5   Competitive advantage

Changing for competitive advantage

What do you know and how do you find out more about your competitors? How can you turn that information into advantage? This theme examines competitor analysis and industry sector analysis giving you the local, national, international perspective.

The impact of technology has been wide-ranging and far-reaching. Here we look at some of the key advances that have had an impact on organisations.

Finally, change brings risks. Managers need to understand the feasibility and risks associated with changes in the organisation.

In this theme you will:

◆ **Review models and techniques to help you examine your industry sector and your competitors to support identification of competitive advantage**

◆ **Understand the impact of new technology on markets and customers**

◆ **Understand some of the risks associations with changes in an organisation.**

The leading edge

Organisations need to identify and react to changes in the macro environment to maintain a leading edge.

What is the macro environment?

The macro environment lies outside the confines of a building or an organisation. The macro environment is not unique to the particular organisation concerned, although it will affect different organisations in different ways.

Typically, the macro environment that surrounds any organisation consists of the following elements:

Figure 5.1 *The macro environment*

Since the various macro environmental factors will never remain constant, all organisations must pay careful attention to what is happening in the macro environment. Organisations that follow, or correctly anticipate macro environmental change will be better placed to take advantage of the opportunities that may exist, since some form of competitive advantage is likely to result if an organisation reacts appropriately to environmental change ahead the competition. As macro environmental changes can also present threats to organisations, businesses that are able to anticipate potential external threats will also be better placed to take appropriate action to address any internal weaknesses that could otherwise result in losses or even business failure. Dell Computers and Nokia are two examples of companies that have identified and then reacted appropriately to environmental change.

Perhaps this is an appropriate time to emphasise that all marketing and business planning tools need not necessarily be complicated or sophisticated. Sometimes, the most simple tools or techniques are the best to use. An example of a simple, but effective, analysis tool is based on the 'PESTLE' factors.

Marketing is really about matching the internal strengths and resources of an organisation, to the opportunities that exist in the external environment. The PESTLE analysis is an effective way of analysing the external environment and also the opportunities that might exist. An example of a PESTLE analysis is shown below, illustrating some of the opportunities that might exist for an Internet Website Design company operating in the UK.

The opportunities

As indicated above, the emphasis has been placed on identifying the opportunities in the following PESTLE analysis.

Political	Opportunities for the Web Design Company:
The UK government has set the agenda for digital communications and the take-up of broadband and digital media has been rapid.	This would indicate a potential increase in the demand for website design and in particular an increase in specific e-commerce products and services, such as the need for secure online shopping or 'shopping cart' facilities.
Economic	Opportunities for the Web Design Company:
In certain regions of the UK, businesses in key industrial sectors such as 'Leisure and Tourism', can apply for grants to assist with their own marketing activities. These grants can sometimes be used to help fund the design and development of an Internet website, to enable the tourism-related business to attract visitors, especially visitors from overseas.	Businesses in the 'Leisure and Tourism' sector can be targeted as grant funding will significantly reduce the final cost of a website. Opportunities may also exist to establish strategic alliances with associated businesses, such as 'language translation companies'. This is because many businesses will want to attract overseas visitors and 'foreign language' versions of their websites may be necessary.
Social	Opportunities for the Web Design Company:
The increase in Internet connections at home and at work means that individuals in the UK and global market are becoming much more familiar with the Internet and its various features and benefits.	Opportunities for the Web Design Company: When developing its advertising and communications, the design company can now place more emphasis on messages that aim to differentiate the company from the competition. There may also be opportunities to develop new associated products and services that take advantage of the Internet.
Technological	Opportunities for the Web Design Company:
Security is the biggest issue for most organisations and individuals surrounding web-based technologies.	Opportunities for the Web Design Company: There is an opportunity for the design company to provide secure site guarantees and advice or consultancy services. Many large and small businesses need advice on a range of issues, including the type of hardware and software they should acquire and how to ensure security.
Legislative/legal	Opportunities for the Web Design Company:
Legal constraints are becoming more apparent. Organisations and individuals need to ensure that the information they include is accurate and ethical. Intellectual property is a complicated area of law and one which is constantly being tested by website users and deliverers. An appropriate degree of care and attention is required.	Opportunities for the Web Design Company: This provides an opportunity for the web design company to provide consultancy services, advising clients on legal issues involved with Internet trading. The company may also look at the kinds of messages an organisation displays to establish their environmental, or ethical credentials.
Eco-environmental	Opportunities for the Web Design Company:
Environmental issues can cover a wide range of topics. For example, the reduction in use, or recycling of paper-based and other products is becoming a major issue at country level, at corporate level and on a personal level. Reduced use of paper-based products may be viewed as beneficial to the environment and actually save money.	Opportunities for the Web Design Company: Promoting the 'environmentally friendly' nature of websites compared to traditional print, may be a way of attracting attention to the company and may also appeal to certain market segments. Communications aimed at environmentally conscious customers and shareholders have proved lately to be a very positive and popular way to portray organisations on the web.

