Curveball
Strategies to Fool the Competition
by George Stalk, Jr.

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Curveball
Strategies to Fool the Competition

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.

Example: 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.

Example: 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.

Example: 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.
A couple of years ago, I coauthored with Rob Lachenauer an article called “Hardball: Five Killer Strategies for Trouncing the Competition.” The piece, along with a subsequent book, was misunderstood by many people. Critics said that hardball meant playing dirty or mean, neither of which is true. What is true is that hardball—let’s face it, competition in any form—is about winning at the expense of your rivals. Many people these days are a little uncomfortable with such a primitive notion, but hardball practitioners don’t apologize for it in the least.

Of course, playing hardball—getting rough and tough with the competition—isn’t the only way to clobber competitors. You can also fool them with a strategic curveball, one that will lead them either to do something dumb that they otherwise wouldn’t have—that is, swing at a pitch that appears to be in the strike zone but in fact isn’t—or to not do something smart that they otherwise would have—that is, fail to swing at a pitch that appears not to be in the strike zone but in fact is.

The aims of curveball and hardball strategies are the same: gaining an advantage that allows you to “strike out” your opponent. In fact, one of the hardball strategies we laid out in the previous article—deceive the competition—combines the tough-mindedness of hardball with the cunning of curveball.

This article examines some of the curves you can throw at competitors. For each type of curveball, I describe a particular strategy that exemplifies it, offer an extended example of that strategy in action, and suggest other situations or industries in which the move might prove useful. The curveball strategies described here, while not a comprehensive list, should spark creative thinking about the concept—and make for some fun strategy-setting sessions in the process.

These strategies aren’t all new—over the years, smart companies have used some of them to tremendous advantage—but they aren’t usually thought of as ways to fool a rival. And that’s the point. Rivals aren’t even aware that these strategies, as applied here, are being
Success in the marketplace ultimately achieved by winning customers, not by defeating competitors. No matter how tough or clever you are, you have to deliver products or services that customers value. After all, competitors eventually will catch on to the curves you’re throwing and adjust their moves in response. But while they’re busy trying to get a bead on what is making you so effective, you can achieve a significant lead in winning customers’ hearts and minds and wallets—thereby earning time to figure out the next curve to throw.

**Draw Your Rival Out of the Profit Zone**

Even the most unsophisticated strategist knows that some areas of a business are more profitable than others. It may come as a surprise, then, to find that you can sometimes lure a rival into less profitable areas. For example, you may be able to use clever pricing to get competitors to go after customers who, in the long run, will be the least profitable—while you lock up the most attractive ones.

Diversey’s U.S. division had been under extreme pressure from its Toronto headquarters to improve its performance. A new U.S. division president, who had come up through finance, announced a strategy to enhance profitability there: By pursuing customers that would accept higher prices, Diversey would generate higher gross margins.

The problem was that this strategy didn’t take into account the selling, service, and distribution costs related to those customers—this in a business in which the cost to serve customers represented half of total costs. (Most of the balance was the cost of materials.) The costs to serve individual customers varied greatly, based on a number of factors: drop size and mix (the amount and variety of products in a particular delivery), service needs (the maintenance required by dispensers, some of which were automated to control usage), and likelihood of contract renewal (because of the expense involved in installing and removing the dispensers). A customer’s location also affected costs because of differences in overall sales volumes and delivery route densities.

Customers could be segmented on the basis of the cost to serve them. The two most useful segment characteristics were a customer’s size, based on purchase volumes and purchase volumes per store, and whether it was independent or part of a chain. The least costly type of customer to serve was the large customer with large outlets—say, a restaurant or a hospital—that was part of a chain, which made its purchases through a central buyer and whose outlets could be serviced economically. Not surprisingly, the most costly type was the small, independent customer. But this segment, with less negotiating clout than the chains, could be charged higher prices, resulting in healthy gross margins for sales and service revenue.

In a classic curveball move, Ecolab adopted a pricing strategy that helped Diversey win—to its detriment—these seemingly attractive customers: It priced its bids to small independents high enough to lose to Diversey but low enough to keep pressure on Diversey’s margins.

Meanwhile, Ecolab focused on big chain accounts, which, although they commanded lower prices and were more difficult to acquire, were cheaper to serve. The high volumes they purchased generated economies of scale, and the number of outlets involved meant they were less likely to switch suppliers. Ecolab priced aggressively to win this business. The result was gross margins that, if the prices were matched by Diversey, would wreak havoc on its high-margin strategy.

