

THE DISCIPLINE OF MARKET LEADERS

Choose Your Customers, Narrow Your Focus,
Dominate Your Market

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MAIN IDEA

No company can be successful today if it attempts to be all things to all consumers. Rather, the most successful companies -- the Market Leaders -- select a unique value that they alone deliver to their chosen market better than anyone else. This comes about as the cumulative result of three decisions that are made:

1. The value proposition -- the promise a company makes to deliver a unique mix of price, quality, performance, convenience, etc.
2. The value-driven operating model -- the systems, business structure and corporate culture by which the value is delivered.
3. The value discipline --how value propositions and operating models can be combined to become the best in that market.

The three key value disciplines are:

1. Operational excellence

Companies that provide middle-of-the-market products at the best price with the least inconvenience.

Combines the value proposition of low price with an operating model optimized to deliver hassle-free service.

2. Product leadership

Companies that offer cutting edge products that push the performance envelope outwards.

Combines the value proposition of best product with an operating model of successive new products year after year.

3. Customer intimacy

Companies that focus on building long-term customer relationships by delivering specifically what each customer wants.

Combines the value proposition of best service with an operating model of going the extra mile for selected customers.

From this perspective, once a company has selected the value discipline, market leadership then becomes a matter of delivering ongoing value in that discipline which is continually improving.

1. MARKET LEADERSHIP FOR THE 1990S AND BEYOND Page 2

Today's customers want more of whatever they value the most.

Consequently, today's market leaders excel by:

1. Selecting one component of value they will excel at.
2. Continually raising customer expectations and definitions of value for that specific component.
3. Structuring their entire operations to deliver added value in that component again and again better than any of their competitors can.

2. THE DISCIPLINE OF OPERATIONAL EXCELLENCE Page 5

Operational excellence is distinguished from operational competence by the fact the company has focused solely on serving its targeted customers. It's built on know-how, applied technology and tight management. The secret to succeeding in delivering operational excellence lies in developing the right formula.

3. THE DISCIPLINE OF PRODUCT LEADERSHIP Page 6

Companies that compete on the basis of product leadership face the challenge of making products that customers recognize as superior -- that is, products that deliver real benefit and product improvements. To be product leaders, companies have to deliver a steady stream of standout products.

4. THE DISCIPLINE OF CUSTOMER INTIMACY Page 7

Market leaders competing in the customer intimacy discipline are solution focused -- not just the customer's immediate need but also his broader underlying problems and ongoing requirements. These types of companies use their superior expertise to change the ways customers do business for the better -- even when they don't realize that's what they're after.

5. THE SELECTION OF A VALUE DISCIPLINE Page 8

Market leaders have succeeded because they elect to become:

1. Operationally excellent companies
2. Product leader companies
3. Customer-intimate companies

Therefore, to take advantage of their example, each company should select one value discipline on which to focus. This selection process is a three phase approach:

- Phase 1. Understand your company's status quo.
- Phase 2. Identify the realistic options available.
- Phase 3. Make detailed decisions and hard choices.

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