

Strategic circles

“Perception is strong and sight weak. In strategy it is important to see distant things as if they were close and to take a distanced view of close things.” Miyamoto Musashi

The big idea

While enterprises in all sectors understand the need to develop their strategies, what that means in practice is often elusive. This approach encourages you to focus first and foremost on the wants and/or needs of your customers, users or beneficiaries. Then, still keeping the customer’s perspective, you look at what your business offers and finally you look at your competitor’s offer.

Purpose

The purpose of the strategic circles (Urbany & Davis, 2007, 2010) approach is to provide a visual tool to help you think about what you offer, what you customers want and what your competitors offer. In a simple diagram, you can identify your competitive strategy and test some of your assumptions about how the sector or market you work in operates. Your analysis will show you:

- The extent to which your offer and those of your competitors meet customer needs or wants
- An overview of any areas of duplication
- Areas of unmet customer needs or wants
- Areas of potential collaboration

The tool

You can use the tool either on your own or with a group. Take the following steps:

1. Draw the first circle and label it customers’ wants/needs. Think about what they value, what problems they have and how your business can make their life easier or better

2. Now draw a second overlapping circle labelled your offerings. The overlap between the two circles should reflect the degree to which your offer meets customer needs. Think carefully about how much you really know about your customers and what they need and value
3. Finally add a third overlapping circle labelled competitors' offerings. Think carefully about how your competitors' offerings duplicate your offer and how far they provide something distinctive

You should now have a diagram that looks something like this:

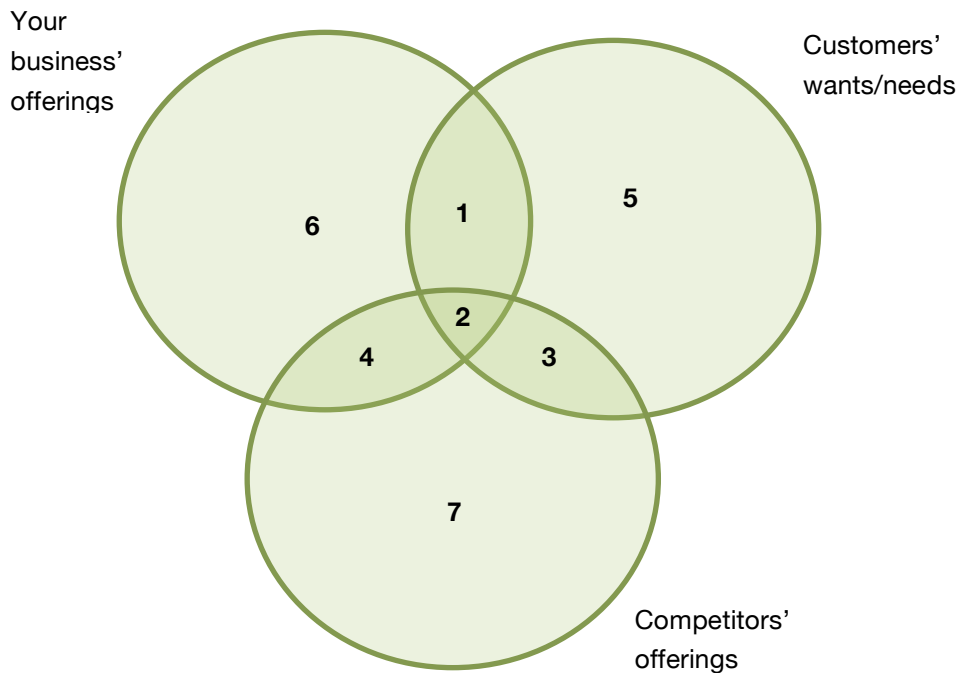


Figure 1 – 3 Circles diagram © 2007-2011 Joel E. Urbany and James H. Davies

Now think about the segments:

1. Ideal: this is the point where what you offer meets your customers' wants and is not covered by your competitors. This should be the core of your strategy:
 - a. Is it large enough?
 - b. Are you appealing to wants/needs that are of central importance to your customers?

2. Parity: this is where you overlap with your competitors in meeting customer needs:
 - a. Is this area of duplication the most effective use of resources?
 - b. Should you consider leaving this work to others?
 - c. Is there an opportunity to collaborate? Or complement?
 - d. Should you continue to offer it to provide competition and alternatives for your customers?
3. Points of difference: this is where your competitors serve customer needs that you do not:
 - a. Is this a conscious choice on your part?
 - b. Are your competitors meeting core customer needs/wants that you are not?
 - c. How effective are your competitors here?
 - d. Should you compete to offer choice to customers/beneficiaries?
4. Surplus: this segment shows where you overlap with your competitors but neither of you is necessarily meeting core customer wants or needs
 - a. Are these really necessary?
5. White space: an important area where there may be unmet customer demand. This is an area ripe for exploration
6. and 7. Superfluous: offerings that are available but not wanted by the customer

Now consider:

- When was the last time you really explored your customers' needs or wants?
- Do you have large enough points of difference with your competitors?
- What can you do about your competitors' points of difference?
- How can you exploit the 'white space'?

Use your findings to think about where you compete, where you might collaborate and where you complement. (See the tool 'Compete, Collaborate, Complement' in the 'Where are you going' section.)

Take the next step

Think about a product you buy regularly or a service you use. What for you is the 'white space' that it does not meet, what else might it offer you?

Top tips

- Notice when you are working on the basis of assumption or past behaviour. Make sure you have the evidence you need
- There is no substitute for talking directly to your customers or beneficiaries. Find different ways to get their feedback
- Be honest about how much you really know about your competitors

References

Urbany, J., & Davis, J. (2007). Strategic Insight in Three Circles. Retrieved January 2010, from <http://hbr.org/2007/11/strategic-insight-in-three-circles/ar/1>

Urbany, J., E., & Davis, J., H. (2010). Grow by Focusing on What Matters: Strategy in 3-Circles. Vermont, USA: Business Expert Press.