At first, Diversey managers thought its rival had given them a gift: The uncontested market of small independents looked like a big, fat pitch right down the middle, and top management swung with all its might. But the move was disastrous for Diversey. Even as gross margins steadily increased as it won more business from the independents and small chains, its
bottom line continued to erode. Ecolab was enjoying a steady 20% return on sales, while Diversey was losing 15% on U.S. sales. By the time Diversey realized the importance of tying its gross-margin strategy to the costs of serving customers, the game was over.

Similar opportunities to draw rivals out of the profit zone exist in industries where the cost to serve customers is high and variable among different customers and among different products or services—and where industry pricing practices are relatively unsophisticated. These include office supplies and equipment, medical supplies and equipment, and consumer financial services.

**Employ Unfamiliar Techniques**
Practices well-known in one industry can flummox people in another, especially those with long-established traditions and a stable set of players. The competition will accuse you of destroying the industry with tawdry tactics. But it will be hard to sympathize with them—or will it even be necessary to do so—from your new position as a category leader.

A decade ago, Britain’s Halifax Building Society was a second-tier bank with respectable returns on equity but a diminishing share of its core home-mortgage market. In 1999, the Halifax named to its retail division a new CEO, Andy Hornby, who had held positions at ASDA, a UK food and clothing superstore that had modeled itself in part after Wal-Mart (and that was subsequently acquired by Wal-Mart as its entry platform into the UK).

At the age of 34, Hornby had no intention of presiding over a sleepy building society. He set out to build a powerhouse purveyor of retail financial services that would be run like a world-class retailer instead of a stodgy bank. The time was ripe for such a move. Consumer financial service institutions in the UK were cushy businesses. Customers were inert, seldom changing banks. The financial institutions mainly sought to keep costs down while preserving their market share and margins. Their one area of major investment was in customer relationship management techniques and technologies, designed to load up existing customers with ever more complicated products and product extensions in the hope of squeezing the last bit of profit from their wallets. One industry wag said, “As long as we don’t do anything stupid, we can ride the rising tide of increasing GDP per capita and not have to get out of bed too early in the morning.”

Hornby used the brash marketing and merchandising tactics of a retailer to challenge the incumbents. Between 1999 and 2001, when the Halifax merged with the Bank of Scotland to become HBOS, the institution set for itself a goal of having the “best deal on the street”—an aim more reminiscent of Best Buy than Barclays Bank. It aggressively touted this image in its advertisements, which presented a jangling counterpoint to the gleaming steel-and-glass edifices and smart executives in sharp suits seen in the ads of other financial institutions. HBOS garnered the attention and business of consumers who normally did not entertain switching between seemingly identical institutions. It offered attractive deals—including interest-bearing checking accounts and aggressively priced credit cards and loans—that weren’t tied to holding a mortgage with the bank.

The big banks were reluctant to respond to HBOS’s stand-alone offerings with ones of their own because these would risk cannibalizing business that had been built up through cross selling. In fact, most were paralyzed by the moves, fearful that any action they took would destroy the profitability of their existing businesses.

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**Curveball Strategy**
Strategic hardball—playing rough and tough with competitors—employs smart strategies to defeat rivals. Strategic curveball—outfoxing competitors—can be just as effective in vanquishing the competition.

- **An effective curve will get rivals to:**
  - **Do something dumb** that they otherwise wouldn’t have—that is, swing at a pitch that appears to be in the strike zone but in fact isn’t—or
  - **Not do something smart** that they otherwise would have—that is, fail to swing at a pitch that appears not to be in the strike zone but in fact is.

- **Here’s how to throw four types of curveball:**
  - **Draw your rival out of the profit zone.** Lure competitors into disadvantageous areas—for example, by competing for, but intentionally failing to win, the business of less profitable customers.
  - **Employ unfamiliar techniques.** Knock rivals off balance by importing a technique used in another industry—for example, employing the retailer’s hard sell in the stodgy world of retail financial services.
  - **Disguise your success.** Veil your success by achieving an advantage through unlikely means—for example, generating product sales through your service operations.
  - **Let rivals misinterpret your success.** Allow rivals to act on a conventional but incomplete explanation for your success—for example, squeezing costs rather than aggressively utilizing assets.
HBOS also ran its branches as retail sales outlets. They were remodeled to resemble High Street retailers, and the conversion of the branches went beyond cosmetics. Managers exhorted the staff to close sales and rewarded them when they did. The aim was to have customers come to conclusions quickly, thus keeping acquisition costs low. Staff members focused on lead generation and on keeping their appointment diaries full. Incentive compensation, nearly unknown in the UK retail banking industry, further boosted lead generation and drove sales productivity to three times that of some rivals. In another parallel to the retail business, computer systems generated prompts for sales staff to use when interviewing prospective customers and provided back-office support from product specialists. Point-of-sale IT systems allowed salespeople to make immediate decisions on, say, a loan application and reduced the after-sales administrative burden of the sales team.

