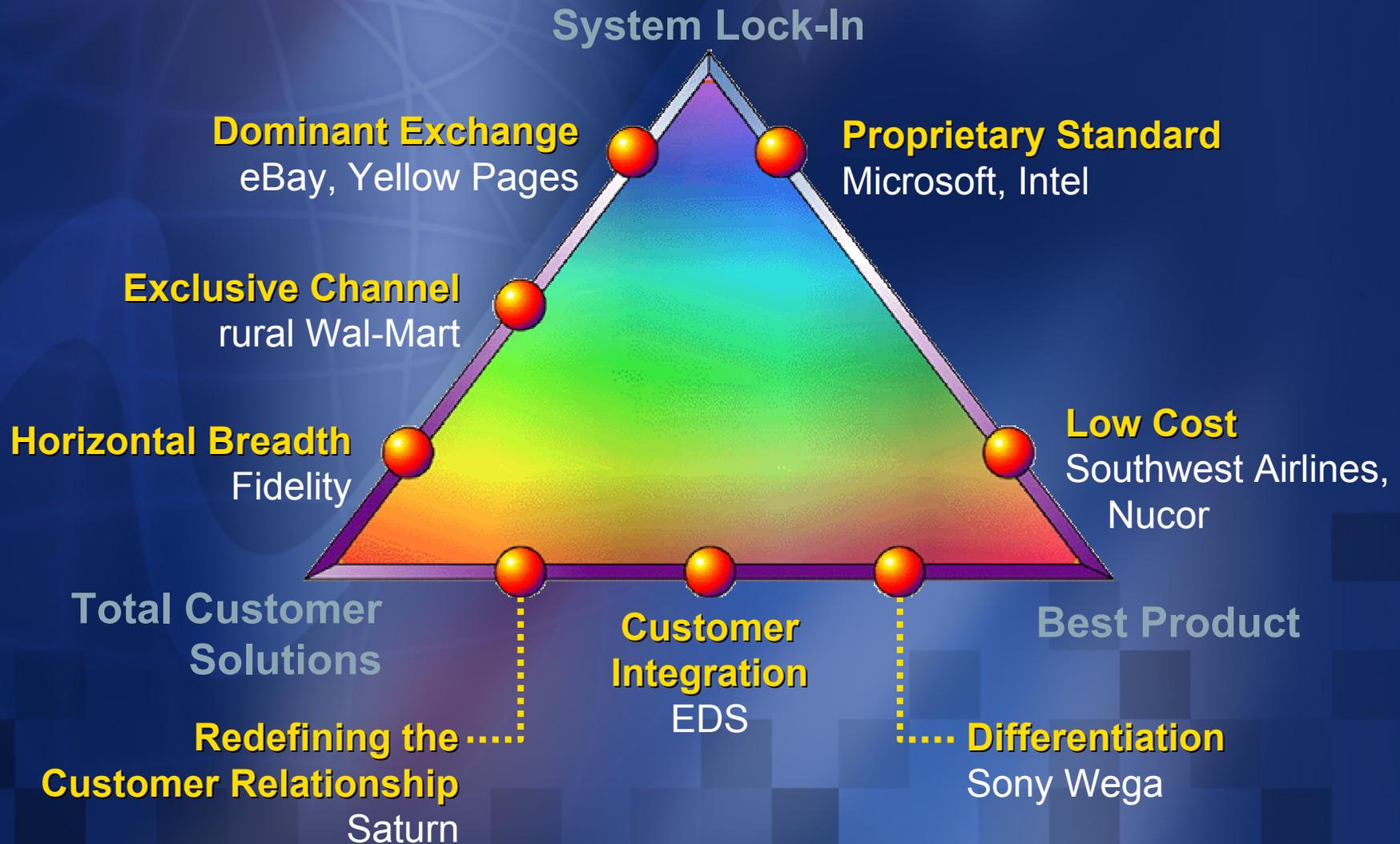


The background is a dark blue gradient. On the left, there is a faint, light blue wireframe globe. A large, semi-transparent blue arrow points diagonally upwards from the bottom left towards the top right. In the bottom right corner, there is a faint, light blue bar chart with several bars of varying heights. The text "The Firm as a Bundle of Competencies" is centered in a bold, yellow font with a black outline.

