



## Outside-In Thinking Improves Strategy

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The current environment and the planning season are excellent reasons to revisit your approach to strategy. Strategy is about defining and setting the long-term direction for your organization. Marketing as one of the primary external-facing entities (sales is another) within an organization plays a central role in strategy development and execution.

During the past few years, many companies have focused heavily on internal processes, looking for a way to reduce costs and improve productivity. While this is essential to survival and driving short-term earnings, it doesn't help a company address shifts in the market, new technologies, new channels or the entrance of new competitors.

This is the domain of strategy, and successful strategies leverage an outside-in approach, which takes seeing your customers as assets. If you want to take an outside-in approach to strategy you must be willing to continuously invest in learning about and from your customers and to translate this knowledge into initiatives that will enable you to gain a competitive advantage, improve your market position and ultimately your shareholder value.

With the holidays upon us, hopefully you will have a chance to catch up on your reading. We hope you will check out George Day and Christine Moorman's book, *Strategy from the Outside-In: Profiting from Customer Value*, which discusses taking an outside-in vs. an inside-out approach to strategy.

Inside-out thinking begins with more traditional questions such as "what are we good at," "what are our capabilities," "what are our products," and so forth, and can make a company rather myopic. The book explores how organizations that take a customer-centric view -- looking at everything the company does through the customers' eyes -- focus on creating and keeping customers by delivering exceptional customer value.

In their book, the authors remind us that when companies "hunker down, cut R&D, slow innovation, no longer experiment," and put internal issues above serving customers, they are putting their survival at risk. This is all part of the inside-out thinking. Their work found that "outside in" companies perform better because they immerse themselves in the market, doing more experimentation in order to gain market insight and draw actionable ideas.

How do you know whether you are an inside-out company? If you are continually surprised by bad results, seem out of touch with who your customers are and what value you are delivering to them, the entrance of a new competitor or the emergence of a new product category, you may be falling into the inside-out trap.

Outside-in companies depend on marketing to help them be customer-centric and to increase the direct dialogue with customers in order to see and adapt to patterns sooner. This responsibility as well as finding growth opportunities and positioning the organization for the future falls to the CMO. Successful CMOs are passionate advocates for customer value and build strong relationships with R&D and sales.

By taking an outside-in approach, marketing can develop strategies that will improve its ability to attract, keep and grow the value of customers, thereby improving its effectiveness and value -- critical components of marketing performance. As you build your marketing strategy and offer counsel to your leadership team, we hope you are taking an outside-in approach.

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