Today, HBOS is the largest and one of the most profitable retail banks in the UK, and it is growing at double-digit rates in overall revenue, revenue from new business, and profits. Some 40% of UK households use HBOS products, including personal mortgages, checking and savings accounts, and credit cards.

Competitive practices from another industry are most likely to succeed in slow-growing businesses with established supplier–customer relationships and stable market shares. In such cases, the industry participants are comfortable with their business models. Their cash flows are predictable and come from a core group of customers that they approach using sophisticated methods honed over time in well-defined ways. In such a setting, look around for strategies that have worked in other industries where this is the case and ask, “Why not try that here?”

**Disguise Your Success**

One way to throw competitors off balance is to mask high performance so rivals fail to see your success until it’s too late. For example, you might drive sales through your service organization, making service technicians de facto sales representatives, effectively transforming a cost center into a profit center.

In the late 1990s, two companies—I’ll call them MedicTec and DiaDevice—were in the business of designing, manufacturing, selling, and servicing a wide array of medical diagnostic equipment, ranging from $15,000 desktop devices to $6 million electronic behemoths that fill entire rooms. DiaDevice, the industry leader in Europe, was increasingly gaining market share in North America. MedicTec managers were convinced that DiaDevice was buying its way into the market with lowball prices and that the only way to meet the challenge was to out-hustle the newcomer on the sales front.

MedicTec’s service chief—I’ll call him Allan—decided to undertake his own evaluation of the problem. Breaking away from the demands of headquarters, he began a round of customer visits. At one site, the largest hospital in a midsize Midwestern city, Allan toured the facility with the hospital’s head of engineering, stopping at each piece of MedicTec equipment to discuss its operating strengths and weaknesses. Allan realized that a fellow in a white coat was following them and, finding it hard to imagine that a doctor would be interested in this review, asked the engineering head about the interloper. The man turned out to be a service technician from DiaDevice, which had only a few pieces of equipment at the hospital. The real surprise, though: The technician was assigned to the site full time.

This didn’t make sense, Allan said to himself. MedicTec had significantly more equipment at the hospital but could never afford to dedicate a service technician to a customer of this size. Granted, providing a rapid and effective response to equipment problems was particularly important for DiaDevice as it strove to gain customers in North America. But with service costs totaling between 15% and 20% of revenue at a company like MedicTec or DiaDevice, you didn’t want to provide more service than was needed to keep a customer satisfied. Sophisticated algorithms for service scheduling, which took into account such things as the cost to customers of service interruptions, determined optimal service levels and guaranteed that “overservicing” wouldn’t occur. Standard industry algorithms would certainly not have justified a full-time service rep at this hospital.

But Allan was curious. Back at the office, he pulled together data on customers for whom MedicTec did offer a dedicated service engineer. Those customers were typically in major cities with high customer and equipment density, places where the service algo-
rithms had indicated that a full-time service technician was cost-effective. Allan's review initially uncovered no surprises. Although the sites with dedicated service technicians had lower equipment downtime rates and higher customer satisfaction scores, the differences weren't significant. The algorithm apparently was working, keeping service costs low across the company with no serious decline in customer satisfaction.

Digging deeper, though, Allan saw that service-contract renewal rates at these locations were roughly twice the national average for MedicTec customers—perhaps not surprising given customers' satisfaction with the service they received. But that wasn't all: New equipment sales at sites with a dedicated service technician were also about twice the national average for MedicTec customers. Subsequent conversations with these customers revealed that MedicTec's on-site service engineers didn't only generate customer satisfaction and goodwill—many engineers pitched in to repair rival suppliers' products when they went down—they also tended to boost new equipment sales by influencing a hospital's request-for-proposals process. Who better to provide input into the RFP, the hospital's purchasing team would reason, than an on-site technician who knew the strengths and weaknesses of all the equipment installed at the hospital—whichever the supplier—and who knew how best to fill gaps or extend the institution's capabilities to meet growing needs?

This clearly was what DiaDevice had set out to do—not in big hospitals where MedicTec already had dedicated service technicians but in the second-tier hospitals where MedicTec had determined that on-site service wasn't cost-effective. Here, DiaDevice was gaining share in both service-contract renewals and new equipment sales, virtually unopposed by MedicTec.

