



SEMINARIO VIRTUAL GRATUITO

10 tipos de innovación para las empresas

Reactivación económica
post COVID-19

Del 18 de mayo al 18 de Junio / 19:00 hrs.

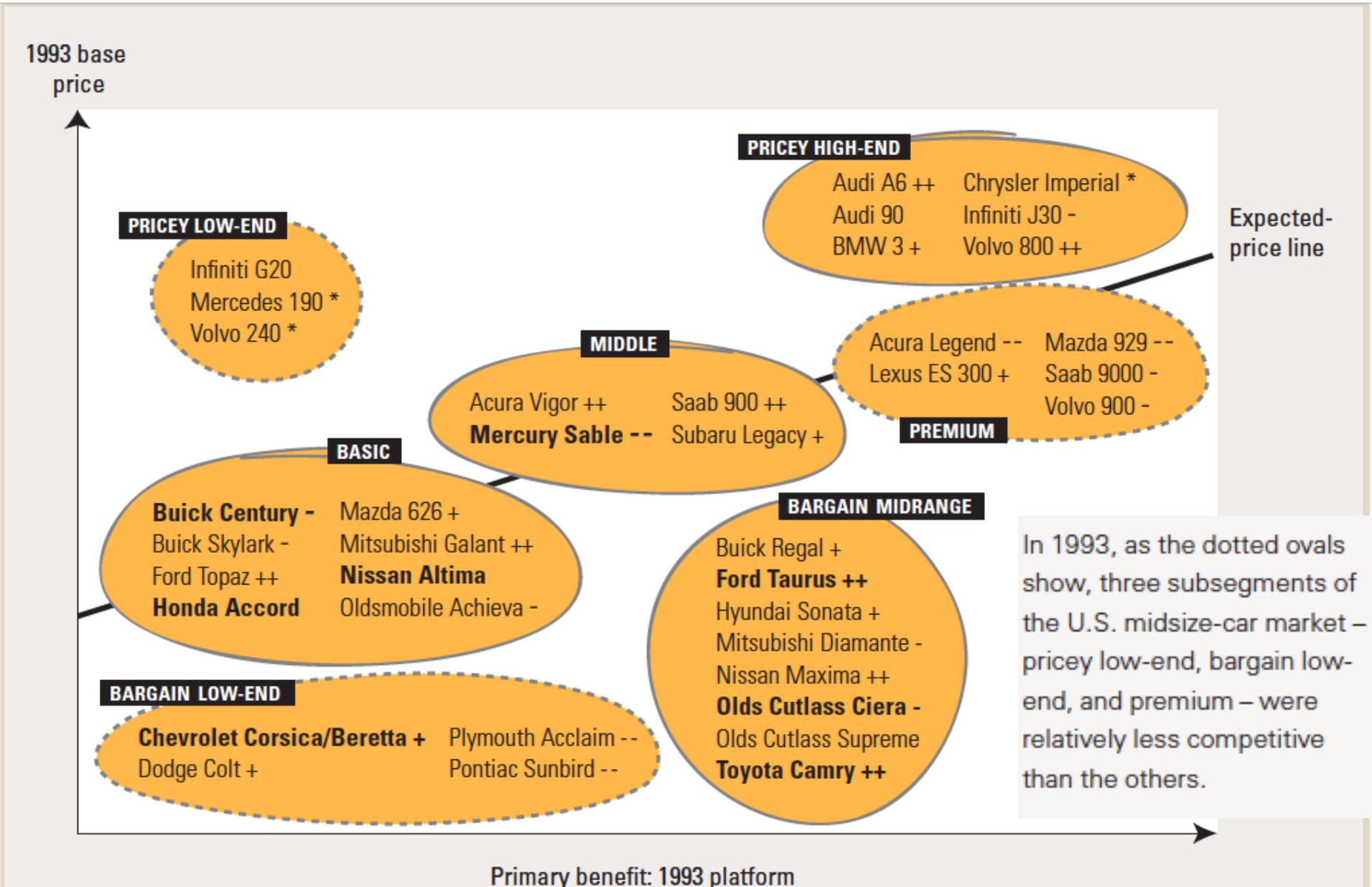


Whenever I've asked senior executives to map the positions of their company's brands and those of key rivals, we end up confused and dismayed.

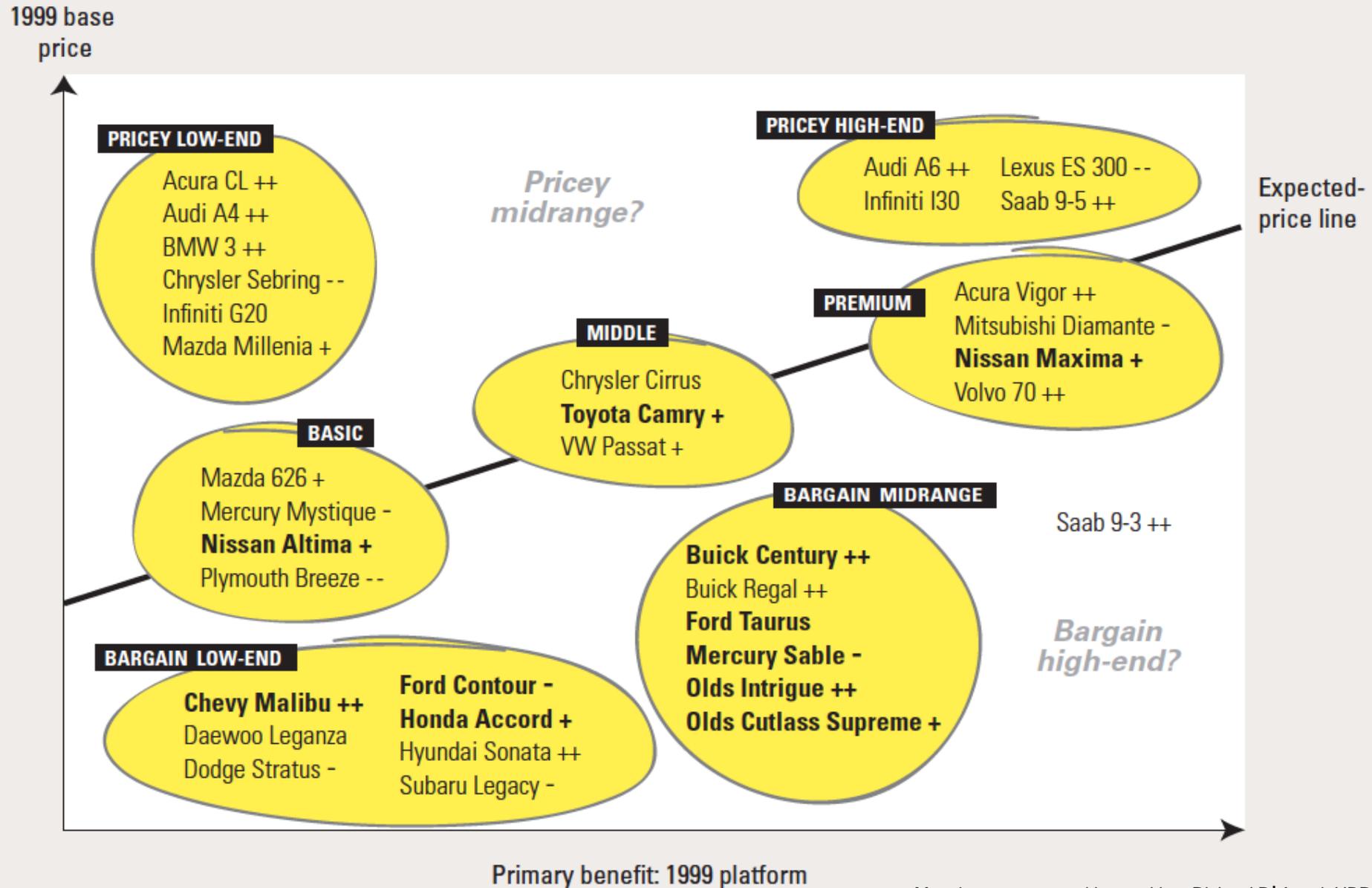
Mapping your competitive position

A simple chart shows how much a customer will pay for a perceived benefit. This is more than a marketing aid, it's a powerful tool for competitive strategy. **by Richard A. D'Aveni**

Finding Opportunity in the Crowded Midsize Car Market



Automakers quickly slotted more products into those niches, and by 1999, all three had become crowded. Even the middle subsegment remained competitive owing to the overwhelming dominance of the Toyota Camry



Mapping your competitive position

- *Positioning maps help companies penetrate the fog that shrouds the competitive landscape.*
- *Creating a map involves three steps:*
 - *Frame your analysis.-*
 - *Specify the boundaries of the market in which you are interested.*
 - 1- Identify the **consumer needs** you wish to understand.
 - 2- List the **products and services** that satisfy those needs.
 - *Including unusual offerings (**form, function and purpose**) that meet those needs.*
 - 3- Choose the **country or region** you wish to analyze.
 - 4- If you want to analyze the **entire market** for a product or only a **specific segment**.
 - *Are you interested in **differences between different segments** of the market.*

Mapping your competitive position

- *Define the dimensions of the map.- choose the price and define the primary benefit.*
 - *You have to decide whether price to compare.*
 - *Acquisition costs.*
 - *Total cost of ownership.*
 - *Unbundled (component) or bundled offer.*
 - *Total solution cost.*
 - *Identify the primary benefit.*
 - *The benefit that explain the largest amount of price variance.*
 - *Primary benefit is actually a combination of linked features.*
 - *So a combination of three highly correlated attributes of restaurants (décor, quality of food, and service)*
 - *Serves to define “customer experience” (accounted for 73% of the price variation of New York restaurants.*

The deterioration trap

	<p>Deterioration</p> <p>↓ Price ↓ Benefits to customers</p>
<p>Description The causes</p>	<p>Caused by a firm with a dominant low cost-low benefit position that swallows market share and upsets the positioning of those around it</p>
<p>Dilemmas The challenge</p>	<p>You can not beat them, but if you run away from them, you have to abandon the segments that you do best, so either way profits will erode.</p>
<p>Symptoms How to identify</p>	<ul style="list-style-type: none"> •Low-cost player disrupting status quo. •Economies of scale favor the competition. •Customers less willing to pay for expertise and superior service. •Margin and share falling-despite price cuts (even you play to catch up with this competition)
<p>Solutions The strategies</p>	<p>Managing market power To reduce or make irrelevant or avoid the power of low-end discounter.</p>
<p>Escape the trap</p>	<p>Sidestep the low-end player's market power. Move upscale, Move away changing channels, time or place (geographies), Move on (redefine your target segment)</p>
<p>Destroy the trap</p>	<p>Undermine the low-end player's market power: Redefine value attacking its low cost or quality position, Redefine price changing customer perceptions of pricing.</p>
<p>Turn the trap to your advantage.</p>	<p>Contain the low-end player's market power to the low end. Redefines the market by taking its customer base. Surrounding.</p>

The Deterioration Trap

- *Deterioration occurs when a Low end competitor creates a dominant **Low price – Low benefit** positioning that expands the market share at the low end.*
- *Deterioration is created by **declining price and lowering positioning on the product primary benefit**.*
- *Like a black hole, the low end competitor creates such **a dominant price-benefit position** that it literally swallows up positions around it.*
- *Walmart, Southwest (no frills airline) or Ryanair, are some examples.*
- *These companies are such a force that everyone else has to compete on their terms.*
- *The arrival of these kind of players **shakes up the market power** of the industry.*