# **The Firm as a Bundle of Competencies**

# The Triangle:

## Options for Strategic Positioning



# Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
<b>Best Product</b> <span style="float: right;">Centered on product economies</span>		
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are unique desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. An competitive advantage is therefore non-sustainable.
<b>Total Customer Solutions</b> <span style="float: right;">Centered in customer economies</span>		
Reinforcing the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product	The solution is based upon an intimate knowledge of the customer base, being based on effective customer segmentation and differentiated treatment of the customer base
Horizontal Disrupt	A complete set of product and service offerings that fulfil the entire customer need as conventional and provided. "Vertical disruption" is unique	We are seeking a dominant position in "share of the wallet of the customer"
Customer Integration	The strategy seeks to effectively substitute for or leverage activities currently performed by the customer. The substitution, the integration and as well as creating a complex web of relationships with the customer that enhance your ability to best business and serve your product	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics
<b>System Lock-in</b> <span style="float: right;">Focuses on competitor economics</span>		
Restricted Access	Significant barriers are placed that make it difficult for competitors to even compete for the acquisition of customers	This is a difficult position to achieve and to sustain. Regulatory pressure tends to decrease its strength
Constant Exchange	Use the strategy to create a complex or multiple business systems and which that a very hard to displace once it achieves critical mass	This is the most complex of all of the system lock-in options. The full power advantage is critical
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product	It is difficult to establish such incentives. It can be achieved, the rewards are enormous

Best Product	Centered on product economies	
Low cost	Focus on being the lowest cost provider in an undifferentiated product category	Since there is only one lowest cost producer, this strategy leaves very little space as a competitive position. It also tends to standardize the product offering, commoditize the customer, and intensify rivalry.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and functionalities such that the products are unique desired and command price premiums	The problem with this strategic position is that as soon as the differentiated product emerges, competitors tend to imitate them. An competitive advantage is therefore non-sustainable.

# Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Central or product economics		
Best Product		
Low Cost	Focus on being the lowest cost provider in an undifferentiated product category.	Since there is only one lowest cost provider, this strategy leaves very little room for competitive position. It is difficult to improve the product offering compared to the customer and competitors.
Differentiation	When considering effective production economics focus on key differentiation in the production and operations to such that the product is unique, relevant and customer price premium.	The position with this strategic position is that at least all the alternatives will be unique, relevant, better, or better than, or otherwise advantage a significant competitive advantage.
Oriented to customer economics		
Total Customer Solutions		
Redefining the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product.	This positioning is based upon an intimate knowledge of the customer base leading toward an effective customer segmentation and a differentiated treatment of the customer tiers.
Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "One-stop shopping for a unique solution."	We are seeking a dominant position in "share of the wallet of the customer."
Customer Integration	This strategy seeks to effectively substitute for or leverages activities currently performed by the customer. It is outsourcing in its extreme form and at least represents a complex web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics.
Focused on competitor economics		
System Lock-in		
Restricted Access	Significant barriers are in place that make it difficult for competitors to even attempt for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory barriers tend to be difficult to sustain.
Common Exchange	With this strategy the company provides an interface between buyers and sellers that are used to improve overall business value.	This is the most accessible of all of the systems lock in options. The barrier is more difficult to sustain.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party competitors that are designed to work with your product.	This option is available in most industries. It can be achieved by network as a competitive advantage.

Total Customer Solutions	Oriented to customer economics	
Redefining the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product.	This positioning is based upon an intimate knowledge of the customer base leading toward an effective customer segmentation and a differentiated treatment of the customer tiers.
Horizontal Breadth	A complete set of product and service offerings that fulfill the entire customer needs are customized and provided. "One-stop shopping for a unique solution."	We are seeking a dominant position in "share of the wallet of the customer."
Customer Integration	This strategy seeks to effectively substitute for or leverages activities currently performed by the customer. It is outsourcing in its extreme form and at least represents a complex web of connections with the customer that enhance their ability to do business and to use your product.	The firm is regarded as a bundle of competencies that will be brought to the customer to enhance the customer economics.