It wasn't easy for Allan to convince his colleagues that MedicTec should place full-time technicians at the sites of customers ripe for poaching by DiaDevice. MedicTec's investment criteria were heavily driven by cost-oriented savings. In the company's culture, it was better to place your bets on cost reduction, where you could control the game, than on growth or marketing, where the numbers were hypothetical and success depended on others. Only when Allan was able to predict accurately at which sites MedicTec would lose share in both service-contract renewals and new equipment sales did the company respond to DiaDevice's stealth sales moves.

Stealth sales can be exploited in industries where field service is an important element in customer satisfaction and is a large portion of a supplier's cost structure. Such industries include aircraft engines and components, mass storage devices, factory equipment, and process automation systems. The key is to determine the effect that more customer service will have on service-contract renewals and follow-on sales, particularly of new products where successful ramp-ups are critical to achieving deep customer satisfaction.

Let Rivals Misinterpret Your Success
We look at a successful company and we understand why it's successful—or at least we think we do. Buzz about the firm's innovative strategy spreads through the industry. Business media pick up the story and retell it from every angle. Before long, competitors and noncompetitors alike are trying to emulate the company's moves, which have taken on the mystique of media and business-school legends.

But often, the conventional assessment is wrong, or at least incomplete. A successful company can sit passively by as rivals overlook a key source—or even the key source—of its outstanding performance and stumble in trying to replicate it. A rival smart enough to see all elements of the strategy, though, can realize similar success, nailing the curveball for a home run.

Look at the recent history of low-cost airlines. To meet the competitive challenge posed by start-ups such as Southwest, major carriers launched their own low-cost operations. Most of those initiatives—think of Continental Lite, Delta's Song, US Airways' Metro, and United's Ted—have enjoyed less than stunning results. That's because most big carriers failed to appreciate and implement one of the key drivers of the newcomers' outstanding performance.

Most of the elements of Southwest's strategy are available for public scrutiny: one aircraft model for the fleet, low landing fees at out-of-the-way airports, low training and labor costs, no pension obligations, and—most conspicuously—minimal in-flight amenities provided by fun-loving flight attendants dressed in Bermuda

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shorts. This view of Southwest's sources of success is accurate but incomplete.

The curveball Southwest threw its competitors and ultimately the industry is a strategy of extreme asset utilization. The company uses a production-oriented approach to scheduling, with the goal of keeping planes in the air as much of the time as possible. Traditional carriers, on the other hand, typically have a customer-oriented approach to scheduling, one that will tolerate a plane remaining on the ground for, say, 20 extra minutes in order to pick up connecting passengers or accommodate business customers' preference for top-of-the-hour departures.

Southwest structured its operations around being able to turn its planes at the gates within 20 minutes and get them flying again. This was a much faster turnaround time than legacy carriers' typical 60 to 90 minutes at the gate. By keeping its planes in the air 20% to 30% more hours, Southwest achieved higher asset utilization rates for both aircraft and employees.

Southwest's point-to-point route network also enhanced asset utilization. In the hub-and-spoke network of most traditional carriers, a plane arriving late to a hub typically results in three planes being late leaving the gate, with at least six pilots and nine to 12 cabin attendants experiencing unplanned downtime. A late plane arrival in a point-to-point network affects the utilization of just one plane, two pilots, and three cabin attendants.

The high asset utilization model is at least as important to Southwest's success as its reduced labor costs and bare-bones customer service. As asset turns increase, the prices required to maintain the return on assets can be reduced, which leads to lower fares, fuller planes, and, completing the virtuous circle, even greater asset utilization.

As Southwest knockoffs appeared around the world—AirTran and JetBlue in the United States, Ryanair and easyJet in Europe, Virgin Blue in Australia—most legacy carriers failed to see the significance of asset utilization to the effectiveness of Southwest's strategy or were unable to escape the traditional approaches of their base businesses to emulate it. Most, but not all.

In Australia, Qantas Airways had a typical customer-oriented model, and when low-cost rival Virgin Blue was launched in 2000, the newcomer quickly picked up 30% of the total passenger value in the domestic market, putting the profitability of Qantas's entire domestic route network at risk. But Qantas saw the pitch by Virgin Blue for what it was and responded vigorously. In 2004, it launched its own low-cost airline, Jetstar, which has successfully fended off Virgin Blue and flourished.

Jetstar followed the well-known low-cost strategy, avoiding the pay rates and work practices of its unionized parent and replacing traditional passenger amenities with friendly but Spartan service. (Press coverage of Jetstar's launch put it this way: "No Leg Room, Warm Beer—But Everyone's Happy.") As the experience of low-cost spin-offs in the United States had shown, though, this wouldn't be enough.

