MBA – II
Semester IV
Subject: Marketing Strategy - 404

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DIMR

UNIT 1

BASICS OF MARKETING STRATEGY

Introduction to Marketing Strategy

- A marketing strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of their products or services. A marketing strategy contains the company's value proposition, key brand messaging, data on target customer demographics, and other high-level elements.
- A thorough marketing strategy covers the four Ps of marketing: product, price, place, and promotion.
- A marketing strategy is a business's game plan for reaching prospective consumers and turning them into customers of their products or services.
- Marketing strategies should revolve around a company's value proposition.
- The ultimate goal of a marketing strategy is to achieve and communicate a sustainable competitive advantage over rival companies.
- **Marketing strategy** provides an overview of the many marketing elements that must come together to make a successful business. It determines how to go about selecting products, customers, competitors, appropriate distribution, **pricing**, and promotion plans.
- A marketing strategy is the combination of all the business's decisions and actions to increase sales and achieve a sustainable competitive advantage by understanding and fulfilling the needs and wants of the customers.

This definition of marketing strategy stands on three key pillars. These are:

- **What:** Marketing strategy is the overall game plan or the roadmap marketers use to achieve a business's marketing objectives and goals.
- **Why:** It aims to achieve a unique market position backed by a sustainable competitive advantage that results in more sales and profits for the business.
- **How:** Every marketing strategy works directly or indirectly by fulfilling the needs and wants of the customers.

In simple terms, a marketing strategy is an achievable and actionable focused set of steps devised by marketers to achieve a marketing objective.

Introduction to Marketing Strategy

A marketing strategy is designed by:

- **Choosing the target market:** By target market we mean to whom the organization wants to sell its products. Not all the market segments are fruitful to an organization. There are certain market segments which guarantee quick profits, there are certain segments which may be having great potential but there may be high barriers to entry. A careful choice has to be made by the organization. An in-depth marketing research has to be done of the traits of the buyers and the particular needs of the buyers in the target market.

- **Gathering the marketing mix:** By marketing mix we mean how the organization proposes to sell its products. The organization has to gather the four P’s of marketing in appropriate combination. Gathering the marketing mix is a crucial part of marketing task. Various decisions have to be made such as -
  - What is the most appropriate mix of the four P’s in a given situation
  - What distribution channels are available and which one should be used
  - What developmental strategy should be used in the target market
  - How should the price structure be designed

Introduction to Marketing Strategy

Marketing Strategies Examples

Every business in the market employs some form of marketing strategy to achieve sustainable competitive advantage and increase its sales. Some of the renowned marketing strategy examples include:

Aldi

- Aldi is a renowned discount supermarket operating in over 18 countries. The company sells highly discounted products that are up to 50% less pricey as compared to competitors.
- While the marketing plan sets the objective to sell products at a highly discounted price, the marketing strategy makes Aldi’s business model unique.
- The company believes in a no-frills experience and limits its inventory to only important items with high sales volume. Moreover, 90% of the brands within the store are in-store brands which allow the company to source most of its products from local vendors.

Introduction to Marketing Strategy

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TikTok

- TikTok is a short-video powered social media platform that makes it easy for users to create and share short videos across the internet. In its initial days, the company used Instagram and other social media channels to get more users onboard. The company placed its logo within the user-generated content and made sharing videos on Instagram and other social media platforms super easy.
- So, whenever a user shared a TikTok video on Instagram, their friends got triggered by FOMO as to what this platform was and downloaded the app just to try it. This made the company gain its initial users.

Importance of Marketing Strategy

Every marketing plan derives its form from a set of marketing strategies it uses. These marketing strategies play an essential role in the marketing mix of a business.

- **Helps achieve marketing objectives:** Marketing strategies lay down a set of steps to achieve marketing objectives focused on fulfilling the business's short term and long term marketing goals.
- **Provides direction:** Marketing strategies set roadmaps that includes apt steps towards achieving goals. This roadmap gives direction and ensures that the business doesn't stray away from the set of listed steps.
- **Ensures coordination:** The set of steps ensures coordination and avoids confusion among different business departments that work together to achieve the same goals.
- **Reduces Wastage:** Marketing strategies ensure optimum resource use by reducing duplication of work and appropriate allocation of limited resources.
- **Ensures better control:** It decides on the path to be followed and interim goals to be achieved. Hence, it becomes easier for marketers to control the marketing activities and ensure they are going according to the plans.