# Delta Model Strategies

Delta Model Strategies		
Position	Definition	Comments
Centered on product economics		
Best Product		
Low cost	Focus on being the lowest cost provider in an undifferentiated product category.	Since there is only one lowest cost provider, this strategy leaves very little space for a successful product. It also tends to commoditize the product offering, commoditize the customer, and thereby reduce margins.
Differentiation	While maintaining effective production economies focus on key differentiation in the product features and characteristics such that the products are unique, desired, and command price premiums.	The problem with this strategy position is that as soon as the differentiated product emerges, competitors will find a way there. An competitive advantage is therefore non-sustainable.
Oriented to customer economics		
Total Customer Solutions		
Reframing the customer experience	A focus is placed on considering the full experience of the customer from the point of acquisition through to the complete lifecycle of ownership of the product.	This positioning is based upon an intimate knowledge of the customer. It is based upon an effective customer segmentation and a differentiated treatment of the customer mix.
Horizontal Breadth	A complete set of product and service offerings that fill the entire customer need architectural and process. "One-stop shopping for a range of needs."	We are seeking a dominant position in "what" of the world of the customer.
Customer Integration	The strategy seeks to effectively substitute for or leverage activities currently performed by the customer. By integrating its activities into and/or replacing a customer's web of connections with the customer that enhance their ability to do business and/or use your product.	The firm is regarded as a "hub" of competencies that will be brought to the customer to enhance the customer experience.
System Lock-In		
Focuses on complementor economics		
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
Dominant Exchange	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product.	This option isn't available in most industries. If it can be achieved the rewards are enormous.



System Lock-In	Focuses on complementor economics	
Restricted Access	Significant barriers are in place that make it difficult for competitors to even compete for the acquisition of customers.	This is a difficult position to achieve and to sustain. Regulatory practices tend to be deployed to prevent it.
Dominant Exchange	With this strategy the company provides an interface between buyers and sellers that is very hard to displace once it achieves critical mass.	This is the most accessible of all of the systems lock-in options. The first mover advantage is critical.
Proprietary Standard	The customer is drawn to your product because of the extensive network of third party complementors that are designed to work with your product.	This option isn't available in most industries. If it can be achieved the rewards are enormous.

# McKinsey Organizational Structure

## FUNCTIONAL CAPABILITY GROUPS

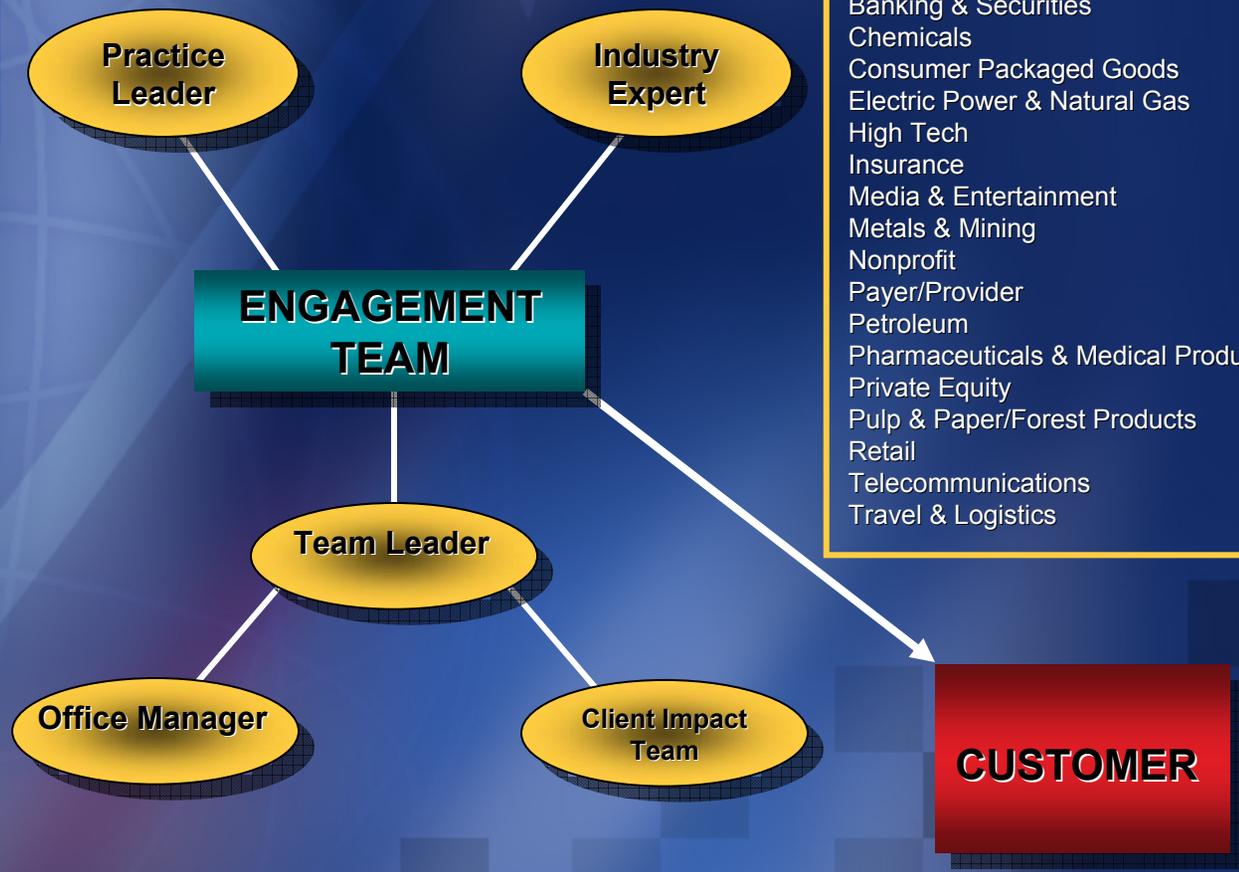
- Business Technology Office
- Corporate Finance
- Marketing & Operations
- Organization
- Strategy