Table 5.1 *The macro environment applied to a web design company*

The threats

One of the problems associated with any of the various tools or acronyms used as a basis for analysing the macro environment (such as PESTLE or similar alternatives) is that managers tend to focus on only one dimension. For example, managers may place considerable emphasis on highlighting the various opportunities as indicated above, without giving full consideration to the various threats that may also may exist, or vice versa.

In the example above, it would therefore also be extremely important for managers to consider the various threats that could exist under any of the PESTLE headings. In a developing industry such as the one highlighted, there is likely to be considerable competition, and also a growing level of Government intervention. Certain questions will need to be asked and answered by management, such as 'Can our firm keep up with the rapid developments in technology fast enough?'.

The marketing information system

The Marketing Information System (MIS) as proposed by Kotler (1997) illustrates how an integrated system can be developed to provide decision-makers with the right information, in the right format, at the right time, in a cost-effective manner. The internal and external information should be analysed and presented appropriately to enable managers to plan, implement and then control all the various marketing activities.
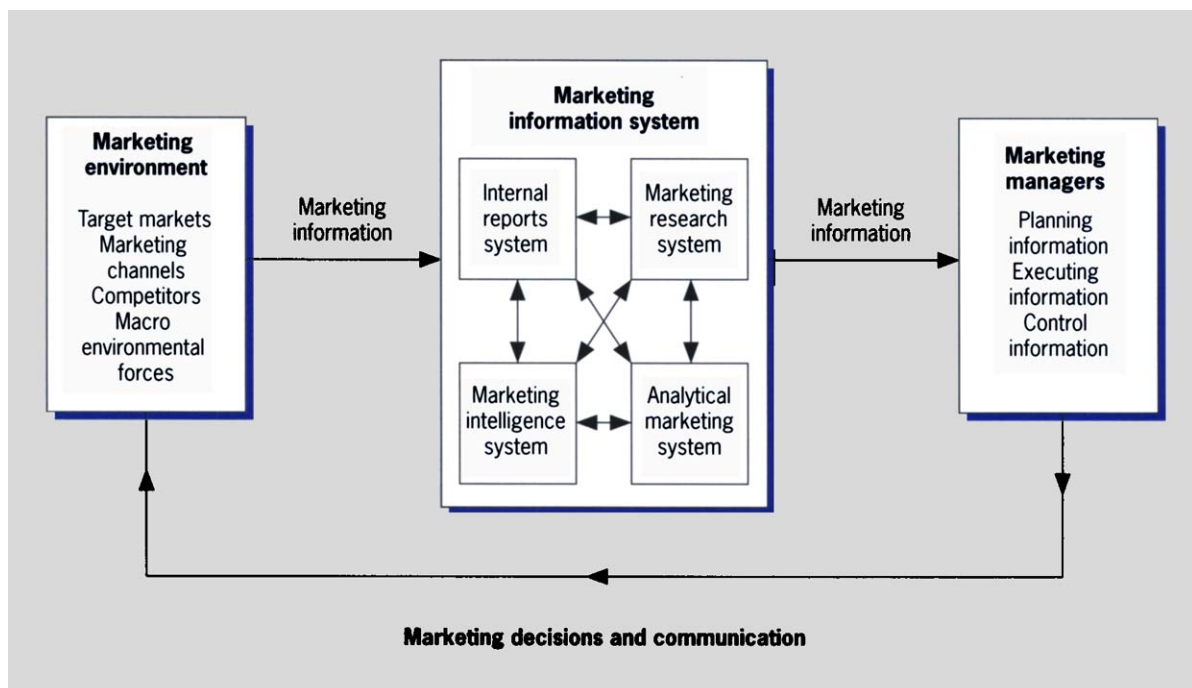