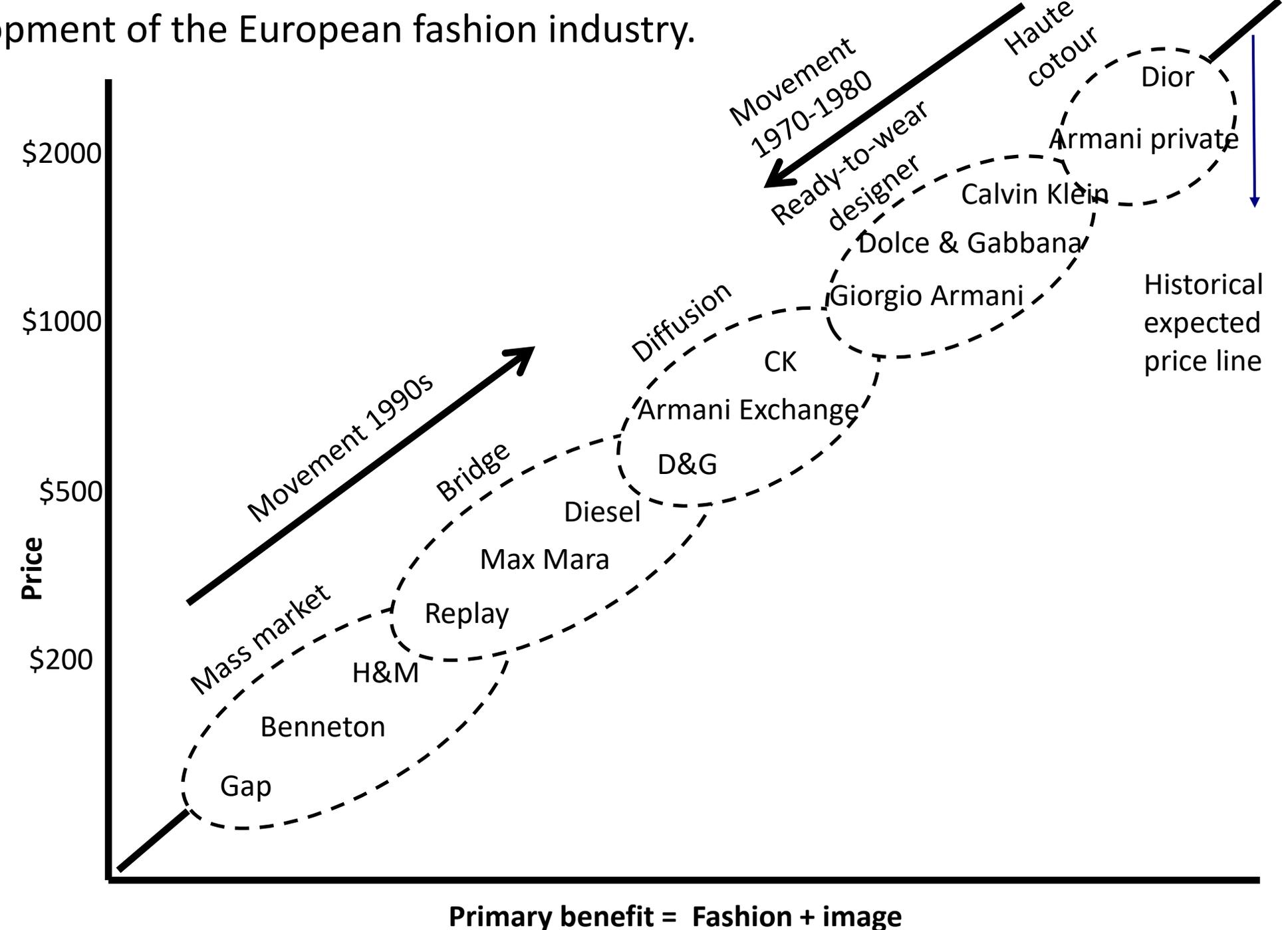
The Deterioration Trap

- It is *very hard for incumbents to compete* with these *disruptive players* using their existing cost structures.
- Responses to deterioration *must address the shift of market power*, and managing its distribution across the industry.
- *To contain or undermine the market power* of the low end discounter.
- *Global competition*, the advent of new business models, and *the rise of off-shoring* continue to create opportunities for low end competitors to appear and take over markets.
- More than half the population of consumers shops at value retailers.
- Many other industries are experiencing a *“shift to value”*.

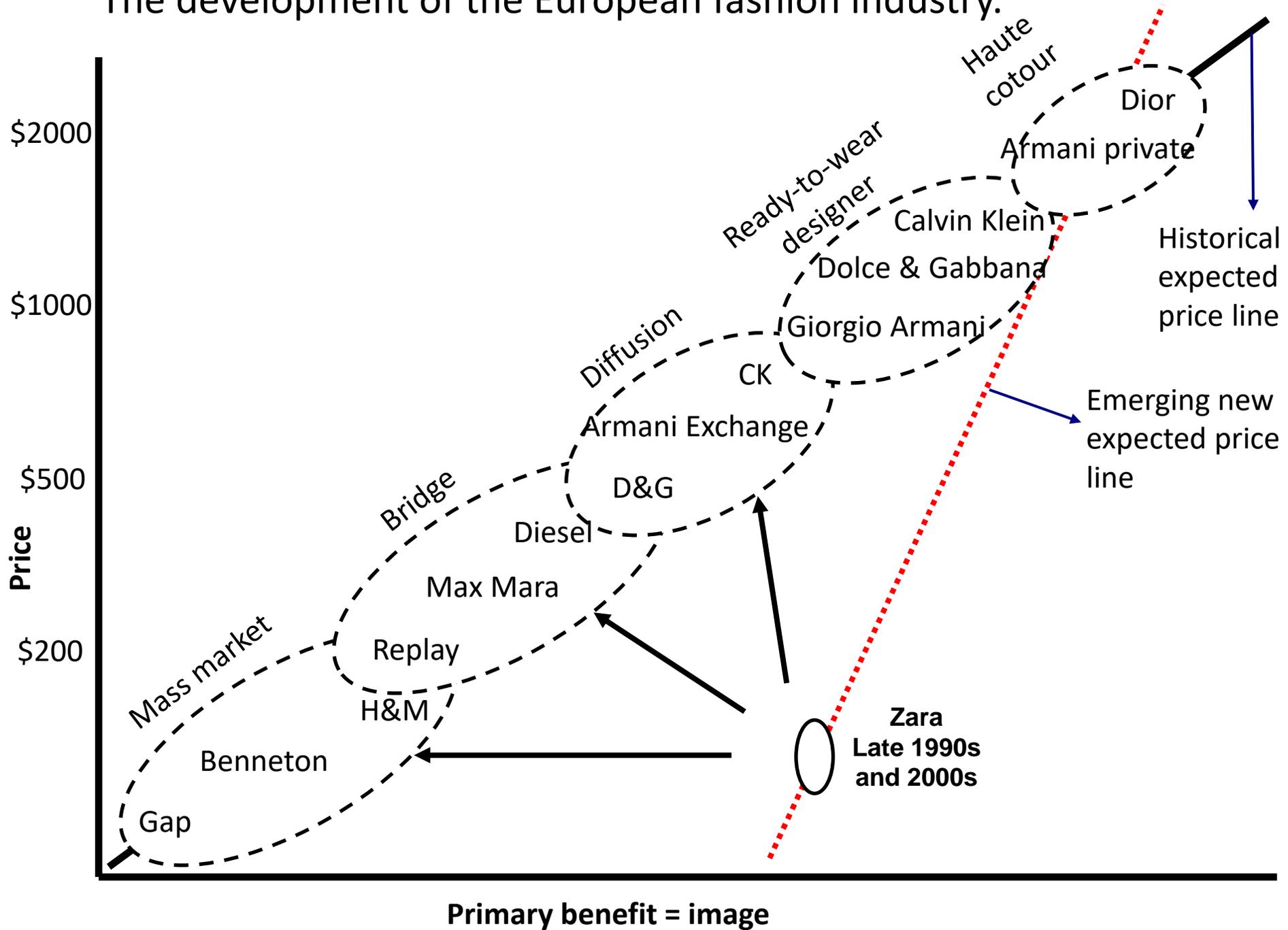
Signs of deterioration

- *A dominant low cost competitor has emerged in your market, disrupting the status quo.*
- *The **economies of scale enjoyed by the disrupting company** make it almost impossible for you to compete on price.*
- *Customers are **less and less willing to pay for additional benefits** such as **superior service and industry expertise**.*
- *Your **margins are falling** and you are **losing market share**, even though you have prices and product benefits to catch up with the competition.*
- ***Competing head to head** with these competitors and **hope to win** is not an option.*
- ***Movement away from the low end rival tends to back firms into smaller and smaller niches**, while movement toward the rival lead to a no win game.*

The development of the European fashion industry.



The development of the European fashion industry.



How to respond to Deterioration

- *As Low end discounters gain Market Power their rivals must manage their power by:*
 - *Sidestepping.*
 - *Undermining or*
 - *Containing or controlling the discounters*

Sidestep the discounter

- *In a battle with a dominant low end discounter, sometimes moving away from the pull of the market power of low end players.*
- *Some companies can **shift their positions** to **sidestep** the market power of the low end discounter by:*
 - *Making its power irrelevant or*
 - *By avoiding his power.*
- *There are several ways to move out of a firm gaining massive market power by low end discounting.*
- *These includes:*
 - ***Moving upscale (trading up)***
 - ***Moving Away, and***
 - ***Moving On***

Move upscale

- *The first step to sidestep market power of a firm that's driving market deterioration is to move upscale,*
- *Conceding the low end (sometimes low and mid segments of the market) position to the discounter.*
- *Moving up out of the line of fire to higher end (large or growth segments) where can build market (product) power.*

Move away

- *Unless moving upscale is movement into a large or growth segment,*
- *Moving upscale may not be enough.*
- *Companies can also move away from direct competition by changing:*
 - *Channels*
 - *Place (New Geographies) or*
 - *Time*

Move on

- *Sometimes companies exit from the market of a low end competitor completely.*
- *One example is Intel leaving the memory chip industry and moving to microprocessor chips first and then to consumer electronics and health care.*
- *Another approach to moving on is to **redefine your target segment** and **create products with primary benefits that segment**.*
- *Example the chewing gum industry.*
- *When Wrigley's traditional brand where imitated and underpriced,*
- *They saw their market share shrink.*
- *So Wrigley moved on to a new set of **hot sugar free brands** such as Orbit*