Components Of A Marketing Strategy

A well-developed strategy contains **five components**, or sets of issues:

1. **Scope.** The scope of an organization refers to the breadth of its strategic domain—the number and types of industries, product lines, and market segments it competes in or plans to enter. Decisions about an organization's strategic scope should reflect management's view of the firm's purpose or mission. This common thread among its various activities and product-markets defines the essential nature of what its business is and what it should be.

2. **Goals and objectives**. Strategies also should detail desired levels of accomplishment on one or more dimensions of performance—such as volume growth, profit contribution, or return on investment—over specified time periods for each of those businesses and product-markets and for the organization as a whole.

3. **Resource deployments**. Every organization has limited financial and human resources. Formulating a strategy also involves deciding how those resources are to be obtained and allocated across businesses, product-markets, and functional departments and activities within each business or product-market.

4. **Identification of a sustainable competitive advantage.** One important part of any strategy is a specification of how the organization will compete in each business and product market within its domain. How can it position itself to develop and sustain a differential advantage over current and potential competitors? To answer such questions, managers must examine the market opportunities in each business and product-market and the company's distinctive competencies or strengths relative to its competitors.

5. **Synergy.** Synergy exists when the firm's businesses, product-markets, resource deployments, and competencies complement and reinforce one another. Synergy enables the total performance of the related businesses to be greater than it would otherwise be: The whole becomes greater than the sum of its parts.

The Hierarchy of Strategies

Most organizations have a hierarchy of interrelated strategies, each formulated at a different level of the firm. The three major levels of strategy in most large, multiproduct organizations are

(1) corporate strategy

(2) business-level strategy, and

(3) functional strategies focused on a particular product-market entry

Marketing Strategies vs. Marketing Plans

- The marketing strategy is outlined in the marketing plan—a document that details the specific types of marketing activities that a company conducts and contains timetables for rolling out various marketing initiatives.
- Marketing strategies should ideally have longer life spans than individual marketing plans because they contain value propositions and other key elements of a company's brand, which generally hold constant over the long haul. In other words, marketing strategies cover big-picture messaging, while marketing plans delineate the logistical details of specific campaigns.
- **For example,** a marketing strategy might say that a company aims to increase authority in niche circles where their clients visit. The marketing plan puts that in action by commissioning thought leadership pieces on LinkedIn.

Marketing STRATEGY	Marketing PLAN
Owned by a CMO	Owned by a Marketing Manager
Supports business objectives	Supports marketing strategy
Contains high-level elements like products, niche, competitors, brand guidelines, etc.	Contains specific initiatives, measurables, and tactics to reach goals

Marketing Strategy Vs Marketing Plan Vs Marketing Tactic

- Marketing strategy is a subset of a marketing plan that defines marketing goals and objectives and elaborates on how the business intends to achieve them.
- Marketing strategy outlines the roadmap of how to achieve the goals and objectives defined by the marketing plan.
- Marketing tactic, on the other hand, constitutes the actions taken to support the strategy.
- That is, if getting 10,000 followers on Instagram is a marketing goal defined in the marketing plan, the marketing strategy will define the set of steps a brand will take to achieve this goal. The steps may include one post and two posts a day. However, a marketing tactic would be the content of posts and stories that the brand will use to support the strategy.

How To Develop A Marketing Strategy

Marketing strategy builds a roadmap that leads a business from the current scenario to the desired scenario. But developing a marketing strategy isn't as easy as it seems. It requires a marketer to hop through six different steps.

Identify the Goals and Objectives

- Every market strategy stems from the core goals defined in a marketing plan. The goals can be big or small, quantitative or qualitative, and short term or long term. But they give structure to the set of steps that a market strategy defines.