Figure 5.2 *The marketing information system*   Source: Kotler (1997)

A MIS can play an important role in providing information to assist with decision-making involving the following strategic options:

◆ New Product Development

◆ Market Development (entering new markets)

◆ Market Penetration (increasing market share perhaps by increasing advertising and promotion or by reducing price)

◆ Diversification (simultaneously moving into new products and new markets – the high risk option).

Quantitative Data

Quantitative data can be turned into information that might indicate the number and proportion of customer complaints received about a particular product or process, compared to the company or industry average.

Quantitative data involves numbers, or can be expressed in percentage terms to illustrate the number, or relative size of a market (or a series of events) e.g. our company received complaints from 5% of our customers, compared with the industry average of 8%.

Qualitative Data

Qualitative data can be turned into information that can be used to establish if a particular TV presenter is popular or not very popular with the target audience.

Qualitative data involves attitudes, feelings and beliefs and can provide an indication of the strength of opinion held by an audience or market e.g. 95% of the audience agree strongly that TV Presenter X should continue to broadcast the NEWS.

Marketing information myths

Piercy (2002) points out that with the advent of database marketing and the demand for more information often as an apparent aid to decision-making, there is a danger of creating information overload. This bombardment of data and information can result in executives becoming overwhelmed with facts, figures, reports and so on.

It could be said that some of the problems that arise in the area of marketing research and the management of marketing information, are caused or compounded because of the existence of a number of marketing information myths.

The myths	The implications
We need more information	If anyone says they need more information, try asking them 'why?'.
We need marketing information faster	It is probably more important to focus what you are going to do with the information when you have it, rather than placing the emphasis on speed.
If we try hard enough, we can know everything	You can never have the most important information because it does not exist when you need it.
We know what marketing information we want	Surely, no-one still believes that managers know what information they want?
We know why we want the information	This may be so, although there is some evidence to suggest that much of the information collected has little relevance to decisions, since some is collected after the decision is made and some is ignored.
Well, we know what we don't need to know	Such arrogance is often the precursor to a fall, since managers are human and are therefore prone to lapses of complacency and occasionally fail to look outside the box. See the 'Reality Check' offered by Piercy (2002) to illustrate this point.
We measure what matters	There is evidence to indicate that contrary to expectations, we actually measure what is the easiest or cheapest to measure and this is not necessarily what matters.
We know what we know	Do we really, or in reality is our knowledge somewhat limited and do we just accept what we are told?
We know who decides what we know	Sounds reasonable, although this is not always the case since there is often some bias built into the system and there is ample evidence that once information systems are formalised people become far more 'careful' in the data they put in, and what they communicate.
Well, we know what it means	How often are companies wrong footed in the marketplace simply because they ignore important information for the reason that it is inconsistent with managers' past experience?

Table 5.2 *Myths of marketing information*   Source: Adapted from Piercy (2002)

Of course, many managers and organisations do manage their marketing information extremely effectively. However, the dangers of mismanaging the marketing research process or mishandling marketing information are very real and the myths of marketing research are a useful reminder of the dangers that exist, perhaps because of possible bias and complacency.