Moving on

Traditional Chewing gum



•Sugar Free



Moving on



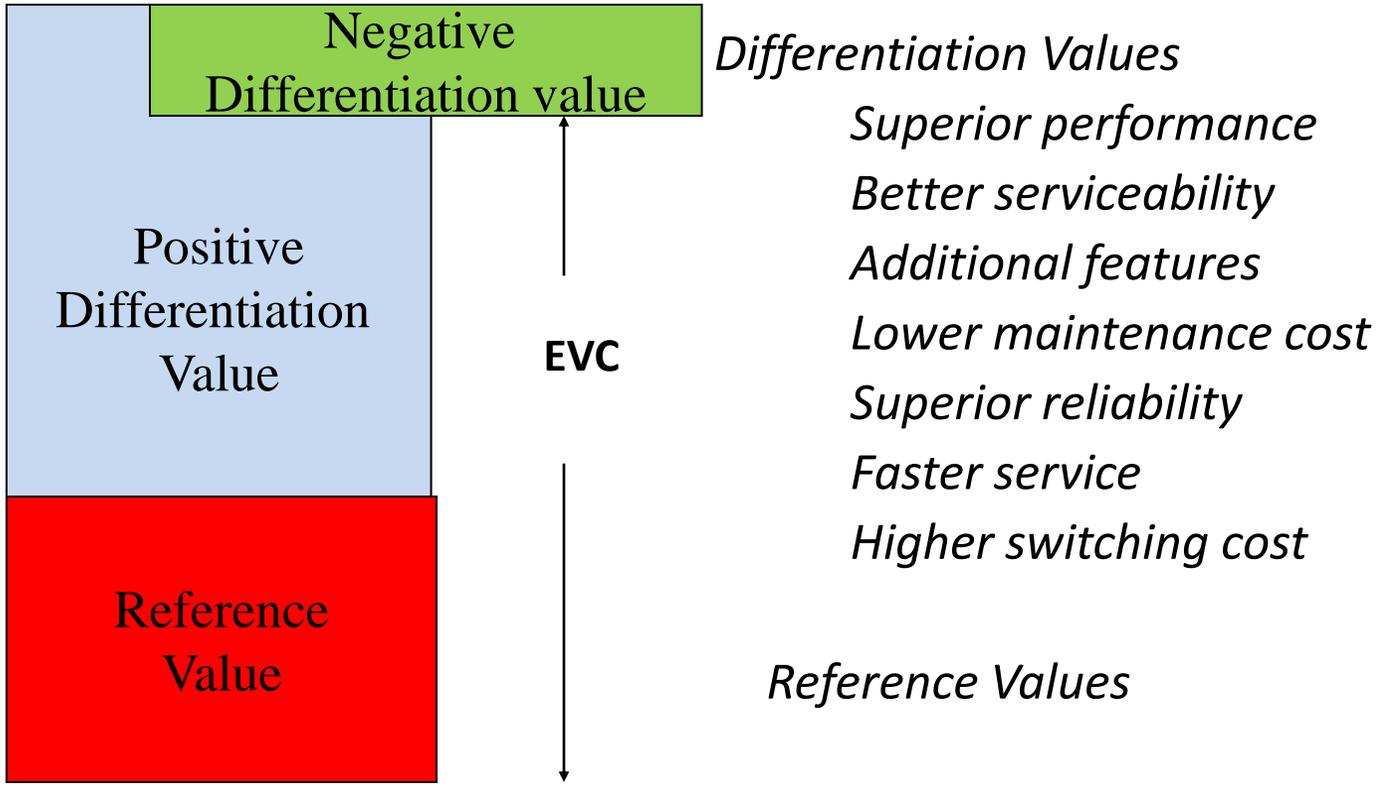
•Evian Spray

- Vaporizes water onto the face
- It holds the **same water** as any Evian bottle, but
- The need and usage** are very different as the **channel of distribution.**

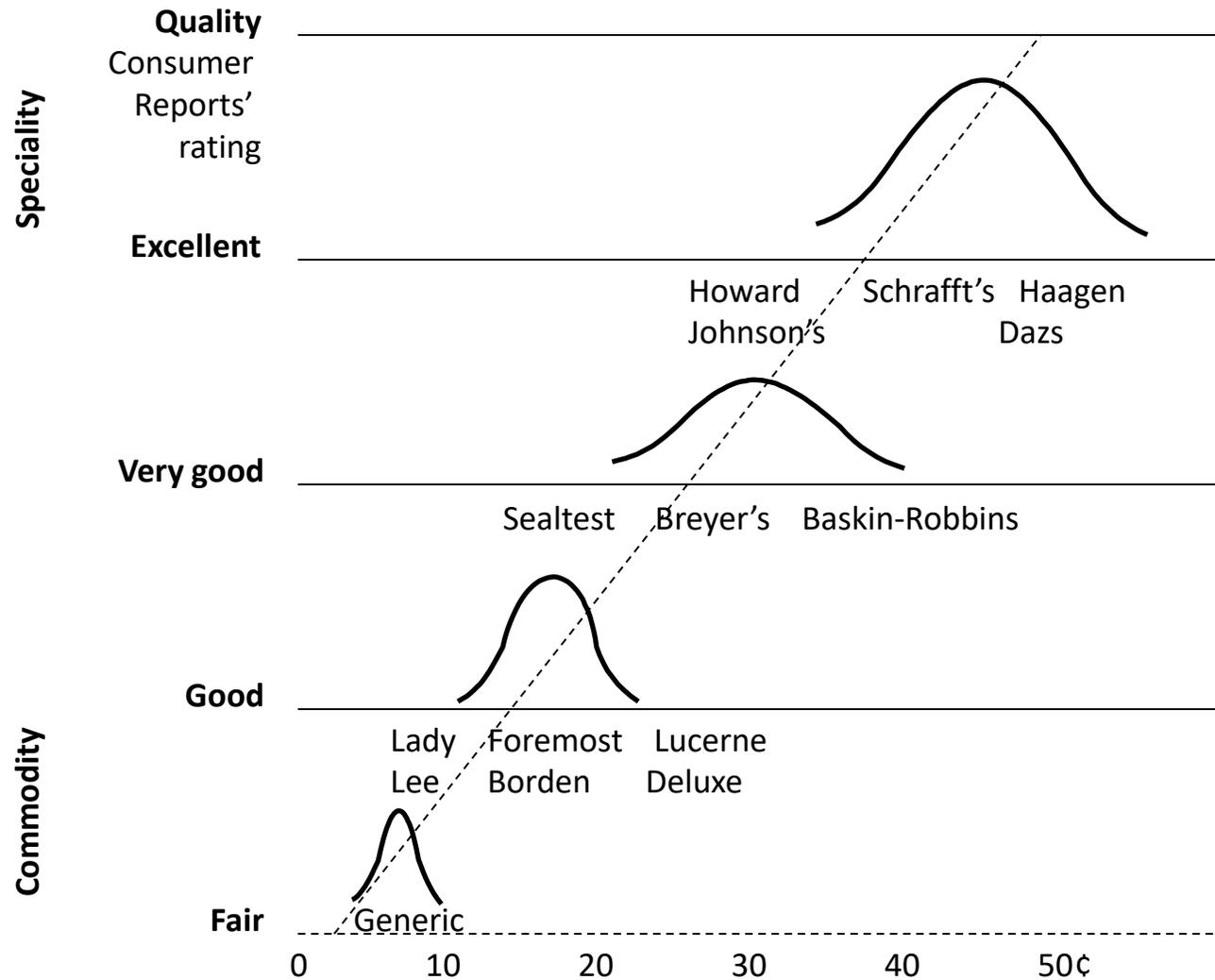
Destroy the Trap: Undermine the discounter

- The second way to beat a commodity trap is to **attack it**.
- Probably the hardest but also the most rewarding way to destroy the deterioration trap is to **undermine** the market power of the low end discounter.
- One way is to **erode its power from below by offering even lower prices and benefits through a reinvented value chain** that still generate profits.
- Another way is to **redefine the way customers see price**.
- An example of a company offering a very inexpensive product but with very low durability and almost **“disposable”**
- A way to erode its power is to convince customers to look at the TCO so the perceived price of the product is redefined (EVC)

EVC

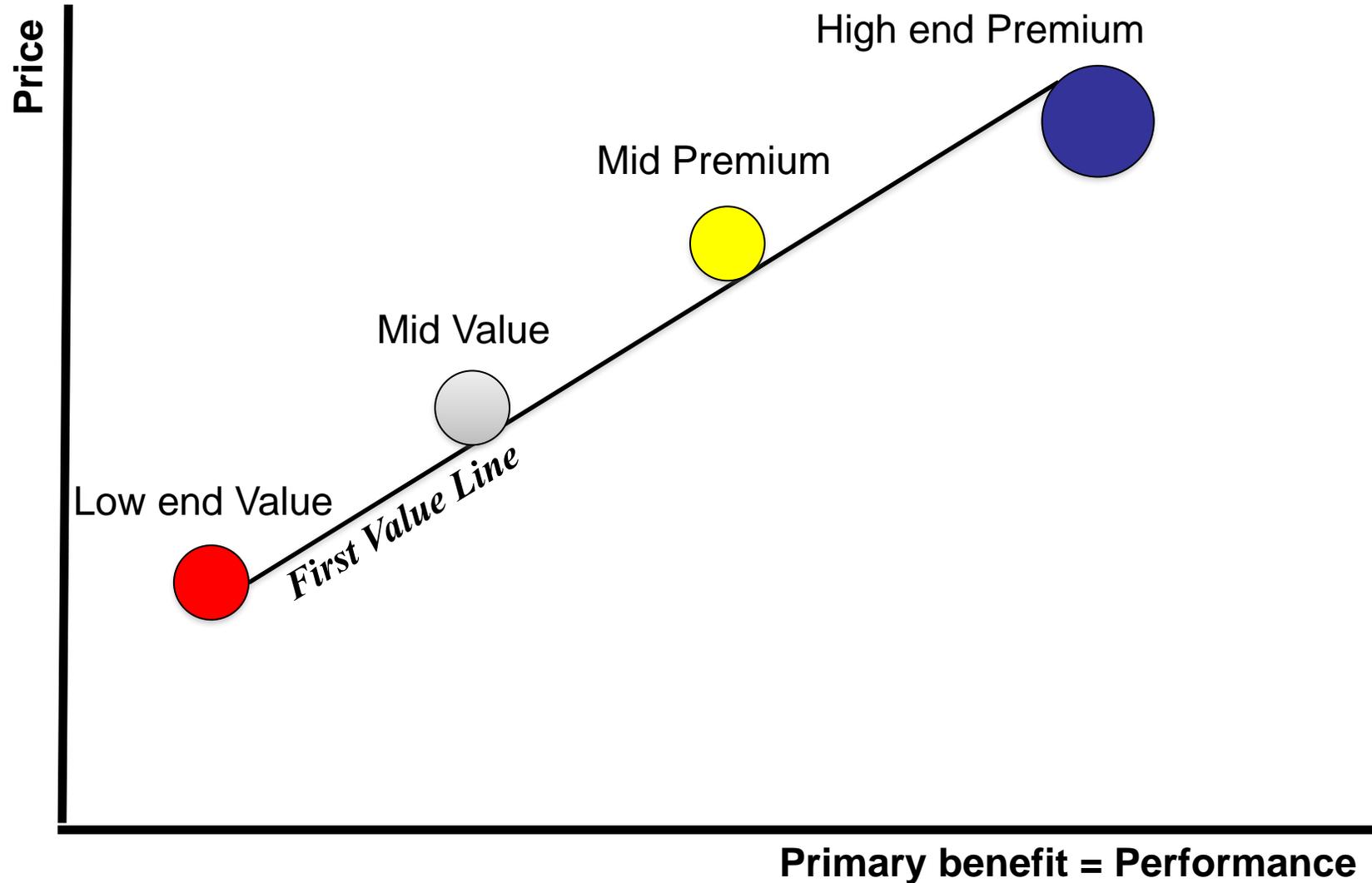


THE PRICE BAND IN ICE CREAM



Consumer price
Cents per
4-ounce
serving

OUTPACING AT THE LOW-END



Move away from the pull of the market power of the low end players



Mapa de Podadoras

PRECIO



Desempeño

Destroy the Trap: Redefine Value

- Another way is to undermine the discounter by staking out a new position that is even lower (cost or quality position) or by fighting to neutralize the advantage of the discounter.
- Through simplified design or stripping out of product benefits or a **reinvented value chain that lowers costs**.
- Re shaping customer expectations about what is an acceptable value proposition (challenging the one of the discounter)
- Repositioning brands to have clearer positions and **better defined customer segments**.

Turn the trap into your advantage: Contain by surrounding

- Another way is establishing positions around it.
- Krogers, Target, Costco, BJ's surrounding Walmart.
- A swarm of rivals, particularly small ones can turn the inflexibility and weight of the large company against it.