## GLOBAL OFFICES

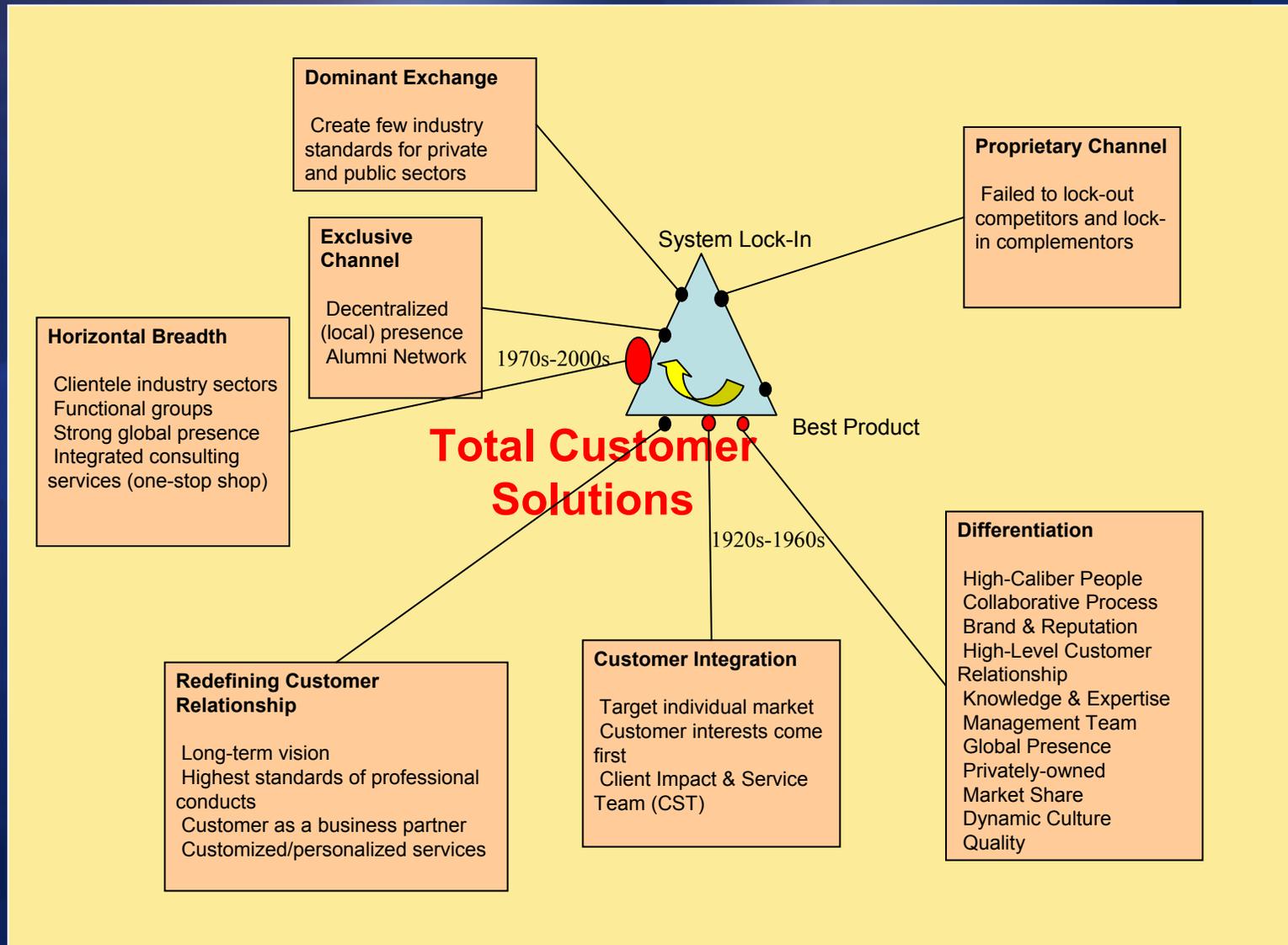
- |           |            |
|-----------|------------|
| Amsterdam | Detroit    |
| Antwerp   | Dublin     |
| Athens    | Du         |
| Atlanta   | Düsseldorf |
| Auckland  | Frankfurt  |
| Bangkok   | Geneva     |
| Barcelona | Gothenburg |
| Beijing   | Hamburg    |
| Berlin    | Helsinki   |
| Bogotá    | Hong Kong  |
| Boston    | Houston    |
| Brussels  | Istanbul   |
| Budapest  |            |