REALITY CHECK
Making assumptions and playing chicken
One of the companies, which shall remain nameless, that designs high-speed railway engines and carriages has a major concern with driver safety as speeds increase. How can you test to see if the windshield will resist being struck by outside objects when the train is going at 150 miles an hour? They contacted Boeing, who know about testing windshields on aircraft. They borrowed Boeing's testing apparatus, which was flown in from America. The machine was essentially a catapult. The instructions were to load the machine with a chicken and fire it at the train windshield to simulate collision with a bird at high-speed. This they did. The chicken went straight through the windshield, through the back of the driver's cab and stopped

only at the back of the carriage. The engineers were distraught. Boeing flew over experts to assist. They repeated the test with the same results. The man from Boeing smiled quietly, and suggested that they might get a better result if they repeated the test, but this time may be defrost the chicken...

Source: Piercy (2002)

Analysing competitive advantage

Competitive advantage is a process of identifying the competencies, or combined skills and knowledge, which distinguish and allow the organisation to compete.

Understanding the organisation's core strengths and weaknesses is an important precursor to any analysis of competitive advantage. A useful model for analysis is SWOT.

The SWOT analysis promotes strategic thinking about not only the strengths and weaknesses of an organisation, but also the internal and external opportunities and threats. This can most easily be achieved after the completion of the PESTLE analysis and looks at the micro, rather than the macro environment, in which the organisation operates.

The SWOT needs to consider factors such as branding, supply chain, market position, product advantages, new technology, perceivable changes in the market place and crucially feedback from customers. Identifying strengths should help to draw out the core competencies, skills and knowledge that are essential elements in the analysis of competitive advantage.

Porter (1990) identifies three generic strategies for identifying competitive advantage:

◆ Cost leadership

◆ Differentiation

◆ Focus

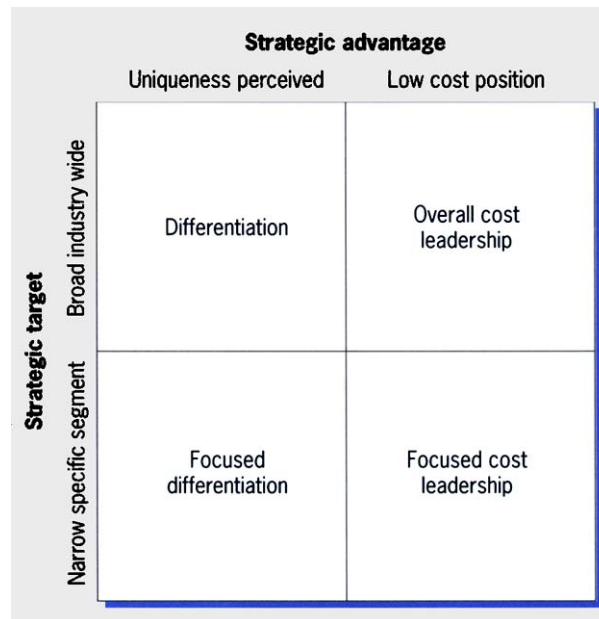The way they are interrelated is illustrated in this diagram.

Figure 5.3 *Porter's strategies for competitive advantage*   Source: Porter (1990)

Cost leadership

Here the aim is to gain advantage over competitors by seeking to maintain a low cost structure and thereby reduce the cost to consumers. This is achieved through controlling overhead costs, economies of scale and cost minimisation in areas such as R&D, marketing, global sourcing of new materials and the application of new technology.

This is a difficult position to maintain and may attract attention from other larger and better-resourced companies who will seek to undermine your own offer. Cost leadership is usually associated with high volume sales and involves high initial investment costs. Occasionally this strategy will lead to damaging price wars.

Differentiation

Here the product or service offered differentiates it from others. The difference is based on providing value to the customer and should be perceived as being relatively unique in this configuration. It may be an opportunity to price the product or service at a high level. Common sources of differentiation include product performance, product perception and product augmentation. Product performance relies on factors such as quality, durability or flexibility and generally provides a tangible reason why customers prefer this product or service.

Product perception is more about the way a customer feels about the product or service. It relies on developing brand loyalty and is fuelled by advertising, PR and endorsements.

Product augmentation helps to differentiate one offer from another by the services or support that comes with it. AOL, for instance, are

not just an Internet service provider. Their basic offer of Internet and email connection comes with a whole range of family and business friendly services that differentiate their offer.