Destroy the Trap: Redefine Price

- *The key* to a low end discounter's market power *is its price*, which drives market share.
- *As it continues to drive down prices*, the discounter *destroys rivals* and *increases its scale furthering lowering its costs*.
- Another way is to *change customer perceptions of pricing*.
- For example frequent flier bundling the price of the ticket with future free travel.
- Bundling financing, extended warranties, etc, into purchase price, making the life cycle cost of its products lower than its rivals.
- Companies can also give away the product (and charge a usage fee) or sell it at a very low cost, then make their money on recurring revenues.

Turn the trap into your advantage: Control by moving customers in the market

- *Moving customers* to an *upscale* value proposition.
- Not only does the firm move its products up market,
- But it also *redefines the market by taking its customer base with it*, leaving the discounter with a shrinking market niche.
- The sidestep move is *supported with clever repositioning and innovation*.
- This is a difficult strategy to implement, take the market with them by offering a high end product, at a price below the expected price line.
- Gillette turned to *raising the bar at the high end, starting with the sensor*.
- It offered such a *compelling price-benefit position* taking market from the disposables.
- Managing the momentum with a series of launches.
- Gillette *always had its next generation product waiting in the wings*, and *had at least one extension product to anticipate the moves of followers*

Efecto de Atracción

- ◆ Las tiendas departamentales frecuentemente tienen dos departamentos de ropa de Mujer;
- ◆ uno para los diseñadores de marcas de precio alto y por otro lado las marcas que atraen a los compradores mas sensibles a los precios.
- ◆ *Efectos del precio de referencia de los productos High end*

Microondas	Elección (%)	
	Grupo 1 (n = 60)	Grupo 2 (n = 60)
1.-Panasonic II (1.1 Pies Cúbicos; \$199.99)	-	13
2.-Panasonic I (0.8 Pies Cúbicos; \$179.99)	43	60
3.-Emerson (0.5 Pies Cúbicos; \$ 100.99)	57	27



Gillette®

PVCOMALL.COM

*“The best a man can get” or
The best shaving product.*



Fight or Flight? You choose

- The choice is based on the relative strengths of your rivals (whether you think you can win the fight)
- And the opportunities for flight (if there is an escape route)

Attribute Map

Attribute of product or service relative to competitive offerings in the **Category**

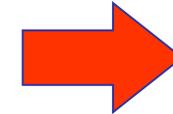
Customer Attitude	Points of Parity	Points of difference	Energizer
Positive	Nonnegotiable Performs at least as well as competition. Floppy disk separately	Differentiator Performs better than competition where it counts. Volvo	Exciter (Delighter) Perform better than competitors. Technically simple, low cost, cup holder
Negative	Tolerable Performs no worse than competitors	Dissatisfier Performs below the level of competitors	Enrager Most be corrected at any cost, Plane crash
Neutral	So what? Does not affect the purchasing decision in a meaningful way	Parallel Influences segment attitude. Not directed related to product	

“ZeroSarro” Game Changing Value Drivers



Remove Scale

(“Eliminate gradually scale in the pipes until it cleans completely”)



Very Low Maintenance



Affordability

(“Minimize TCO, Eliminating electric consumption, wasting water, softeners, minimizing maintenance cost”)

Attribute Map

Attribute of product or service relative to competitive offerings in the **Category**

Customer Attitude	Points of Parity	Points of difference	Energizer
Positive	Nonnegotiable Previene formación de Sarro o incrustaciones	Differentiator No utiliza sal No utiliza electricidad No desperdicia agua Tamaño 40% mas compacto	Exciter Las incrustaciones (sarro) existentes las va eliminando gradualmente
Negative	Tolerable Bajo Mantenimiento anual	Dissatisfier	Enrager
Neutral	So what?	Parallel	

The proliferation trap

	<p>Deterioration</p> <p style="text-align: center;"> </p>
<p>Description The causes</p>	<p>Caused by multiple threats due to substitutes, imitators, market fragmentation and new product innovation. Open many new price-benefit positions, surrounding and eroding the firm's product uniqueness.</p>
<p>Dilemmas The challenge</p>	<p>You can't fight everyone everywhere, all the time. But if you don't, you are stung to death by a swarm of bees.</p>
<p>Symptoms How to identify</p>	<ul style="list-style-type: none"> •Market fragmenting with new offerings. •Rivals targeting narrowing niches. •Unable to fight all fronts. •Pressure to cut prices just to keep existing customers.
<p>Solutions The strategies</p>	<p>Managing threats</p> <p>To reduce the magnitude and number of threats faced, to conserve resources, or to build capability to fight a multifronted war.</p>
<p>Escape the trap</p>	<p><i>Select</i> your threats (narrow the fronts).</p>
<p>Destroy the trap</p>	<p><i>Overwhelm</i> the threats. Multiple or one strategies against multiple fronts and timing (simultaneously or sequentially). Ghost, vaporware</p>
<p>Turn the trap to your advantage.</p>	<p><i>Outflank</i> (outproliferate) the threats. Fill the white space, create new segments</p>

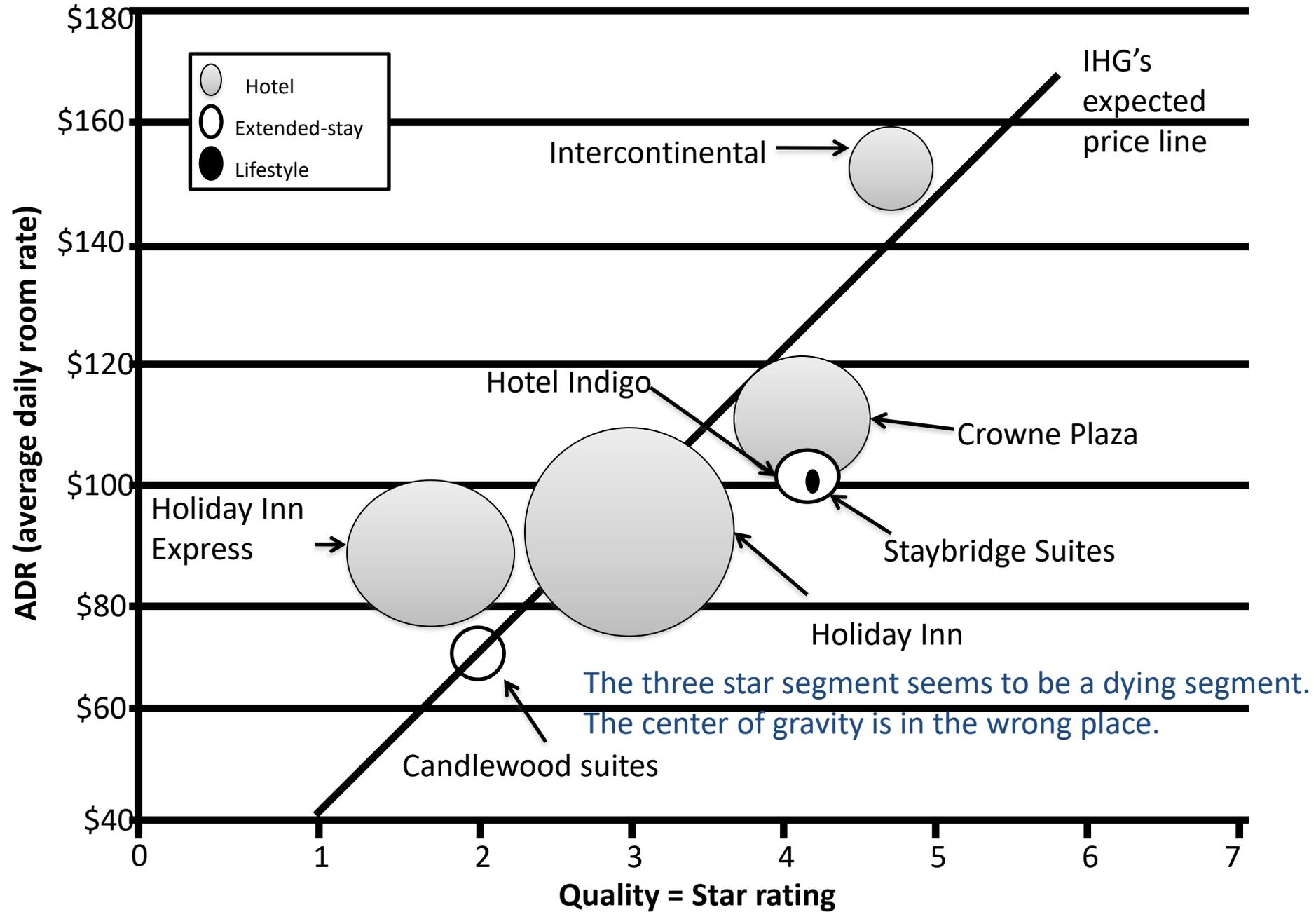
The proliferation trap

- Proliferation appears when **new price benefit positions, proliferate, surround and erode a product's value proposition**, by targeting smaller segments of the customer base.
- With the fragmentation of markets and new more focused business models, **competitors can target narrower segments or use substitutes to serve some of the same customer needs.**
- **Where there once were a few broad positions, there are now many narrower ones.**
- **Rivals use these new positions to slice away smaller parts of the market of broadly positioned incumbents.**

Proliferation trap

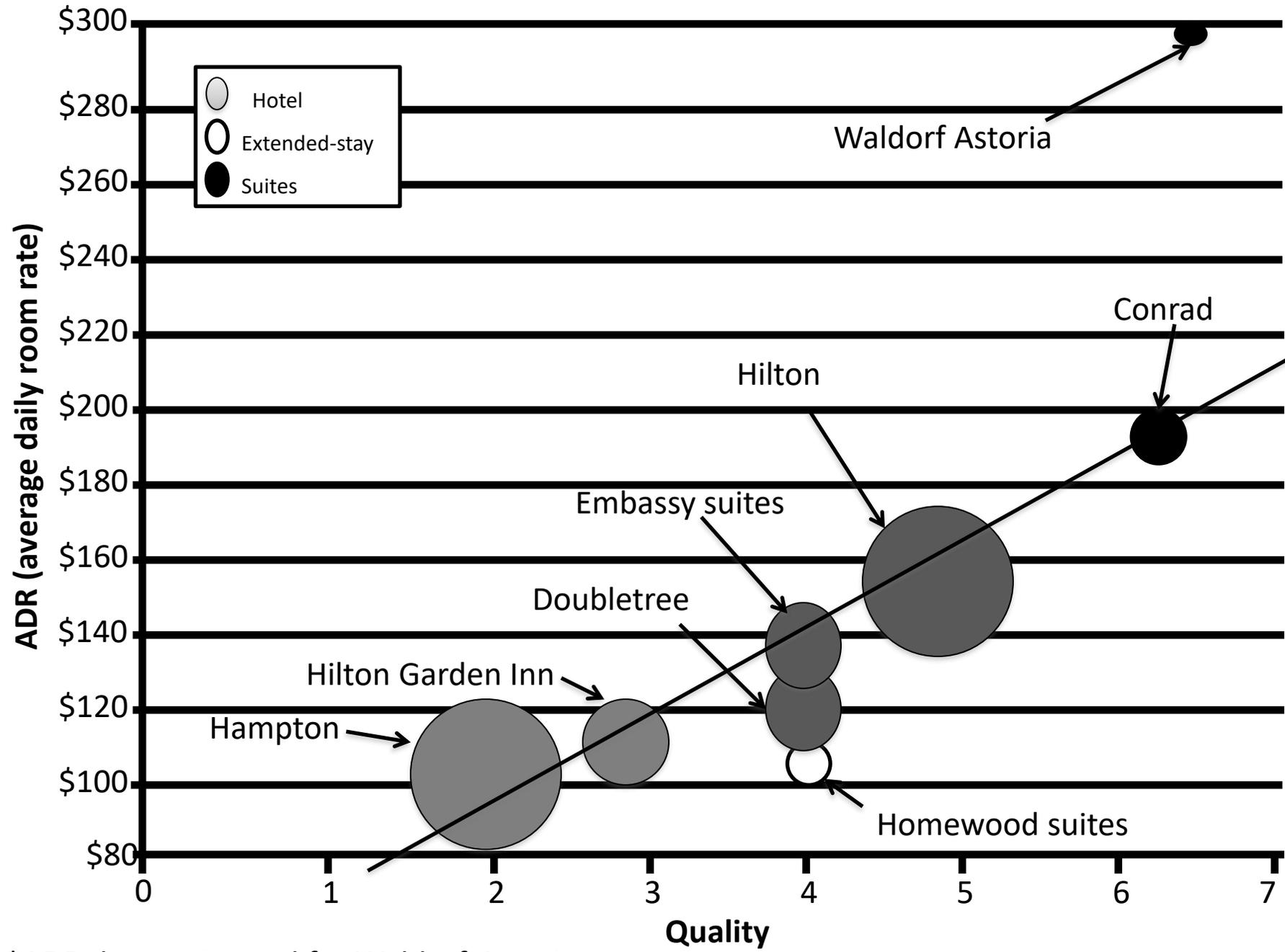
- Product augmentation has become, once again, an expensive route to commoditization.
- The dilemma for managers caught in the proliferation trap is that **they cannot fight everyone, everywhere** all the time.
- They end up exhausted pulled too thin in all directions and spread too thin.
- But **if they don't react and simply stick to their current core** competencies and product markets (what they do best). They **will be eaten alive by more focused competitors**
- Rivals **put pressure on the pricing** of a firm in their narrower target zones.
- Consequently they **must reduce price to hold on to market share, or loose market share to hold on** to their price.

