

How to Execute a Market Flanking Maneuver

By Brad Jarvis

Situation

Although we were the leader in line matrix barcode printers, a 2003 brand survey determined that there was little market awareness that our Company also provided thermal barcode printers. We participated only in the high-end industrial sub-category of thermal printers with 7.6% market share. There were 6 main competitors with greater market share in thermal printers, and the main competitor possessed greater than 30% market share.

We were looking for a way to increase brand presence, but determined that a frontal attack on the main competitor would have little chance of success and thus be a waste of time and resources. With so many viable competitive alternatives in the market, it was very difficult for us to get our marketing voice heard and build presence in the market with users, partners and channel for traditional thermal barcode printers.

Our highly targeted guerilla sales efforts, and outstanding product support, had created close relationships with technology partners and major accounts in the retail market. Through these relationships we were early to identify a new supply chain technology known as RFID (Radio Frequency Identification) which created a market opportunity for modified thermal barcode printers.

How Technology Marketing Course Concepts Apply

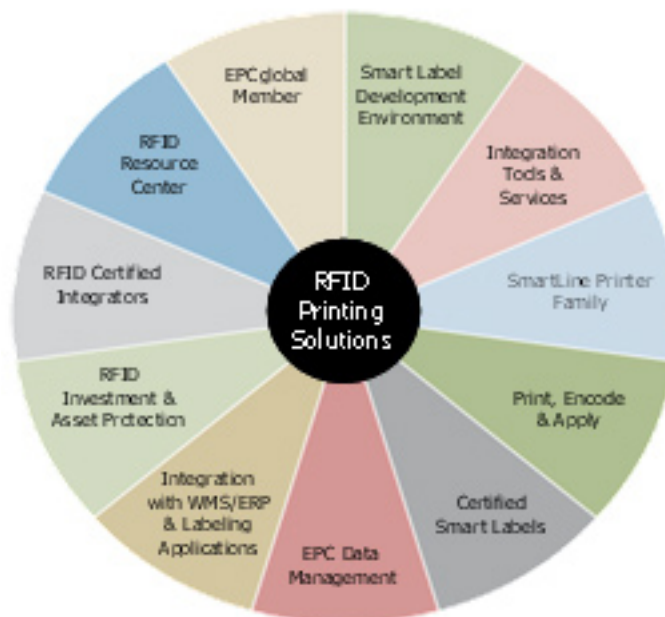
Company marketing and management felt that with a good solution strategy and targeted sales execution, the RFID label printing application presented us with an opportunity. We believed that by focusing on the small, but fast growing, RFID printer segment we could use Flanking Strategy against our largest competitor and gain thermal printer market share, if not directly from that main player, then at the expense of all the other smaller thermal printer suppliers.

Just as importantly, if we could establish ourselves as an RFID Market Leader we felt we could increase brand awareness in the overall thermal printer market. The team decided that RFID label printing leadership was going to be our competitive differentiation in thermal printers. To establish leadership we would become a center of knowledge, and that knowledge would be a key part of the solution, reducing early market risk for our customers to begin working with RFID.

Strategy

The early RFID printing market consisted mainly of pilot evaluation projects to sort out the specifics of applying the technology to consumer packaged goods (CPG) sold at retail. To beat all thermal competitors to market with RFID printing, our top priority was to provide a solution for these technology pilots. Rather than completely redesign our printer, we developed the Smart Label Developers Kit (SDLK) quickly and packaged it with software and supplies from leading technology partners to enable supply-chain RFID testing. In fact we surprised the main thermal printer competitor by scoring a major win with the market leading software partner, gaining exclusive RFID co-branding during the launch of our solution.

The marketing team realized that we had not been communicating effectively about our product advantages and had let the competitor define the evaluation process for the product category. So instead of continuing to let the competitor put us on the defensive by responding to their definition of the Contract Management process, we took this as our opportunity to redefine the process in a way that revealed how much more important, and strategic, our product advantages were. The chart below shows the Contract Management process and our advantages in the critical, and ongoing, 'Management' phases of the process, in contrast to the competitor's advantages in the tactical, one-time-per-contract, 'Authoring' phases of the process.



Tactics

We invested in an array of market leadership programs beyond the SLDK product launch. Programs included EPCglobal standards activities, a webinar series, and consistent presence as RFID industry speakers. We also built a new section on our web site that provided educational content regarding RFID. We worked with partners and customers to build a knowledge base on the site to help customers, for instance tracking new standards as they evolved.

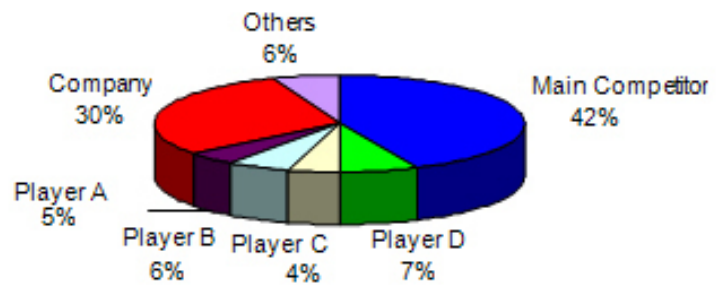
Less than a year after our SLDK launch it became clear that the main competitor was about to get serious about launching their RFID thermal printers. To maintain the perception of leadership we had to act quickly. So, Company subject matter experts documented early RFID printing market lessons learned in the handbook "RFID Labeling: Smart Labeling Concepts & Applications for the Consumer Packaged Goods Supply Chain". More than 18,000 copies of the 1st edition were distributed. It became the early adopter's handbook for RFID labeling. We knew we could not rely forever on first-to-market status, but we could enhance our leadership in a more permanent way as the first place to turn for educational information on RFID label printing.

Results

Because we were selected by many of the top consumer packaged goods companies to help them implement RFID printing solutions, market research analysts began publishing data that showed the Company as the clear number 2 choice in RFID thermal printers, with nearly equal share to the dominant thermal market leader. This acknowledged success in RFID increased our overall thermal brand awareness at the Company level, allowing us to build a wider network of channel and software partnerships.



2005 VDC Worldwide high Performance RFID (UHF) Thermal Vendor Revenue



Source: VDC 2005 (PTNX estimate, competition estimate)
Updated 8/08

Over the first 2 years executing this strategy the Company picked up 2 points of high-end industrial thermal share in North and South America, where virtually all of the RFID activity was located. We took this share primarily from smaller suppliers, rather than from the main competitor as expected, but we had to ask ourselves, in all honesty, why this well-executed flanking strategy had not yielded even more growth in the high-end industrial thermal printer segment.

Lessons Learned

Disruptive technology can provide an opportunity for companies to reset the ground rules on the traditional leader. By using the appropriate strategic maneuver companies can gain beachheads and penetrate markets with success. Taking a leadership position in an early adopter technology market can also help companies increase the brand awareness in the general market.

However, in order to use the flanking maneuver to rapidly take total market share, emerging segment volume has to be growing much faster than the rate of overall market. In this case emerging RFID market growth was much slower than the hype curve, primarily due to the cost of RFID labels as compared to barcode labels. When emerging segment growth stalls, the flanking maneuver can not deliver overall market share gains.