The downsides of the differentiation offer are that if the offer is any good it will be copied and it also tends to be expensive and risky to set up.

Focus

A focused organisation tends to concentrate on a narrower range of business activities and thereby specialize. The specialism can be via geography or location, customer segmentation, or product line. This tends to lead to a targeted and satisfying type of organisation with very strong customer knowledge. However again competitors will try to copy good ideas and it is risky to have all an organisation's energies channeled in one or limited directions.

Porter's view was that an organisation should broadly pursue one of these strategies at a time. There may be scope for pursuing more than one and optimizing all available sources of competitive advantage, but in doing so, an organisation may risk the competencies for which they have become known – the benefit may be achieved at too high a cost. Another option is that an organisation tries to defend itself from replication by competitors and this can be achieved by using better equipment, by inventing new processes, by rewarding skills and by brand development. Alternatively, competitive advantage can be maintained by constantly seeking ways to update the offer.

A manager's ability or opportunity to impact on competitive advantage can be substantial and will depend on their knowledge of their customers, new technologies available and their understanding of the competitive market place. Most changes in an organisation are dynamic and organic rather than revolutionary. This is where managers have the greatest role to play in the sustainability and performance of the organisation.

Activity 14
Identifying competitive advantage

Objectives

This activity will help you to:

- ◆ analyse and understand your product and service offer within the context of the wider market
- ◆ review the competitive advantage of the product or service offer against Porter's model.

Task

1 Carry out a SWOT analysis of your organisation's product or service offer. Include the total product concept – the services that are used to support the principal offer.

Strengths

Weaknesses

Opportunities

Threats

Strategic advantage

	Uniqueness perceived	Low cost position
Broad industry wide	Differentiation	Overall cost leadership
Narrow specific segment	Focused differentiation	Focused cost leadership

Strategic target

2 Use Porter's grid illustrating the three generic strategies to outline your organisations competitive advantage. Which position does your organisation take? Make notes on the effectiveness of this approach and the potential for other approaches.

Feedback

These activities can sometimes be uncomfortable; they are asking you to examine some of the factors that underpin your product or service. Remember that changing for competitive advantage can involve small changes, where the impact is cumulative. There may be small tweaks that can be made to help your organisation work better with its customers.

The impact of technology

It is important to match the internal strengths of an organisation to the external opportunities that exist. At the same time, any internal weaknesses should be addressed and ideally eliminated, so that the organisation is not placed under threat by any external changes. One of the most dynamic elements in the external environment is the area of new technology. New technologies are continually being developed and these provide opportunities to some organisations and threats to others. All organisations therefore need to follow and ideally anticipate changes or developments in new technology to ensure that they continue to meet their customers' needs and create or maintain competitive advantage. Although some general technology and marketing-related issues will be addressed here, emphasis will be given to marketing and the Internet.

Technology – the opportunities and threats

New technologies are continually being introduced and many of these developments have a positive effect on customers. There can be an increase in customer satisfaction arising from greater convenience arising from the use of new technology e.g. 24 hour online banking. On the other hand, a technology-led approach can sometimes result in a reduction in customer satisfaction because of system failures, or a lack of personal contact.

Cringely (1996) described how Gordon Moore who later became Chairman of Intel, first proposed 'Moore's Law' in the 1950s. Perhaps surprisingly, 'Moores Law' still holds good today. An interpretation of Moores Law is that:

> Either computing power will double every 18 months, or the cost of computing power will be halved every 18 months.

The implications of this statement are that technology will continue to develop just as rapidly as it has done since the 1950s. Costs will also reduce significantly in relative terms making new technologies more accessible to suppliers and customers. These emerging technologies will therefore continue to provide new opportunities, such as enhanced communications and the opportunity to add value in terms of product (or service) development and delivery.

The opportunities

As computer technology continues to develop, so does the field of communications technology. Data, video, voice and music, are transmitted rapidly in a digital format. Communication and computer technologies are converging and this trend is set to continue. The trend towards convergence will be fuelled by an ever-increasing demand for information and entertainment wherever and whenever people want it. This demand will be met by independent suppliers and through mergers and strategic alliances such as between technology, publishing, media and Internet or network distribution companies.