InterContinental Hotels Group



Circle size is proportional to number of rooms

Hilton Hotels Group



*ADR data estimated for Waldorf-Astoria

Responding to proliferation

- In proliferation environments, **standing still is the worst strategy.**
- Standing still means being left behind, surrounded by proliferation and finding a situation with prices falling and commoditization creeping it from all sides.
- Proliferation can undermine positions as new competitive positions threaten existing ones, eroding margins.
- The way to counter this proliferation is to **manage the threats.**
- There are three primary ways that company manage threats:
 - **Selecting threats**
 - They can attack and **overwhelm the threats** choosing to **fight on many fronts by creating brand extensions and a full line portfolio.**
 - They can turn the trap into your advantage by **outflanking their rivals** by engaging in their own proliferation **to open new positions above or below the line or at the extremes of the expected price line.**

Escape the trap: Select your threats

- Companies often **select the areas** where there is the **least resistance from rivals**.
- Either positions on the price-benefit map with **low competitive intensity** or positions where the company **has some tremendous advantages** over rivals.
- Can fight proliferation by **entering quickly into segments that will be profitable or growth positions**, before the rivals recognize these opportunities.
- These are **not new positions** but rather **existing positions where competition is less intense**.

Destroy the trap: Overwhelm the threats

- When the threat of the proliferators cannot be escaped by **selection or outflanking**, then firms have to be prepared to fight.
- Two issues must be considered in planning these fights.
- **First** is to **divide or concentrate resources**.
 - That is **to use multiple strategies against multiple fronts** (resource-intensive approach) or
 - To **find a single position** (universal strategy) that defend against a variety of threats at the same time.
- **Second** issue is timing, whether to **confront the threats simultaneously or sequentially**.
- Carefully analyzing a firm's benefits relative to different competitors can help to create a defensible position against each rival individually and simultaneously.

BJ's: One store format, Focusing its resources on the East Coast - Selecting its target prudently



Create a Wolf pack

- A company with a generalist or broad position and significantly large and diverse resources **can break itself into smaller pieces**
- That can act more nimbly in fighting the proliferators and creating opportunities for growth in these new positions.
- This is like the approach of the wolf pack.
- By **striking fast and hard** and **fighting on many small fronts**,
- These wolves **have a more flexible and fluid response** to proliferators.

Time your battles

- Proliferators can be dealt with sequentially or simultaneously depending on whether the company has the resources to overwhelm the competition one piece at a time or all at once.
- Firms can also acquire or absorb threats sequentially or use alliances to keep at bay for a limited time (allowing to focus on specific threats one at a time)
- In some cases it is best to deter or delay some threats so you can face them at a later time.

Deter (instilling doubt or fear of the consequences) threats

- If the company **cannot fight all the threats immediately**, it sometimes neutralize selected threats by scaring off some of the proliferators.
- Freeing up time and resources to focus on more immediate threats.
- Attacking, or eliminating proliferators is a very resource intensive strategy.
- In order to conserve and focusing resources of the markets of greatest importance you can.
- **To scare away rivals or keep them at bay** you can use “ghost products”
- That exist only in prototype formats to enhance the image of their products and nullify the image of rivals with better products.
- Another option is “vaporware” (announced products that do not come to market) to prevent or delay customers to buy a competitors product.
- “Fighting brands” created specifically to attack a rival’s key product.

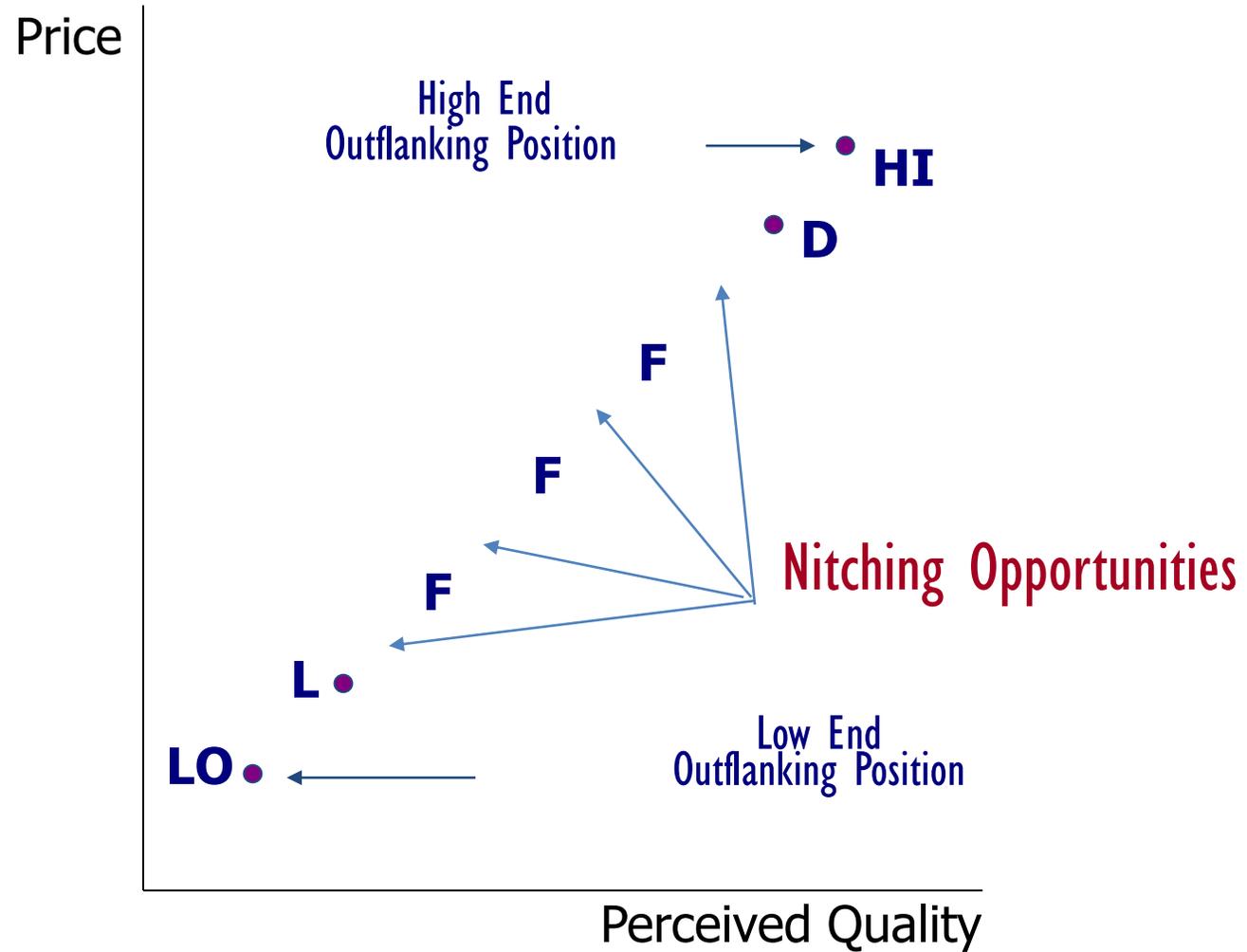
Deter threats

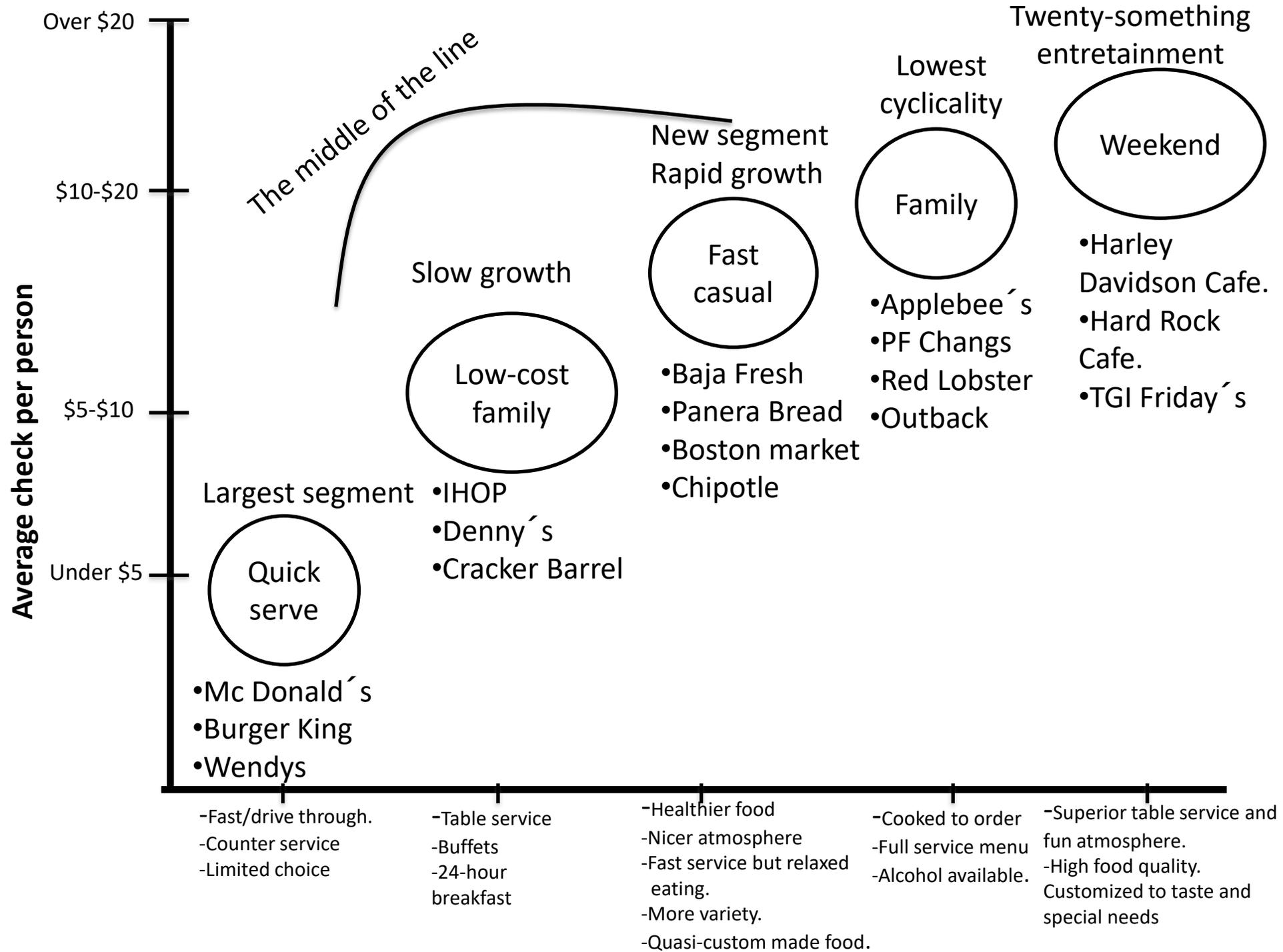
- Another option is to use a brand name similar enough to its rival's in order to create confusion in the mind of the customers.
- **Purina** launched a dog food call **Graavy** as a direct assault on **Quaker gravy train**.
- Another way is to **pricing well below to its new rivals to warn again to expanding further** into some segments.