Conduct A Market Analysis

- Before developing a marketing strategy, a marketer should analyse the current situation of the market. This includes –
- Who is the target customer?
- What is the buyer persona?
- Who are the current players in the market?
- How do they market their offerings?
- What are the shortcomings in the current market scenario?
- What needs are not yet fulfilled?
- What positioning strategies are not yet capitalized on?
- Once the business gets the answer to these questions, developing a marketing strategy and capitalizing on the value proposition becomes easy.

Identify The Competitive Advantage

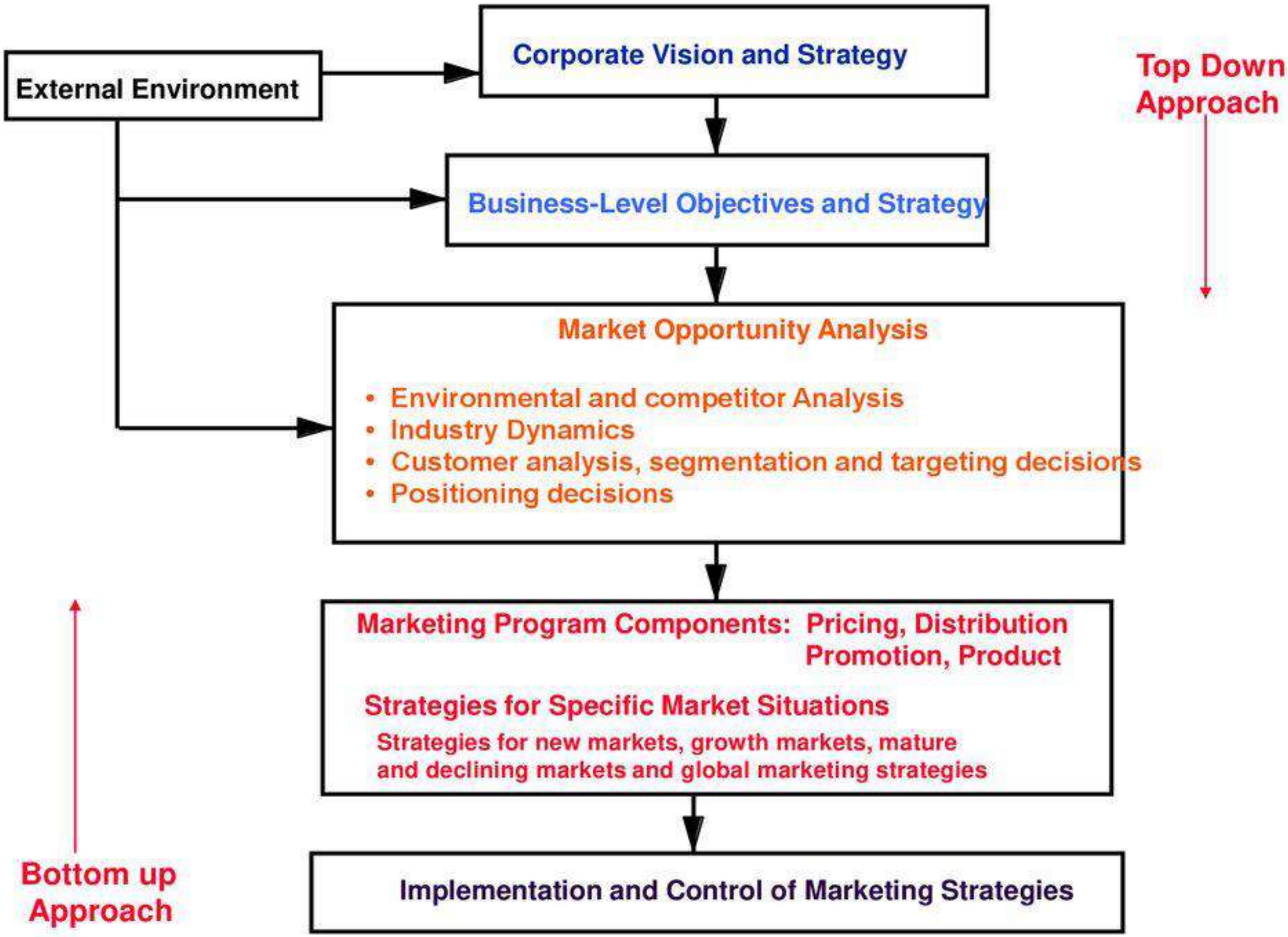
- Competitive advantage is the benefit that sets the business apart from the other market players. It is usually powered by the business's unique value proposition and is the factor the business capitalizes on to fulfil its marketing objectives.