Perhaps the most significant development is the move towards Internet-based communications involving high growth in e-commerce and messaging services. The increasing use of data and news transmission now takes place through mobile phone and hand held computers.

Consumers are making their demands and preferences known. It is becoming easier through databases and consumer tracking software to cost-effectively reach very small sections of society, even individuals. It is also possible to massively increase reach to individuals and organisations through Internet and email technologies.

E-commerce also opens up significant opportunities for organisations to capture and hold information about individuals and organisations. For the most part, if asked people have so far expressed little concern about the amount and detail of the information held about them on databases. Loyalty card customers register their details in return for vouchers or money off rewards and in return receive targeted emails promoting products that from the stores records would appear to be of interest.

E-commerce also makes buying and selling ordering transactions, on the whole, easier and more efficient. Organisations whose product offer is easily downloadable or purchasable digitally are seeing massive rises in consumer ordering via the Internet. Will there come a time when shops are a relatively scarce frontage for a huge Internet ordering system? A place where people go to try out and try on?

> It may not always be profitable at first for businesses to be online, but it is certainly going to be unprofitable *not* to be online.

Source: Esther Dyson

The threats

The range of new technologies is extensive and although the benefits to customers and suppliers can be considerable, there are some serious downsides associated with the development and use of some of these new technologies.

In theory the use of Customer Relationship Management (CRM), systems should improve communications and ought to help in the development and maintenance of the relationship between customer and supplier. CRM systems are based on sophisticated databases that allow data to be captured and then accessed by any authorised individual in an organisation. Often the customers' first point of contact is a telephone operator based in a call-centre, who can access customer records instantly, to deal with any queries or to take any new orders.

These systems may work very well, although in practice many customers do not find their contact with the organisation as satisfactory or satisfying as it ought to be. The customer data may well be available to the operator, but each time a customers calls, they may speak to a different operator and continuity and the personal touch is lost. Organisations are realizing the importance of personal contact and overly systematic operations are being phased out in favour of a real voice.

Every opportunity needs to be taken to communicate in a meaningful way with the customer, especially when there is a problem. There is no better way to communicate than in person either on the phone or face to face in this situation. However, for normal transactions people are beginning to prefer the speed and efficiency offered by technology.

The principle threats going forward, for most organisations using technology to conduct business, are infrastructure and security. Organisations are constantly responding to new requirements from customers, the market place and global communications.

> **Computers can figure out all kinds of problems, except the things in the world that just don't add up.**
> **James Magary**

Infrastructure needs to be robust and adequate to support the level and complexity of the traffic required. Computer fraud is similarly becoming more complex, more ingenious and constantly finding loopholes in software and systems. Organisations need to be constantly aware of threats and system changes that will support their own organisation.

The dangers arising from the failure of technology

There are many different technologies and systems used to communicate and add value in a modern business environment. Most systems probably do achieve many or all of their objectives, although when the technology fails it can spell disaster for the organisation.

The impact of technology or systems failure on the organisation and various stakeholders can be considerable, so it is important that new technologies are not taken for granted.

The Stakeholders	The possible implications involved
The Customer	Customer complaints and any associated costs may rise if technology-based systems fail. Customer confidence may be eroded and customer retention rates may fall. Customer loyalty may reduce as some customers will be more likely to consider competitive offerings and negative 'word of mouth' is likely to deter new customers, resulting in a loss of market share.
The Employees	If faced with an increased number of customer complaints, or if constantly bombarded with negative media reports concerning their employer, morale is likely to suffer and some employees are likely to become demotivated or stressed. Some systems may provide too much information and employees may suffer from 'information overload', or they may have to cope with an ever-increasing workload – which could in turn influence how they deal with customers.
Other Stakeholders	Because of adverse publicity, investors may lose confidence in the company and decide to sell their shares, which could have serious and more far-reaching implications. Depending on the nature of the failure or the nature of any publicity surrounding a failure in technology, suppliers may also lose confidence and question whether or not they should continue to supply the organisation.
The Organisation	Internally the company could be weakened by the effects of the system failure and also by the effects of a reduction in staff morale. The reputation of the company or the brand may suffer serious damage. Externally, competitors may well take advantage of the opportunity to increase market share by attracting customers through the use of various timely communications and perhaps by making adjustments to the other elements of the marketing mix.