## CLIENTELE INDUSTRY SECTORS

- Automotive & Assembly
- Banking & Securities
- Chemicals
- Consumer Packaged Goods
- Electric Power & Natural Gas
- High Tech
- Insurance
- Media & Entertainment
- Metals & Mining
- Nonprofit
- Payer/Provider
- Petroleum
- Pharmaceuticals & Medical Products
- Private Equity
- Pulp & Paper/Forest Products
- Retail
- Telecommunications
- Travel & Logistics

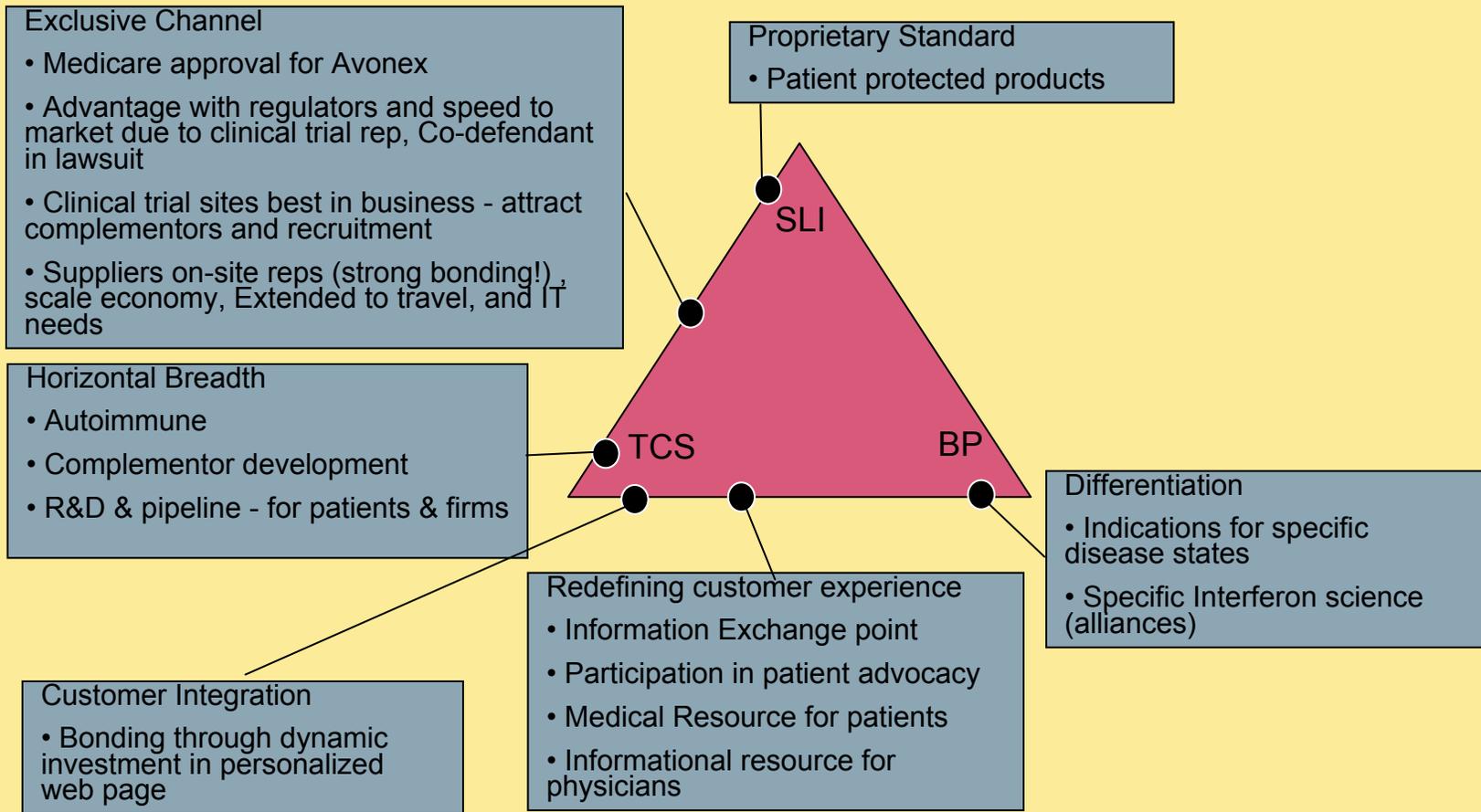