Lay Down The Set Of Steps

- Once the marketer is well versed with the market's current situation – what is missing from the market and how can they capitalise on their competitive advantage to fill the gap, it becomes easy to lay down the steps to achieve the goals.

For example, if a business is looking to increase its number of paying users and the market analysis proves that its existing customers are loyal and would appreciate rewards, it can make use of a referral marketing strategy to reward its existing users for bringing in new users on board.

The Process of Formulating and Implementing Marketing Strategy



Integrating Marketing Strategy with the Firm's Other Strategies and Resources

- A major part of the marketing manager's job is to monitor and analyze customers' needs and wants and the emerging opportunities and threats posed by competitors and trends in the external environment. Therefore, because all levels of strategy must consider such factors, marketers often play a major role in providing inputs to—and influencing the development of—corporate and business strategies. Conversely, general managers and senior managers in other functions need a solid understanding of marketing in order to craft effective organizational strategies.
- Marketing managers also bear the primary responsibility for formulating and implementing strategic marketing plans for individual product-market entries or product lines. But such strategic marketing programs are not created in a vacuum. Instead, the marketing objectives and strategy for a particular product-market entry must be achievable with the company's available resources and capabilities and consistent with the direction and allocation of resources inherent in the firm's corporate and business-level strategies. In other words, there should be a good fit—or internal consistency—among the elements of all three levels of strategy

Market Opportunity Analysis

A major factor in the success or failure of strategies at all three levels is whether the strategy elements are consistent with the realities of the firm's external environment and its own capabilities and resources. Thus, the first step in developing a strategic marketing plan—for a new venture, a new product, or an existing product or product line—is to undertake an analysis of the 4Cs, so that the nature and attractiveness of the market opportunity is well understood. Marketing managers in various line or staff positions—or entrepreneurs themselves, in start-up settings—typically carry out this responsibility.

- **Understanding Market Opportunities**

Understanding the nature and attractiveness of any opportunity requires conducting an examination of the external environment, including the markets served and the industry of which the firm is a part. In turn, this examination involves a look at broad macro issues such as environmental trends that are driving or constraining market demand and the structural characteristics of the industry as a whole, as well as specific aspects of the target customers and their needs and of the particular firm and what it brings to the party. It's also necessary to examine the management team that will be charged with implementing whatever strategy is developed in order to determine if they have what it takes to get the job done. It provides a framework for examining these issues and dramatizes how different the attractiveness of one's market and one's industry can be, an insight that is easily (and often) overlooked.

- **Measuring Market Opportunities**

Understanding the overall attractiveness of a market opportunity is one thing. Preparing an evidence-based forecast of the sales that can be achieved over the short and intermediate term is quite another and is a particularly difficult task for new products, especially those of the new-to-the-world variety. It will outline several approaches to evidence based forecasting, and will examine the factors that drive the pace at which innovations are adopted over time. It also briefly explores where to obtain the market knowledge required—the data to fill in the holes in one's understanding of any market opportunity— including sources both inside and outside the firm.

Market Opportunity Analysis

- **Market Segmentation, Targeting, and Positioning Decisions**

Not all customers with similar needs seek the same products or services to satisfy those needs. Their purchase decisions may be influenced by individual preferences, personal characteristics, social circumstances, and so forth. On the other hand, customers who do purchase the same product may be motivated by different needs, seek different benefits from the product, rely on different sources of information about products, and obtain the product from different distribution channels. Thus, one of the manager’s most crucial tasks is to divide customers into market segments —distinct subsets of people with similar needs, circumstances, and characteristics that lead them to respond in a similar way to a particular product or service offering or to a particular strategic marketing program. It examines dimensions for measurement and analytical techniques that can help managers identify and define market segments in both consumer and organizational markets. After defining market segments and exploring customer needs and the firm’s competitive strengths and weaknesses within segments, the manager must decide which segments represent attractive and viable opportunities for the company; that is, on which segments to focus a strategic marketing program. The considerations in selecting a target segment. Finally, the manager must decide how to position the product or service offering and its brand within a target segment; that is, to design the product and its marketing program to emphasize attributes and benefits that appeal to customers in the target segment and at once distinguish the company’s offering from those of competitors.