Table 5.3 *The impact of technology or systems failure on stakeholders*

Damage limitation

Since the image of the organisation can suffer considerable damage as a result of any failures in technology, management needs to ensure that the damage is limited in the event of a failure. This means having a plan and the necessary skills and resources to react quickly and appropriately in the event of a problem.

Damage limitation may take the form of a speedy but well-organised and orchestrated public relations effort, involving the use of news releases and other techniques to take advantage of media interest, so that a positive and appropriate message is communicated to the various audiences involved. Since internal marketing will also be important, it will be necessary to co-ordinate internal communications to ensure that employees and any other key stakeholders such as shareholders are also given the appropriate information and assurances to maintain their confidence in the organisation.

The impact of the Internet

Although there are many new technologies that have an impact on marketing, the Internet is perhaps the most significant development to occur in recent years. The Internet is a network of computer networks and is not owned or operated by any organisation. However, it provides the opportunity for large and small organisations to promote and distribute their goods and services to a global market. Websites provide a 24-hour a day 7 day a week (24/7) opportunity for customers to view or buy. E-commerce facilities enable quick and secure payments for the convenience of both the supplier and the customer.

However, the Internet is far more than another advertising and distribution medium. The 'net' is also now being used for many business and marketing purposes including some of the following:

◆ Capturing data

◆ Improving communications

◆ Improving productivity

◆ Relationship marketing

◆ Research and information gathering

◆ Searching for possible suppliers

◆ Supporting remote working

◆ Supporting team working activities

◆ Competitive tendering

◆ The dissemination of information.

Many organisations are now using the Internet and more particularly the Web to create competitive advantage, by offering value-added services via their websites, such as free information and resources.

There are of course also various downsides to using the Internet, since it can still be slow and the right information can be difficult to find because of 'information overload'. Just like any other communications and distribution channel a website is not a total solution, since the nature of the product and the other elements of

the marketing mix also need to be taken into consideration when developing a presence on the Internet.

> Web users ultimately want to get at data quickly and easily. They don't care as much about attractive sites and pretty design.

Source: Tim Berners-Lee original 'inventor' of the www

But does it work?

Piercy (2002) suggests that Internet-based trading is viable only to the extent that we can use it to improve the value we offer to customers.

Piercy also quotes Ghosh (1998) who suggests that the challenge to managers is to determine what opportunities and what threats the Internet creates. Ghosh argues that managers should focus systematically on what new things the Internet allows their particular organisation to do and identifies the following four types of opportunities:

◆ Establishing a direct link to customers (or suppliers and distributors) to complete transactions or exchange information more easily – adding to convenience for the customer, personalizing interactions with the customer and developing new services.

◆ The technology lets companies bypass others in the value chain e.g. distributors.

◆ The Internet may allow the development and delivery of new products and services to new customers.

◆ A company can use the Internet to become the dominant player in the electronic channel of a specific industry or segment.

Email marketing

> Research forecasts 48 billion email marketing messages will be sent, by 2007. Email marketing is currently a low marketing media channel. But the rapid growth from the current levels of email marketing (1.1billion in 2001) to the 2007 prediction could itself be a problem for suppliers and customers alike.

Source: www.wnim.com/archive

Email marketing depends initially on the email list either being self-generated or bought in. Effective campaigns generally treat the first email that goes out to a consumer as a way to generate your own data about the recipient. Recipients can be encouraged to respond with incentives relevant to the target market. If the recipient asks for

the incentive then they must be the sort of person who is interested in the product. This data generation makes it a lot easier to target relevant customers, who have given permission to use their email address in the future. At this point, you can start a regular communication strategy to them to provide services, sell products or convince them you hold a valued place in their consciousness.

