the challenger should seek a weakness in the leader's strength.
Schlitz was the top brand, but lost its lead to Budweiser in a close battle. Then Heineken entered the market as an import with a successful flanking attack, maintaining its import lead by following through with strong advertising budgets. In the 1970's many brewers introduced light beers as line extensions.

Ries and Trout believe that the line extensions are unwise because the **extensions inadvertently flank a firm's own leading brand**. This happened to Miller High Life after Miller Lite was introduced. Miller Lite was successful, but Miller High Life suffered as it lost its position in the mind of the consumer as the working man's beer.
McDonald's was the leader, and Burger King tried offensive maneuvers. The moves that were unsuccessful were those that extended the product line and that copied McDonald's. The campaigns that were successful differentiated Burger King from McDonald's. For example, “Have it your way” attacked a weakness in McDonald's consistent production line process that had the flip side of being inflexible. Even more successful were the advertisements emphasizing the fact that Burger King's burgers were flame-broiled while McDonald's were fried. Wendy's successfully flanked McDonald's by targeting adults rather than children, offering adult-size portions and launching the highly successful “Where's the beef?” campaign.

Finally, White Castle was the low-end guerrilla who limited their geographic scope, did not add a confusing array of other products, and maintained a high level of sales in each establishment. White Castle observed the guerrilla principle of never acting like the leader, and as a result was able to coexist peacefully.
IBM became the market leader in the 1950's, and many other companies attempted to emulate IBM, but IBM continued to hold a majority market share. In the 1960's Digital Equipment Corporation launched a successful flanking attack by introducing the PDP-8 minicomputer, winning the position of small computers. According to Ries and Trout, IBM should have blocked this move by introducing their own minicomputer, but they failed to do so until 11 years later. With DEC owning the minicomputer market, Ries and Trout argue that DEC should have been the company to introduce the PC in the business market. DEC failed to do so, and IBM launched its PC in 1981 with virtually no competition in the business market. IBM effectively flanked DEC with a product in the small computer market, just as DEC had done to IBM 15 years earlier. Many companies introduced their own PC's but IBM pursued the defensive strategy that a leader should pursue by attacking itself, first with the improved PC-XT and then with the PC-AT. While IBM owned the business PC market, Apple took the lead in home PC's. IBM unsuccessfully attempted to attack Apple in the home computer market with the PCjr, illustrating that a company's position is more important than its size.