Outflank the threats

- Threats can be dealt with by finding white space on the map or repositioning to create new growth.
- Finding new uncontested “white space” (Fill in the white space) along the existing expected price line.
- Targeting new segments above or below the line or to extend the length of the line.
- Requires playing with different secondary benefits to target specific customers groups (often small niches).
- Customer experience in the example of the restaurants.
- Satisfaction is created by a combination of:
 - The type of service received (counter vs table)
 - Food quality (standard products vs customized or healthy)
 - Atmosphere

Outflanking and/or niching





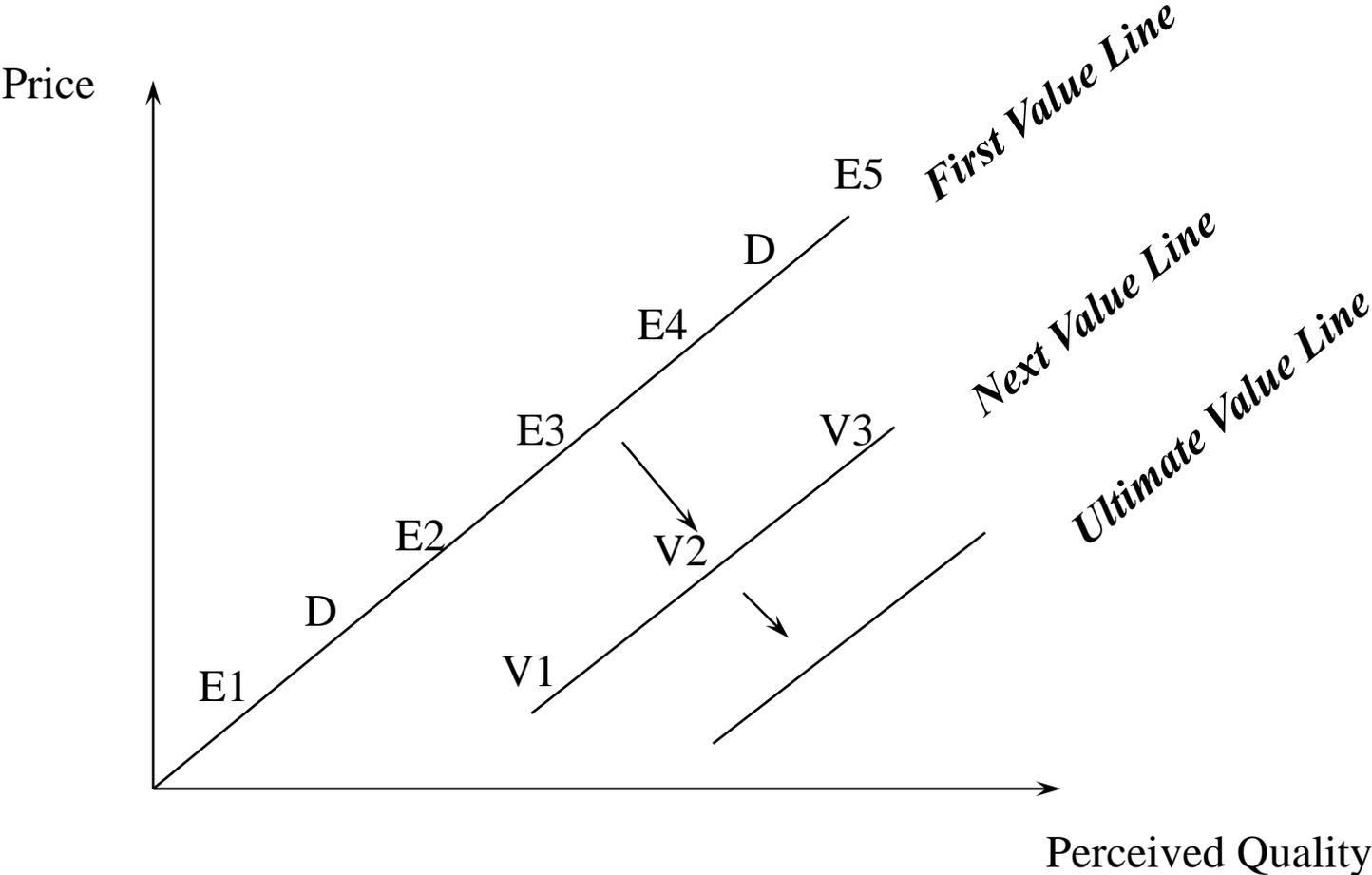
The escalation trap

	<p>Deterioration</p> <p style="margin-left: 100px;">↓ Price</p> <p style="margin-left: 150px;">↑ Benefits to customers</p>
Description The causes	<p><i>Escalation:</i> Caused by rising benefits for the same or lower price. Rivals jockey to offer more value to customers driving competition down toward the lower right-hand corner of the price-benefit map.</p>
Dilemmas The challenge	<p>Price-benefit competition can be costly, but no company can afford to be the first to blink and end the game of one-upmanship.</p>
Symptoms How to identify	<ul style="list-style-type: none"> • You are caught in an arms race. • Constantly playing catch up. • Yesterday's competitive advantage is today entry stakes. • Customers are demanding more for less.
Solutions The strategies	<p>Managing momentum.</p> <p>To control the movement of products toward the low price-high benefit corner of the price-benefit map ("ultimate value point")</p>
Escape the trap	<p><i>Re-seize</i> the momentum. Changing the primary benefit or product.</p>
Destroy the trap	<p><i>Reverse</i> the momentum. Freeze positions or raise the bar</p>
Turn the trap to your advantage.	<p><i>Harness</i> the momentum.</p>

Signs of escalation

- You feel like you are locked into an arms race with competitors constantly adding new features and benefits and lowering price just to keep up.
- One competitor is making money **by leading the escalation of benefits and lowering its costs ahead of price decreases**, while you are trapped in a game of non profitable catch-up.
- Periodically you find that the primary benefit-which excited customers yesterday- is taken for granted today and will be no more than entry stakes for tomorrow.
- Your customers have the power to constantly demand more for less money.
- Economic downturn will tend to amplify the effects of escalation.
- As demand evaporates, customers become more powerful, demanding more for less.

The Move Towards Offering Ultimate Value



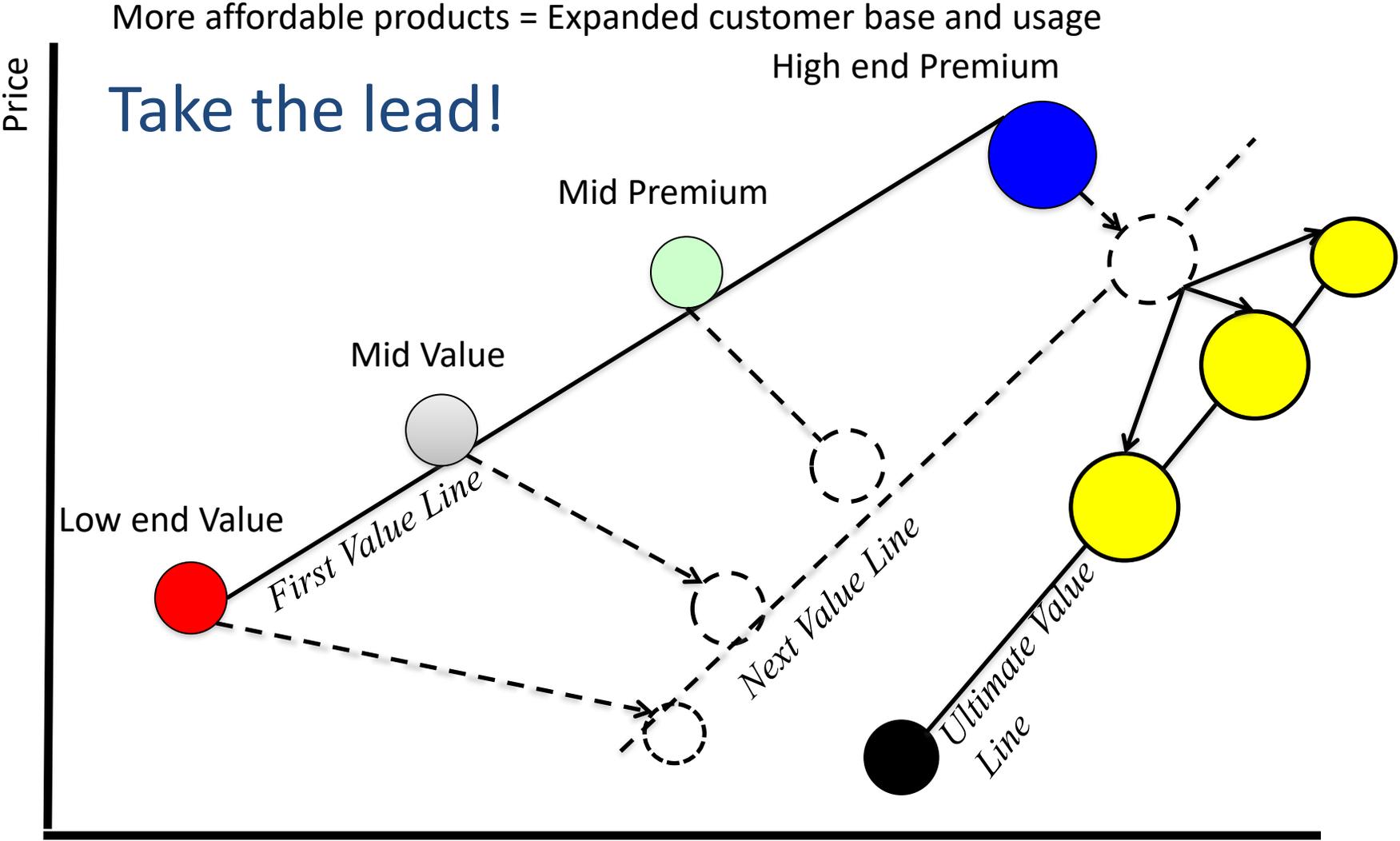
Strategies for responding to escalation.