This ongoing communication strategy then gives a potentially endless number of opportunities to gather data and convert them into a customer for your organisation. It should also allow you to find out more about their perceptions of price and quality.

Mobile marketing

Technologies are converging at a rate we could never have predicted. Handset technology, mobile network links, message delivery, broadband data and user take up have all matured and reached a level where commercially viable and cost effective mobile marketing and data services can be launched. These services include text-messaging campaigns (quiz, votes, polls, contest entries), content downloads, instant voice response, community services, and mobile searches. You could be in a shop, try out a sofa and order it online from your web-enabled mobile phone. Your phone then may be able to update you with delivery details and provide messages to promote other items in the range.

Technology can support mobile marketing. The skills to effectively and engagingly target potential users providing a useful mix of information and promotion are nascent. Text messaging campaigns launched from the radio and TV have proved phenomenally popular. Highly targeted texts, for instance from estate agents, may prove useful, but the plethora of mis-timed and mis-firing text emails will probably only fuel skepticism in these early stages. Mobile devices are highly personal items and marketing leaders need to recognise the invasion of privacy that some messages mark.

In summary

Competitive advantage is about understanding where your organisation sits in the market, knowing as much information about the market and your competitors as possible and making best use of the technologies to support distribution of your product or service to customers. This needs to be balanced against risks, threats and feasibility of changes.

Activity 15
The impact of technology

Objectives

This activity will help you to:

- examine the role of technology in the production or marketing of your product and service offer.
- analyse the risks associated with changes in technology.

Task

1 Give three examples of ways that technology could be used to provide more effective customer interactions in your organisation. These could be small changes to systems or the introduction of new systems.

1

2

3

2 What are the risks posed by these changes?

Feedback

This is a key area for any organisation to gain competitive advantage. It is also an area that is constantly changing. The decision to take a technological route is made more difficult by changes in customer expectations and the costs associated with maintaining technological solutions. Your role as a manager is to explore the options and the medium term costs associated with them. You can do this by finding good sources of information and expertise about where your technology area is headed. Without this expertise, it is easy to make expensive mistakes.

Action list

Review the activities you have completed for this theme and write down any action points that you can use to support you and your team in creating or improving the market or customer focus in your organisation.

◆ Recap

Review models and techniques to help you examine your industry sector and your competitors to support identification of competitive advantage

◆ The models and techniques include:

- PESTLE analysis

- Marketing and information systems

- SWOT analysis

- Porter's strategic analysis

Understand the impact of new technology on markets and customers

◆ Technology cannot now be ignored either in terms of marketing, sales or distribution. Customer expectations are such that an Internet presence is virtually obligatory. This section looks at the opportunities and threats, the role of the Internet, email and mobile marketing.

Understand some of the risks associations with changes in an organisation

◆ The basic conundrum is to balance the requirement to change to keep up with customers and competitors, whilst maintaining the services and products that signify your organisation's expertise areas.

▶▶ **More @**

Cringely, R. X. (1996) *Accidental Empires*, **Penguin Books, pp. 41–144**
This work looks at the business of computing in the US, as computer science, as a business, and as a collection of extraordinary and eccentric characters.

Drummond, G. and Ensor, J. (2005) *Introduction to Marketing Concepts*, **Elsevier Butterworth-Heinemann**
This text introduces the reader to basic marketing concepts. Chapter 9 is particularly relevant covering analyzing competitors and competitive advantage. It also includes a number of e-marketing perspectives.

Piercy, N. F. (2002) *Market-Led Strategic Change: A Guide to Transforming the Process of Going to Market*, **Butterworth-Heinemann**
Piercy covers the e-volution of e-verything into e-business in chapter 4. This is a useful text to support further learning on the theories that underpin marketing practice in organisations today.

Porter, M. (2004) *Competitive Strategy: Techniques for Analysing Industries and Competitors*, **Free Press**
This is a classic text on competitive strategies and marketing covering competitor, market and structural analysis and strategic decision-making.

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