Formulating Marketing Strategies for Specific Situations

The strategic marketing program for a product should reflect market demand and the competitive situation within the target market. But demand and competitive conditions change over time as a product moves through its life cycle. Therefore, different strategies are typically more appropriate and successful for different market conditions and at different life cycle stages, like some marketing strategies for introducing new goods or services to the market, strategies appropriate for building or maintaining a product's share of a growing market in the face of increasing competition, strategies a manager might adopt in mature or declining markets and it explores how all of the preceding strategies might be influenced or modified by the rapidly evolving conditions being created by e-commerce.

Implementation and Control of the Marketing Strategy

- A final critical determinant of a strategy's success is the firm's ability to implement it effectively. This depends on whether the strategy is consistent with the resources, the organizational structure, the coordination and control systems, and the skills and experience of company personnel.
- Managers must design a strategy to fit the company's existing resources, competencies, and procedures—or try to construct new structures and systems to fit the chosen strategy.
- **For example, Samsung's** brand-building program would not have been so successful without its substantial investments in digital R&D, market research, and product design and the development of cross-functional product teams to encourage communication among the firm's engineers, designers, and marketers.
- The structural variables, planning and coordination processes, and personnel and corporate culture characteristics related to the successful implementation of various marketing strategies. The final tasks in the marketing management process are determining whether the strategic marketing program is meeting objectives and adjusting the program when performance is disappointing. This evaluation and control process provides feedback to managers and serves as a basis for a market opportunity analysis in the next planning period and examines ways to evaluate marketing performance and develop contingency plans when things go wrong

The Marketing Plan—A Blueprint for Action

- A marketing plan is a written document detailing the current situation with respect to customers, competitors, and the external environment and providing guidelines for objectives, marketing actions, and resource allocations over the planning period for either an existing or a proposed product or service
- Written plans also provide a concrete history of a product's strategies and performance over time, which aids institutional memory and helps educate new managers assigned to the product.
- Written plans are necessary in most larger organizations because a marketing manager's proposals usually must be reviewed and approved at higher levels of management and because the approved plan provides the benchmark against which the manager's performance will be judged. Finally, the discipline involved in producing a formal plan helps ensure that the proposed objectives, strategy, and marketing actions are based on rigorous analysis of the 4Cs and sound reasoning
- Marketing plans vary in timing, content, and organization across companies. In general, marketing plans are developed annually, though planning periods for some big-ticket industrial products such as commercial aircraft may be longer, and in some highly volatile industries such as telecommunications or electronics, they can be shorter.

The Marketing Plan—A Blueprint for Action

Contents of a Marketing Plan

Section	Content
I. Executive summary	Presents a short overview of the issues, objectives, strategy, and actions incorporated in the plan and their expected outcomes for quick management review.
II. Current situation and trends	Summarizes relevant background information on the market, competition and the macro environment, and trends therein, including size and growth rates for the overall market and key segments.
III. Performance review (for an existing product or service only)	Examines the past performance of the product and the elements of its marketing program (e.g., distribution, promotions, etc.).
IV. Key issues	Identifies the main opportunities and threats to the product that the plan must deal with in the coming year and the relative strengths and weaknesses of the product and business unit that must be taken into account in facing those issue
V. Objectives	Specifies the goals to be accomplished in terms of sales volume, market share, and profit.
VI. Marketing strategy	Summarizes the overall strategic approach that will be used to meet the plan's objectives.
VII. Action plans	This is the most critical section of the annual plan for helping to ensure effective implementation and coordination of activities across functional departments. **It specifies** • The target market to be pursued. • What specific actions are to be taken with respect to each of the 4 Ps. • Who is responsible for each action. • When the action will be engaged in. • How much will be budgeted for each action
VIII. Projected profit-and-loss statement	Presents the expected financial payoff from the plan.
IX. Controls	Discusses how the plan's progress will be monitored; may present contingency plans to be used if performance falls below expectations or the situation changes.
X. Contingency plans	Describes actions to be taken if specific threats or opportunities materialize during the planning period.

