

GOING AGAINST MERGING GOLIATHS NOT SO GARGANTUAN A CHALLENGE

No doubt about it: The big are getting bigger. Procter & Gamble's merger with Gillette will create a consumer-packaged-goods behemoth with revenue of \$60 billion. By swallowing AT&T, SBC becomes a \$70 billion telecom leviathan. With its proposed \$24 billion acquisition of Guidant, Johnson & Johnson will further build its global standing as a \$58 billion diversified health care product giant.

As the merger spin will tell you, with such size comes even more clout and competitive advantage—more customers, more bucks to put against innovation, more sway with channel partners.

In the interim, however, savvy marketers in non-merging companies understand that now's the time to deploy their sharpest strategies for organic growth.

While competitors are busy explaining the rationale behind their mergers and coping with internal integration issues, you can start by sharpening your strategy and refining your positioning to better emphasize your strengths and advantages. When U.K.'s Wm Morrison Supermarkets focused on bringing Safeway into its fold, its chief competitor, Tesco, took the opportunity to strengthen its strategy of providing exceptional value and choice—and, coincidentally, solidified its spot as the U.K.'s No. 1 grocery retailer by lowering prices on more than 500 items and bolstering its ClubCard loyalty program. As Tesco's chairman noted, "It's about an attitude. Most threats can also be an opportunity; competition forces you to become a better business."

Now is also the time to analyze your customers to ensure their needs are being effectively met—from offer development that aligns with segmented buying patterns and preferences to using customer insights to fuel product innovation. After years of struggling against larger, if not better-heeled, better-positioned

competitors, J.C. Penney recently announced a much-sharpened focus on "the missing middle" or the underserved middle-aged, middle-market American woman. Extensive customer research has led to several new lines, including a dressy casual line with designer Nicole Miller that it hopes will strengthen the emotional connection with its customers. It's a critical facet of a four-year turnaround strategy that stands to effectively counter an increasingly pressured and competitive retail sector marked by the consolidation of Penney's key rivals.

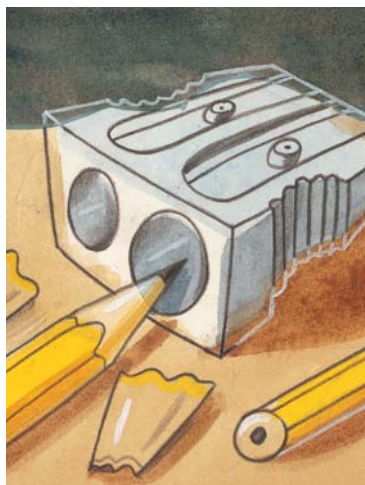
Finally, smart marketers will look strategically at their relationships in the distribution channels, taking advantage of openings to demonstrate their value through initiatives that underscore their continuity of customer service, product procurement and personnel. One way to do this is by keeping the pipeline open with innovative, customer-driven products. (Which helps your partners reinforce their own value propositions with customers.) While Oracle has been busy battling to acquire PeopleSoft, SAP has been actively increasing its number of channel partners, and appointed a new executive specifically to oversee many of those relationships. It's also

developing a "Business Process Platform" as a competitive weapon that it intends to lead to an "industrialization of the software industry" similar to the industrialization of the auto industry.

As SAP has realized, the newly merging companies are going to wield considerable clout in the distribution channels. By solidifying your partner relationships now, those of you not in play will be better able to guard against losing ground to those competitors later. This lacking gives those not entering the merger fray, who have strategic and decisive marketing leadership at the helm, the opportunity to press their advantage on any number of fronts. The idea is to stay in the battle—if not to win it. ■



By solidifying your partner relationships now, those of you not in play will be better able to guard against losing ground to those competitors later



Scott Davis

is a senior partner of Prophet (prophet.com), a consultancy specializing in the integration of brand, business and marketing strategies. Davis has written several best-selling books on brand topics.

Contact:

sdavis@prophet.com