

Introduction

Strategic management is really all about finding a way to win in the marketplace, not just once but consistently. You want to fly past the competition. To do this, strategic leaders have to thoroughly understand both the strengths and weaknesses of their goods or services relative to their rivals. In their work on blue ocean strategy, Kim and Mauborgne introduced the strategy canvas as a tool that helps companies understand how they compete on the factors customers consider when they choose between offerings.

A strategy canvas is essentially a graph that shows how companies compare to each other on the key customer buying criteria. Say you are a market strategist at Southwest Airlines, a strategy canvas can help you to understand the differences between discount airlines like yours and traditional full-service airlines. It can help you understand when and why customers are likely to choose Southwest or JetBlue, versus full-service carriers like Delta, American or United.

Here's how to build a strategy canvas.

Building a strategy canvas

First, identify the factors that customers consider when choosing among options and put these on an x-axis. These are sometimes referred to as product attributes or the customer buying criteria. When flying, customers tend to consider a variety of factors such as departure frequency, friendly service, on-time arrivals, price, availability of meals, seating choices, frequent flyer programs, safety, and access to hubs.

Next, determine how important these factors are to customers. This allows you to arrange the factors from most to least important. You can also use this information to segment customers into groups with similar preferences. For the y-axis rate, the performance of companies on each of these factors. You could do this using market data, customer opinions, expert opinions, etc. On this strategy canvas comparing of Southwest and full-service airlines, you see that Southwest offering is, on average, inferior to the competition on convenience of its airports, the size of its network, meaning it flies in fewer cities, and onboard amenities such as meals and seating choices. But Southwest is superior on its low price, frequent departures, friendly service, and on-time arrivals. Knowing this, Southwest can see why it generally tends to win with certain customers and lose with others.

Note that this doesn't mean that Southwest should necessarily expand its network to include more convenient airports, fly to more cities or add onboard amenities. A company may consciously choose not to make those investments to keep prices low because it wants to win with price sensitive customers, but the canvas has given you a way to understand your strengths and weaknesses from the customers point of view. Using the information on the canvas you can dig deeper into the reasons for the strengths and weaknesses and make decisions about how you might want to change your value proposition.

Now let's make another strategy canvas, this time for a full-service airline: United. United might want to figure out why its service is considered less friendly than Southwest's. They might invest time and money and figuring out what is perceived as a friendly service and what they could do differently to

catch or even fly past Southwest on the dimension of friendliness. Or, United might take a different approach and look for ways to provide more frequent departures or lower prices in markets where customers say these factors are important to their purchase decision. The strategy canvas is useful because it reveals how airlines differ in their unique value propositions and give strategists the information they need to go for a market win.

Here's a third example: Southwest can certainly learn from a canvas that compares it to its full-service competitors, but it also competes in the discount segment. A strategy canvas can help it understand its position there by asking where it beats and losses to its discount rival JetBlue. Customers might consider different factors when comparing these rivals in the discount market. It turns out that discount airline customers identify additional factors that are important them, including comfortable seating, aircraft quality, and in-flight TV games. Unfortunately for Southwest, these are areas where JetBlue outperforms. But Southwest outperforms JetBlue on the key attributes of price, on-time arrivals, and friendly service. Thus, even within discount airlines there are some important differences.

To summarize the insights from these examples, a basic strategy canvas helps us discover and learn for strategic facts.

Insights

First, what is not adding value? As video streaming services became more reliable, consumers could access entertainment through streaming rather than traditional physical media such as DVDs. This meant, for example, that Best Buys' large selection of in-store DVDs no longer gave them an advantage relative to smaller stores that could not manage the same inventory levels.

Second, where are we over-investing? As travelers have demonstrated that airplane meals will not greatly affect their ticket purchases, airlines have reduced meal services across the board. They simply do not need to invest as much into this aspect of their value proposition.

Third, which offerings are insufficient to customer's demand? Modern moviegoers seem to love comfortable seating and some theaters have invested in installing leather recliners to beat their rivals on the theater experience.

Fourth, which key customer needs aren't met well or could be met in a new way? Airbnb created an advantage over rivals by adding connection with the local community and having a unique experience. Traditional competitors such as hotels and bed and breakfasts didn't think to compete along these dimensions, but they were very popular with Airbnb customers.

Case: Harley-Davidson vs Honda

So, we've seen that a basic strategy canvas is a powerful tool, but can we rev it up with additional information? The motorcycle market competition between Harley-Davidson and Honda includes not only traditional competitive factors such as product features, but also emotional and social ones.

Let's build a souped-up strategy canvas comparing Harley-Davidson and Honda. First, identify the functional factors your product or service fulfills. For a motorcycle purchase, functional factors include price, fuel efficiency, ease of handling, comfort, reliability, service and post-sales support. But don't stop

there. Our supercharged strategy canvas will also include information about influential emotional and social factors. Emotional factors may be equally or more important to product specs. These might include attributes such as engine sound, design, brand image, and ease of customization. Also consider social factors, such as the ability to meet new people through a riding community, or the way being a Harley owner contributes to personal reputation. If we compared Harley-Davidson and Honda on traditional dimensions such as price, fuel efficiency, ease of handling, comfort of the seat, and engine reliability, we would get a strategy canvas that would look like this.

Harley-Davidson does not perform well. However, if we add emotional and social factors such as engine noise, design, brand image, customizability, and an exclusive riding community, Harley starts to outperform Honda. Finally, another useful approach to gaining insights into competitive positioning is to ask what customers hire the product to do. For instance, we may hire a motorcycle to fulfill functional jobs such as to save fuel or avoid traffic congestion. Or, for emotional jobs such as looking cool or responding to a midlife crisis. Or for social jobs like finding friends or expressing a rugged individualist image. This approach may lead to a different view of the competitive dynamics in an industry. For instance, Harley-Davidson may meet emotional and social needs by giving me access to the Harley Owners riding group and giving me a sense of pride, yet the product may fail to score well on various functional jobs. As a result, the canvas may lead Harley as a company to focus on excelling at the emotional and social points of differentiation, while merely meeting the minimum functional requirements.

Conclusion

The bottom line: as a company you want to win in your marketplace. So, use a strategy canvas to thoroughly understand your positions, protect the ways that you offer unique value to your customers, shed unnecessary expenses and come up with new ways to offer unique value to customers. Using a supercharge strategy canvas, you can map a path to overtake your competitors.