Curveball

Key ideas from the Harvard Business Review article By George Stalk, Jr.

The Idea in Brief

You've executed a brilliant new strategy--but your competitors are catching on. How to get them off your scent?

Stalk recommends throwing **curveball strategies:** clever moves that get competitors looking the other way while *you* capture customers' hearts, minds, and wallets. Curveball strategies outfox rivals into doing something dumb they otherwise wouldn't have, or *not* doing something smart they *should* have.

Consider this curveball strategy: Let rivals misinterpret your success, as Australian discount airline JetStar did. Competitors didn't recognize that it was aggressive asset utilization, not just cost control, that put JetStar in the lead. Alternately, borrow tactics from an industry other than yours. Andy Hornby, CEO of Halifax Bank of Scotland (HBOS), imported hard-sell techniques from his years in retailing to knock stodgy rivals off balance. Another clever move: Lure competitors into disadvantageous areas; for example, by competing for, but intentionally losing, the business of less profitable customers.

Opportunities abound to throw your competitors a curve. And each time you throw one, you earn time to plan your next curveball.

The Idea in Practice

Stalk recommends these curveball strategies:

Let rivals misinterpret your success. A successful company's competitors may think they know the secrets to its success. But they're often wrong. By letting rivals misjudge the key source of your performance, you maintain your edge even longer.

Jetstar, an Australian no-frills airline, flourished by letting rivals think it was competing just by squeezing costs. The *real* secret to Jetstar's success? Aggressively increasing its asset utilization. Fast turnaround times at the gate kept its planes, pilots, and crew in the air for more hours each month than traditional rivals. And smart scheduling brought most of its planes and crew back to home base at the end of the day. Extreme asset efficiency enabled Jetstar to improve profitability through volume gains--and keep competitors at bay.

Disguise your success. If rivals can't even see your success, they won't move to attack you. One way to disguise your success is to drive sales through your service organization--making service technicians de facto sales representatives.

DiaDevice, a medical diagnostic equipment maker, used this technique to outfox rival MedicTec. It installed full-time service technicians in second-tier hospitals that MedicTec had deemed not profitable enough for on-site service. DiaDevice's on-site technicians boosted new equipment sales by influencing hospitals' request-for-proposal process. They knew the strengths and weaknesses of all the equipment installed at the hospital--regardless of the supplier. Thanks to this curveball, DiaDevice gained share in service-contract renewals *and* new equipment sales--virtually unopposed by MedicTec.

Stick rivals with unprofitable customers. By using clever pricing to get competitors to pursue unprofitable customers, *you* lock up the most profitable ones.

U.S. cleaning-chemical company Ecolab knew that small, independent customers--though willing to pay higher prices than chain retailers--were also costlier to serve, and thus not profitable in the long run. But rival Diversey was smitten by the healthy gross sales revenue promised by such customers. To help Diversey "win" these customers, Ecolab priced its bids to small independents high enough to lose to Diversey but low enough to keep downward pressure on Diversey's net margins. Meanwhile, Ecolab priced aggressively to win big chain accounts--the cheapest to serve and thus most profitable. While Diversey's revenues increased, its bottom line eroded and it lost 15% on U.S. sales. Meanwhile, Ecolab enjoyed a steady 20% return on sales.

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Further Reading

Articles

Strategic Intent

Harvard Business Review

April 2004

by Gary Hamel and C.K. Prahalad

All strategies--curveballs included--must be grounded in a **strategic intent.** Canon's "Beat Xerox" is one apt example. A powerful strategic intent stokes your employees' thirst for victory and keeps them devising new curveballs that put your company consistently ahead of the game. The key? Picture strategic intent as a marathon run in 400-meter sprints. You can't know what the terrain at mile 26 looks like, so you must focus your company's attention on the next 400 meters. Tactics for creating focus include exaggerating current indicators of potential threats, providing vivid evidence of what best-in-class competitors are doing, providing training in statistical tools and problem solving, and tackling one challenge at a time.

Winning in the Aftermarket

Harvard Business Review

May 2006

by Morris A. Cohen, Narendra Agrawal, and Vipul Agrawal

The authors identify another curveball strategy: fueling major profits not through your products but through the **aftermarket**--your post-sales services. In many industries, the aftermarket has ballooned to 4-5 times the size of the original equipment business. How to extract profits from this market? Treat your service promises not as costs of doing business but as revenue-generating products that you design, price, produce, and deliver. Design a portfolio of service products that meets different customers' needs--speed for some; for others, economy. And create a distinctive post-sales supply chain that delivers the people, parts, and transportation systems needed to provide stellar service. By applying these principles, GM earned more profits from $9 billion of after-market revenues in 2001 alone than it did from $150 billion of revenues from vehicle sales.

About the Authors

George Stalk, Jr.is a senior vice president with the Boston Consulting Group and the author of numerous books and articles, including, with Rob Lachenauer, "Hardball: Five Killer Strategies for Trouncing the Competition" (HBR April 2004). He is based in Toronto.