- There are many variations of the escalation trap and the strategies to beating it but all involve managing the momentum of escalation by:
 - Re-seizing (take an opportunity or initiative eagerly and decisively) the momentum.
 - Harnessing and freezing (limited efficacy) or
 - Reversing,

Re-seize the momentum.

- Escalation can ultimately give way to a more radical change.
- The momentum it creates can cause the market to metamorphose to a completely different primary benefit or product offering.
- From products to solutions or service providers or integrated whole products.
- When there is a rapid imitation and aggressive competitive behavior,
- The primary driver of price shifts constantly as old primary benefits become less valuable and new primary benefits are needed to replace them.
- To escape firms need to anticipate or drive the shifts rather than falls victim to them by playing constant catch up.
- Changes in primary benefits appeared to run in three to four year cycles.
- Different industries are likely to have different rhythms

OUTPACING AT THE LOW-END AND OUTFLANKING THE COMPETITION



Move away from the pull of the market power of the low end players by changing channels, time or place

Setting the pace of change.

- The challenge is to determine which primary benefits to be developing for the future.
- Price benefit analysis help firms target the right benefits for developing by watching which are raising and falling in importance as price drivers.
- To force the firm to proactively set the pace, organizations often set strict timetables for the transition from one primary benefit to the next.
- There is also an art to making the transition from one primary benefit to the next.
- One challenge for the company re-seizing the momentum is to gauge when the ultimate value point is reached.
- Where there is little or no opportunity to push prices lower, improve upon the primary benefit, or expand the market.
- This is when harnessing the momentum of the last primary benefit must give way to re-seize the momentum using a new primary benefit.



Edificios



Comercial



Residencial



Doméstico

PRECIO

Precio del sistema total

DESEMPEÑO

Desempeño: Presión, flujo, Bajo Nivel de Ruido y Consumo de Energía



Setting the pace of change.

- The leader needs to be prepared to redefine the primary benefit in some way to re-seize the momentum, or
- To move to a strategy or to slowing or reversing the momentum.
- Managing this pacing requires that companies are just fast enough to stay ahead of competition, but not faster to avoid jumping too soon and throwing margins away.

Destroy the trap: Reverse the momentum.

- An alternative strategy involves **trying to slow or even reverse the momentum.**
- This can restore balance to the industry and prevent further erosion of price.
- **Applies if cost reducing, benefit-improving innovations are not available or if the market is not price or benefit sensitive so that growth cannot be stimulated.**
- In this case the goal is as much as possible, to hold back or reverse the escalation.
- **Freeze positions:** “Freeze the players positions” in different places on the line.
- **That requires a high level of “market power” over either customers or rivals.**
- Companies that have this power can use it to slow the momentum

Elevating the expected price line.

- If they **don't have this power or cannot create it** they won't be effective in dampening the escalation.
- **Raise the Bar: Elevating the expected price line in some segments** (subcategories) in order to prevent escalation and even reverse it.
- Unlike more price-sensitive segments of the market where performance might lead to limited price increases, or even price reductions
- Some segments are able to charge a premium for these advances, and pricing actions can avoid or reverse escalation.
- If they **don't have this power or cannot create it** they won't be effective in dampening the escalation.

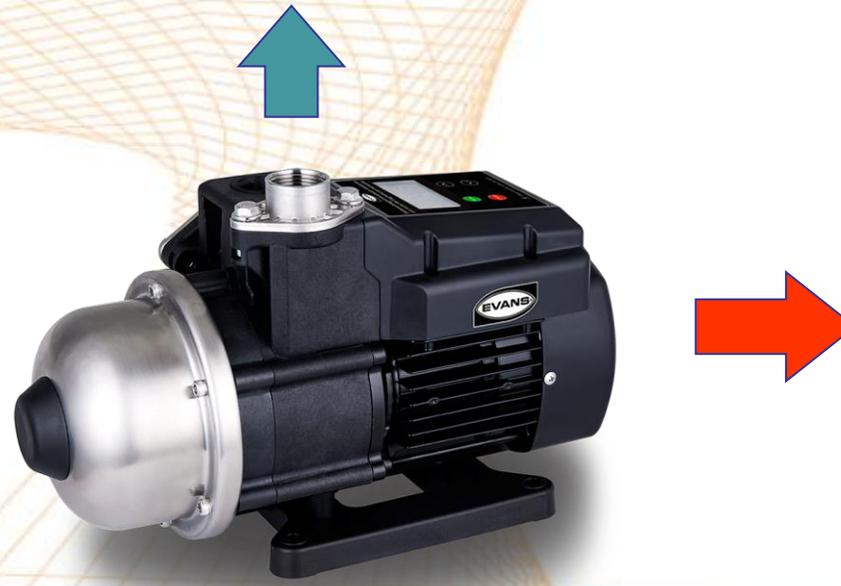
“Magnet Buster” Game Changing Value Drivers

EVANS

Deskilling the job

(Commoditizing the customer)

(“Minimize physical or mental stress to install or uninstall”)



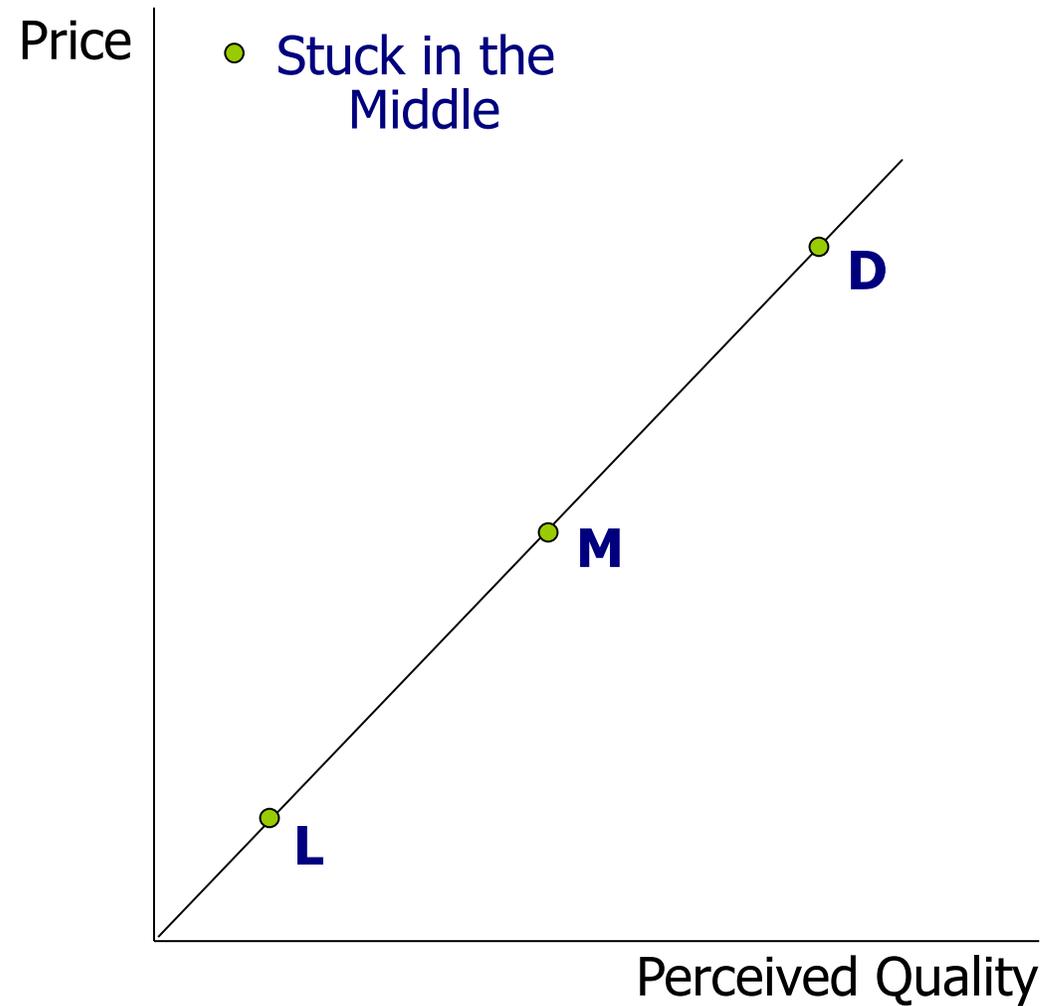
Compatibility
Integrated Whole product

Affordability

(“Streamlined whole product, safety, minimize manufacturing cost, electric consumption, installation cost, maintenance cost”)