So Qantas adopted for Jetstar the production-oriented approach that results in higher asset utilization rates for both aircraft and employees. Fast turnaround times at the gate kept its planes, pilots, and crew in the air for more hours each month than traditional rivals. Smart scheduling brought most planes and crews back to home base at day's end, further reducing costs and facilitating more effective scheduling of crews and planes.

This allowed Qantas to use its strengths against Virgin Blue, rather than struggle to match Virgin Blue's own production-oriented, asset-utilization model. Although operationally a stand-alone business, Jetstar benefited from Qantas's purchasing power and network scheduling flexibilities, further reducing its costs. Virgin Blue, faced with competition from a lower-cost Jetstar in combination with a higher-service Qantas, was caught in the middle. "They essentially surrounded us," Virgin Blue chairman Chris Corrigan said last year in a television interview. Following Jetstar's launch, Virgin Blue's growth slowed and its market value declined.

The benefits of high asset utilization are underappreciated in many industries. People fail to see that, by significantly cutting prices, you can generate more than enough business to make healthy returns not on sales but on capital. That is, instead of enjoying robust profit margins, you accept low margins but benefit from high asset productivity.

It takes guts to go down this road. You have to be willing to cut prices far enough to drive utilization rates well beyond the accepted in-
industry norm. And while executives are generally courageous when it comes to cutting costs, most are utter chickens when it comes to betting on volume gains to improve profitability. This faintheartedness, along with a failure to understand the beneficial economics of high utilization rates, means that rivals typically remain frozen in their tracks when you follow this course. When they finally do respond, they face the additional costs associated with winning back your customers.

Extreme asset utilization won’t work as a curveball in an industry where it’s already the key strategy employed by industry players—in big box retailing, say, or chemical processing industries, in which very high break-even production loads are the norm. But it’s something worth considering in any “occupancy” business, whether physical occupancy—of hotels, cruise ships, or airlines—or “mental occupancy”—for example, mind share or share of a customer’s wallet in financial services.

Where Curveballs Come From
The opportunities to throw your competitor a curve are everywhere. We have described four in this article; there are many more. But how do you identify such opportunities? The best way is to look beyond the “averages.”

We manage our lives and our businesses using averages. If we didn’t, we’d be so overwhelmed with information that we couldn’t manage at all. But this approach masks a gloriously rich world. As soon as we choose an average on which to make decisions, we cut ourselves off from more detailed information that could lead to insight affecting our decisions and our results.

The insights that led to the curveball strategies discussed here can be traced to looking beyond the averages:

Making marginal customers seem attractive. Income statements and balance sheets are infested with averages. Dig beyond the aggregation of accounts and look for outlying patterns in such areas as the cost to serve a customer or pricing by account size. When you do, you are likely to find new ways of looking at the business and its customers that were disguised by the aggregation of accounts. Chances are, if you have been misled by the aggregations your competitors have been, as well.

Importing best practices. The most egregious form of averaging is “industry practice.” When confronted with this standard way of doing things, look for an industry or industries where the practices are different. Don’t let yourself be discouraged when people point out that there are good reasons why effective practices from one industry won’t work in yours; that attitude makes companies more susceptible to a curveball strategy.

Stealth sales. Ask an executive what his company’s market share is and the answer will usually be an average. Drill deeper to determine the figure by, say, account or by different service and sales force deployment models and you will see the data begin to scatter. In the scatter pattern between the best and the average results, it is very likely you will be able to identify new strategies for increasing market share that you and your competitors have missed.

Extreme asset utilization. The relevant—but ultimately unasked—question over the past decade or so has been: “How can low-cost airlines charge so much less than the savings from cutting costs suggest possible and still be so much more profitable and faster growing?” If the executives of legacy airlines looked more closely at their performance data they would see situations—when ground time for aircraft and crews is minimized, when airplanes and crews consistently make it back to home base at the end of the day—in which asset utilization is much higher than average. By dissecting asset utilization as a function of variables that drive that utilization, one can begin to see the outlines of a new way to run a business.

Looking beyond the averages often yields new strategy and operational paradigms that help senior managers make better decisions and ensure they are acted upon on a day-to-day basis. By contrast, if competitors settle into managing the averages, they will not immediately—or even for an extended period—see the curveballs they are thrown.
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Further Reading

ARTICLES

Strategic Intent
by Gary Hamel and C.K. Prahalad
Harvard Business Review
April 2004
Product no. 6557

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
by Morris A. Cohen, Narendra Agrawal, and Vipul Agrawal
Harvard Business Review
May 2006
Product no. 4311

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.

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