# The Delta Model: Description of McKinsey's Competence

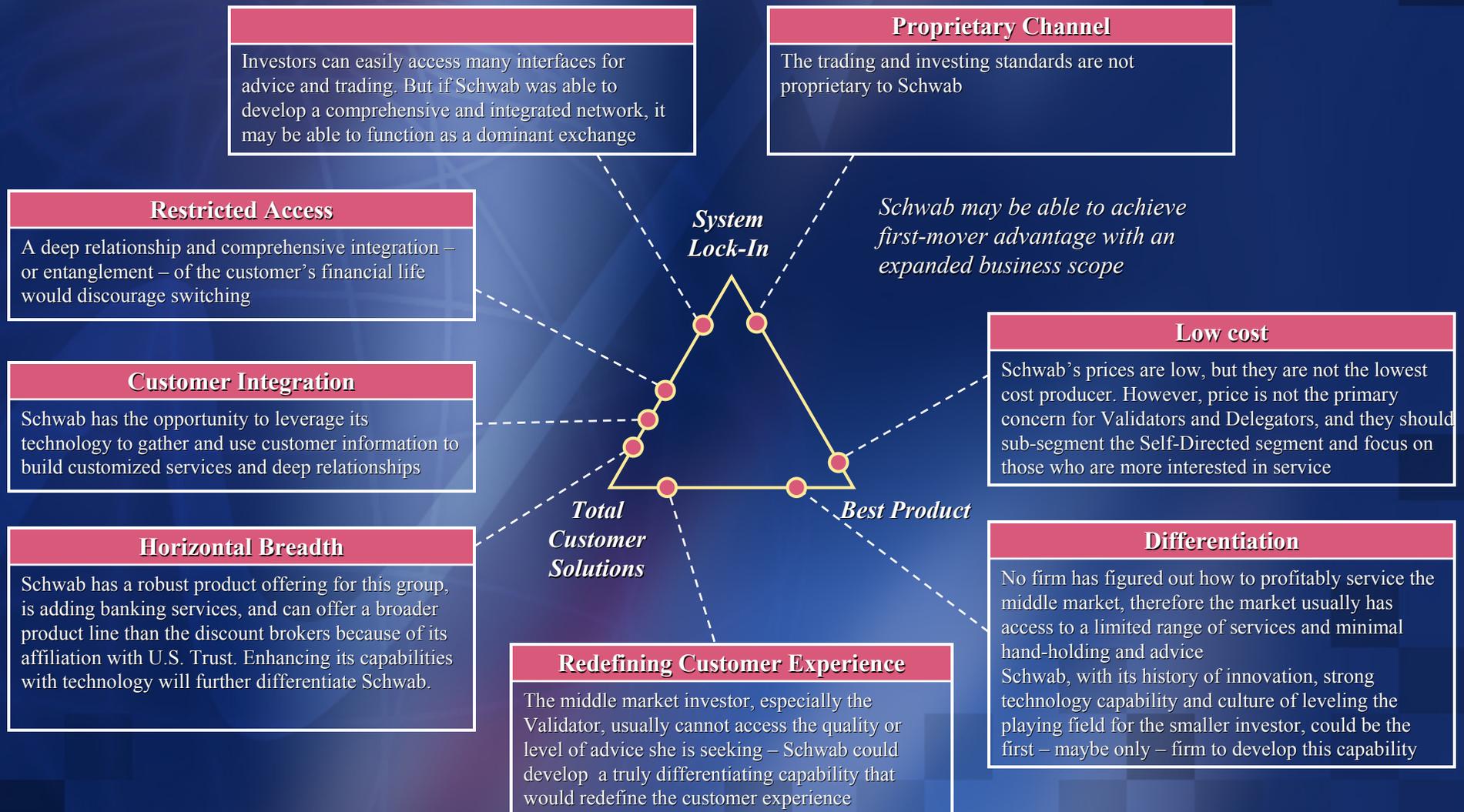


# The Delta Model: Description of Biogen's Full Array of Strategic Positions

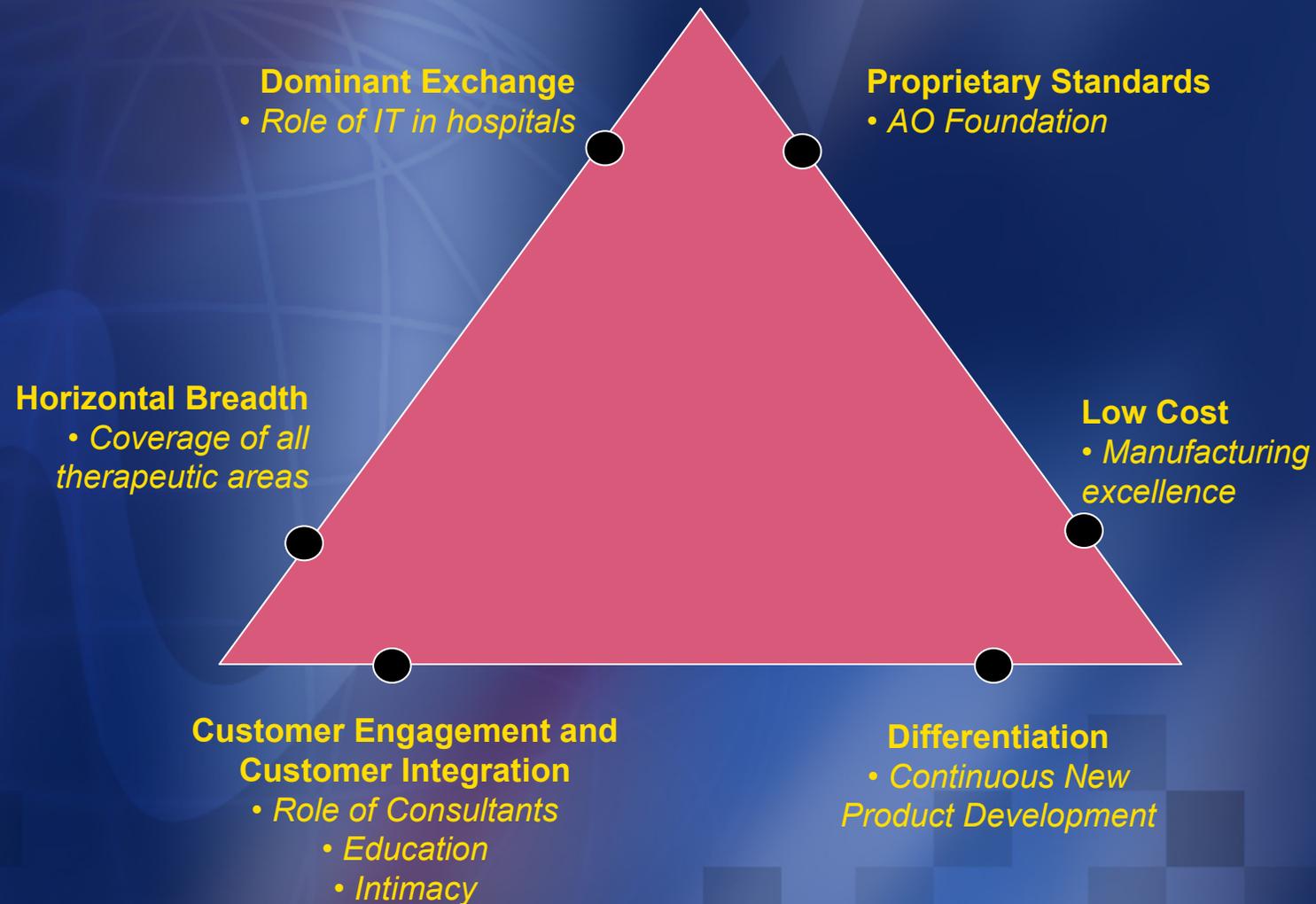
## The Delta Model: Biogen moving towards TCS