END OF UNIT 1

UNIT 2

MEASURING MARKET OPPORTUNITIES

MARKET FORECAST

- A market forecast is a core component of a market analysis. It projects the future numbers, characteristics, and trends in your target market. A standard analysis shows the projected number of potential customers divided into segments.
- This example of a simple market forecast defines two target market segments and projects the potential customers in each of those segments by years, for five years.
- Creating marketing strategy is not a single event, nor is the implementation of marketing strategy something only the marketing department has to worry about. When the strategy is implemented, the rest of the company must be poised to deal with the consequences. An important component is the **sales forecast**, which is the estimate of how much the company will actually sell. The rest of the company must then be geared up (or down) to meet that demand.
- Accuracy is important when it comes to forecasts. If executives overestimate the demand for a product, the company could end up spending money on manufacturing, distribution, and servicing activities it won’t need.
- Forecasts, at their basic level, are simply someone’s guess as to what will happen. Each estimate, though, is the product of a process. Several such processes are available to marketing executives, and the final forecast is likely to be a blend of results from more than one process.

Forecasting Based on Current Demand

Demand forecasting is the process of using predictive analysis of historical data to estimate and predict customers' future demand for a product or service. Demand forecasting helps the business make better-informed supply decisions that estimate the total sales and revenue for a future period of time.

Followings Methods are:

A. Market-Buildup Method – a method that calls for identifying all the potential buyers in each market and estimating their potential purchases.

It produces accurate results if we have a list of all potential buyers and a good estimate of what each will buy. Unfortunately, this information is not always easy to gather.

This is usually used for business markets.

B. Multiple-Factor Index Method – a method which consumer companies use to estimate area market potential.

A drug manufacturer may assume the market potential for its drug isdirectly proportional to population size

C. Chain Ratio Method

The art of breaking down a problem and building it up is also at the heart of the "chain ratio method". Similar to what we just described, but more focused on the size of the market in terms of number of customers, rather the dollars. Think of this method as trying to determine the "number of buyers in the market" in the simple equation above.

The chain ratio method can be used by either first breaking down the problem into smaller problems and then building up, or estimating (really almost guessing) the size of the total market and then doing some fine tuning. We'll focus here on latter approach of fine tuning a general broad estimate of the market by looking at the infamous cat problem.

Forecasting Based on Past Demand

Methods are :

Time series analysis

- Time series forecasting is the process of analyzing time series data using statistics and modeling to make predictions and inform strategic decision-making.
- Series forecasting is often used in conjunction with time series analysis.
- Time series analysis involves developing models to gain an understanding of the data to understand the underlying causes.
- Analysis can provide the "why" behind the outcomes you are seeing. Forecasting then takes the next step of what to do with that knowledge and the predictable extrapolations of what might happen in the future.
- One of the most powerful methodologies for generating forecasts is time series analysis
- A data set containing observations on a single phenomenon observed over multiple time periods is called time-series. In time series data, both values and the ordering of the data points have meaning. For many agricultural products, data are usually collected over time
- Time series analysis and its applications have become increasingly important in various fields of research, such as business, economics, agriculture, engineering, medicine, social sciences, politics etc.
- Realization of the fact that " Time is Money " in business activities, the time series analysis techniques presented here, would be a necessary tool for applying to a wide range of managerial decisions successfully where time and money are directly related