www.evans.com.mx

Stuck in the middle vs. Being in the middle



Sistemas de Presion

PRECIO

Precio del sistema total

DESEMPEÑO

Desempeño: Presión, flujo, Bajo Nivel de Ruido y Consumo de Energía



Presurizadoras

PRECIO

DESEMPEÑO

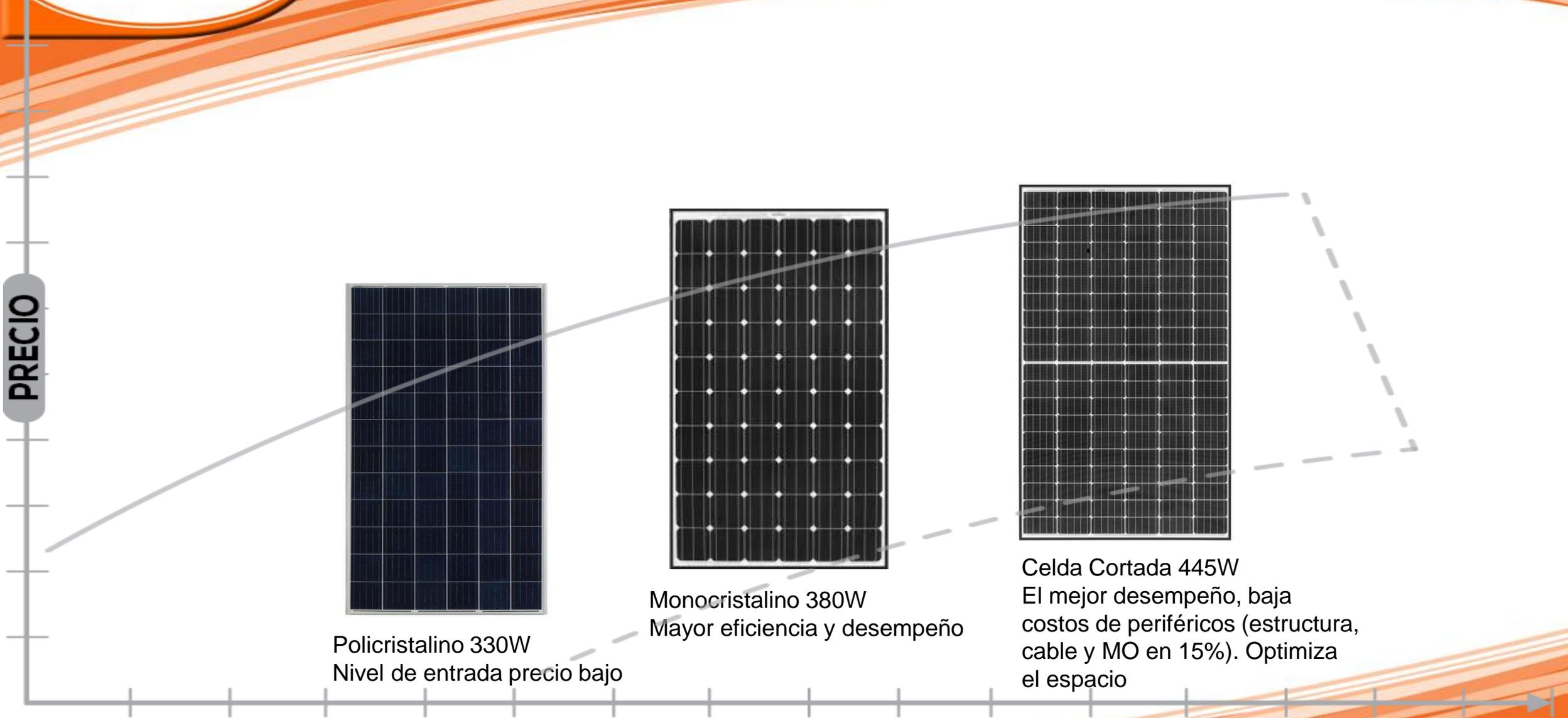
Precio del sistema total

Desempeño: Presión, flujo, Bajo Nivel de Ruido y Consumo de Energía

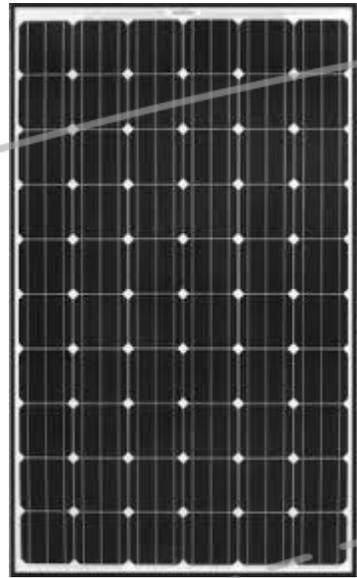




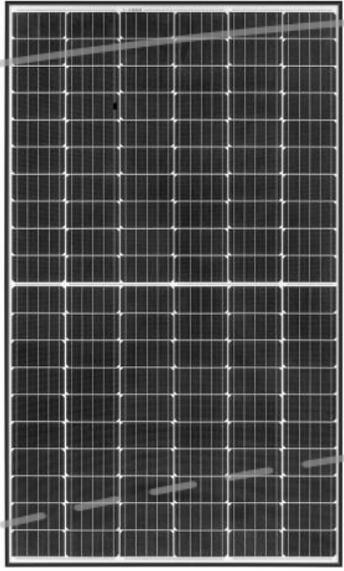
Mapa de Panel Solar



Policristalino 330W
Nivel de entrada precio bajo



Monocrystalino 380W
Mayor eficiencia y desempeño

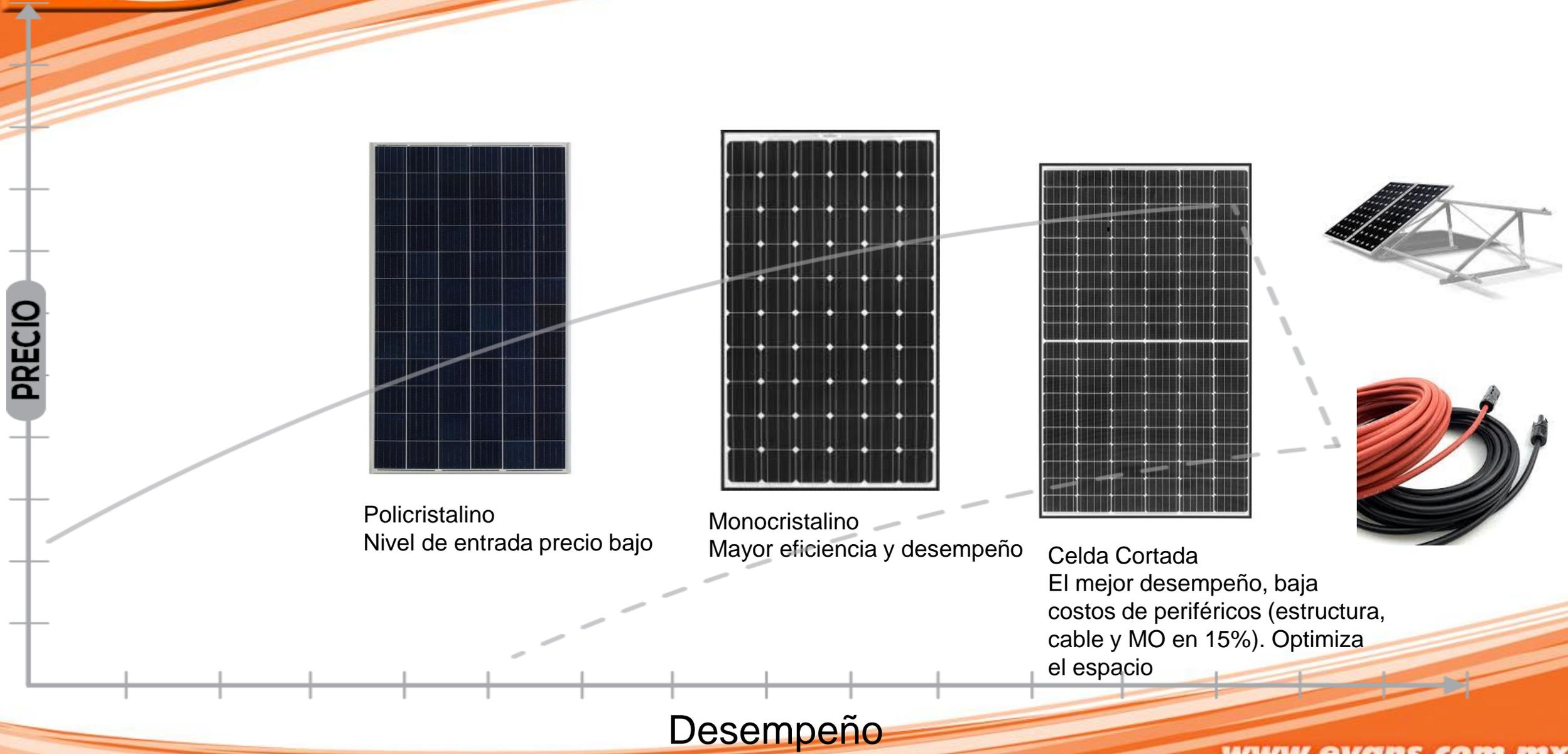


Celda Cortada 445W
El mejor desempeño, baja costos de periféricos (estructura, cable y MO en 15%). Optimiza el espacio

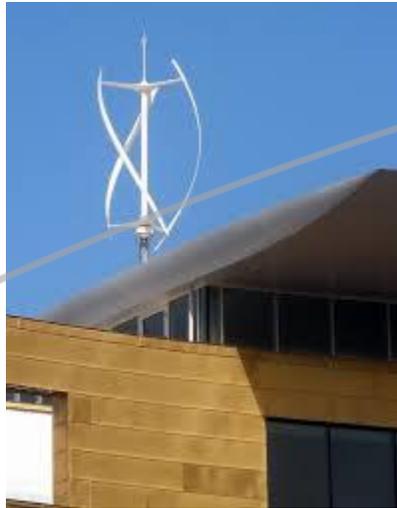
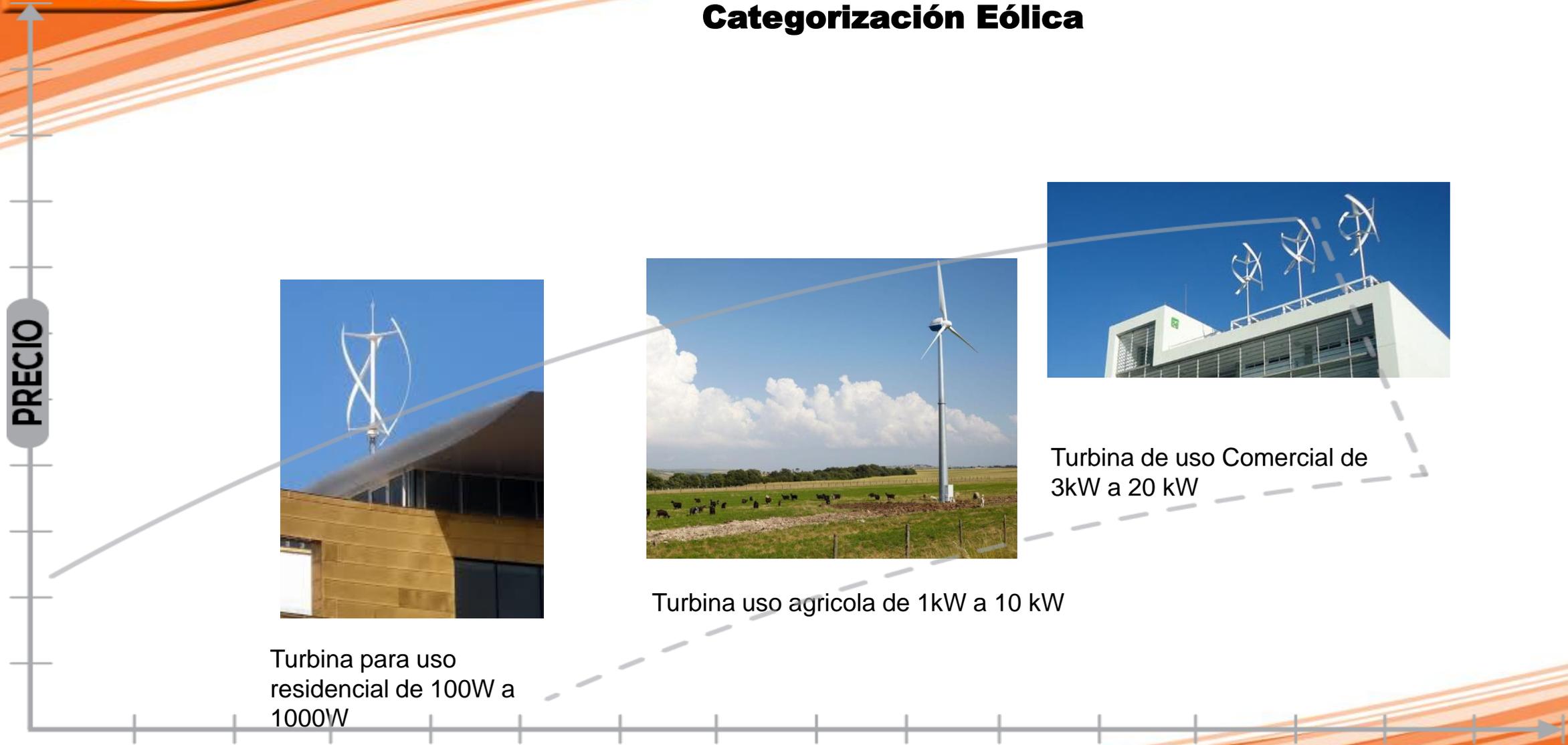
Desempeño



Mapa de Paquete de componentes y M de O



Categorización Eólica



Turbina para uso residencial de 100W a 1000W



Turbina uso agrícola de 1kW a 10 kW



Turbina de uso Comercial de 3kW a 20 kW

Desempeño

“Sequential skimming”

- Requires *a substantial commitment to communicate the benefits that justify a high price.*
- *If effective value communications are neither practical nor cost effective,*
- *Then the firm must limit its pricing to reflect what it can communicate or*
- *To what potential customers are likely to believe from what they can observe.*
- *The competitive environment must be right for skimming.*
- *A firm must have some source of competitive protection against competitive threats.*
- *By precluding competitors from providing lower pricing alternatives.*
- *Patents, brand’s reputation for quality, access to scarce resource, and preemption of the best distribution channels.*
- *Can be a more appropriate strategy for products and services with low repurchase rates.*

iPod uses the momentum of escalation