# Schwab - Expanding the Strategic Options



# Synthes



# Capital One's Competencies

## Restricted access

Increasing barriers to entry from competitors and exit from customers.

## Horizontal breadth

The widest coverage of the industry "Shut-off the credit filters"

## Customer engagement

- Actuarial calculation of customer's life-time NPV in real time
- Testing for customer acquisition, card utilization and attrition
- Horizontal accounting (entry and listing of cohort)
- Detecting "adverse selection"

## Customer integration

The Power of IBS

## The organizational capabilities

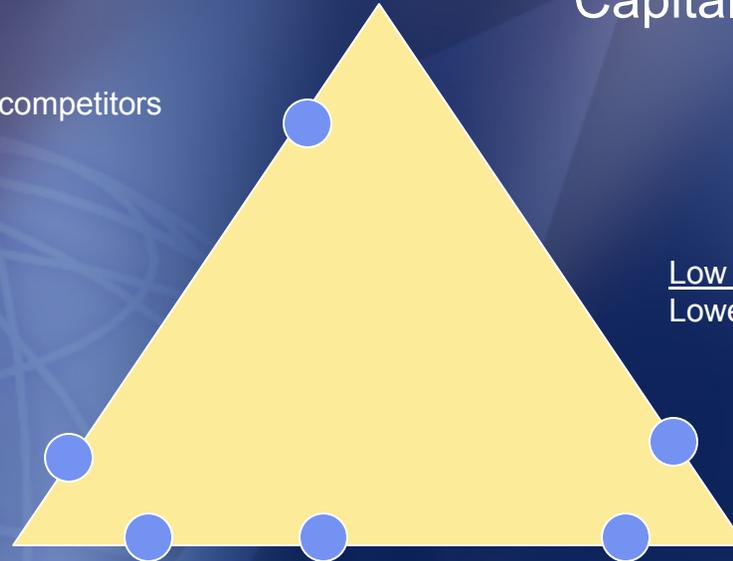
- Entrepreneurial structure and culture
- Information Technology know-how (largest Oracle data base - 40 pages per every American)
- Customer service (30 million inquiries per year). Identify the caller after 1 ring with 70% accuracy. The right call routed to the right associate.
- Recruiting talent (behavioral interviews, case interviews, standardized test)

## Low cost

Lowest charge-off of industry

## Differentiation

- 95% product < 2 years
- Stream of new products
  - Short half-life cycle
  - Customized offers



# Insights from the Delta Model

1. Think of your firm as a bundle of competencies - Not merely as an engine for developing, making and distributing products.
2. Understand deeply your customer needs - Segment the customer base to differentiate meaningful value propositions to each customer tier.
3. The key to exploit opportunities for growth and profitability is to match your competencies with your customer needs. Try to be creative, bold and fast.