Time series examples

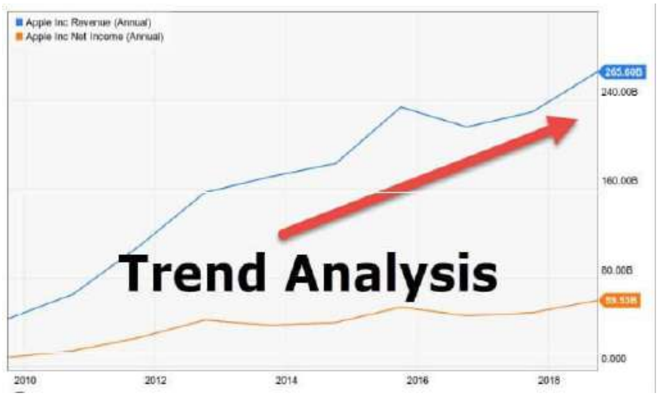
- Sales data
- Gross national product
- Share prices
- $A Exchange rate
- Unemployment rates
- Population
- Foreign debt
- Interest rates

Forecasting Based on Past Demand

Methods are :

Trend analysis

- An analysis of the trend of the observations is needed to acquire an understanding of the progress of events leading to prevailing conditions.
- The trend is defined as the long term underlying growth movement in a time series.
- Accurate trend spotting can only be determined if the data are available for a sufficient length of time.
- Trend analysis is **a technique used in technical analysis that attempts to predict future stock price movements based on recently observed trend data**. Trend analysis uses historical data, such as price movements and trade volume, to forecast the long-term direction of market sentiment.
- Trend analysis tries to predict a trend, such as a bull market run, and then ride that trend until data suggests a trend reversal, such as a bull-to-bear market.
- Trend analysis is based on the idea that what has happened in the past gives traders an idea of what will happen in the future.
- Trend analysis focuses on three typical time horizons: short-; intermediate-; and long-term.

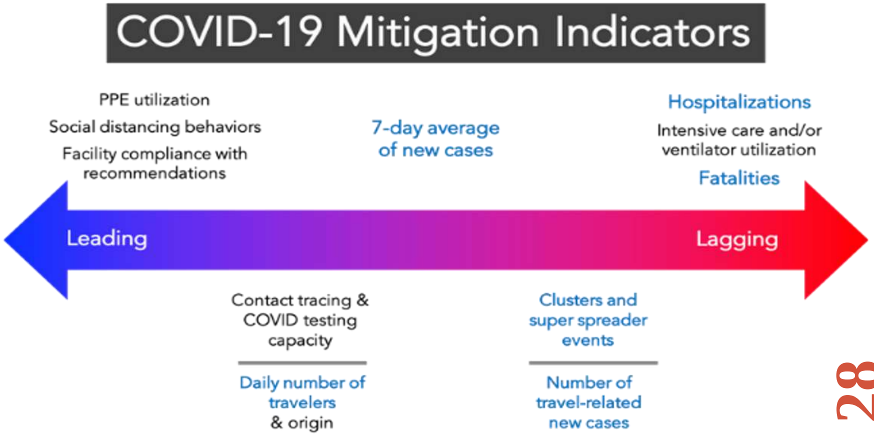


Forecasting Based on Past Demand

Methods are :

Leading indicators

- A leading indicator is **a piece of economic data that corresponds with a future movement or change in some phenomenon of interest**. Economic leading indicators can help to predict and forecast future events and trends in business, markets, and the economy.
- A leading indicator is a piece of economic data that corresponds with a future movement or change in some phenomenon of interest.
- Economic leading indicators can help to predict and forecast future events and trends in business, markets, and the economy.
- Different leading indicators vary in their accuracy, precision, and leading relationships, so it is wise to consult a range of leading indicators in planning for the future.
- The index of consumer confidence, purchasing managers' index, initial jobless claims, and average hours worked are examples of leading indicators.



Forecasting through Experimentation

This is another method that falls under market experiments. Where actual market experiments are done in the real markets, in this case a group of target consumers are selected and market experiment is carried out through simulated market

The demand for the market is predicted on the basis of responses of this group of consumers carried out by such experiment. In this method of demand forecasting the group of consumers are provided with certain amount of money and are requested to shop in a store which is a simulated one.

The methods are

1. Concept testing:

Concept testing is the process of using surveys to evaluate consumer acceptance of a new product idea prior to the introduction of a product to the market. It is important not to confuse concept testing with advertising testing, brand testing and packaging testing, as is sometimes done.

2. Test marketing:

- One way to gather information about the revenue potential for a new or improved product is to trial it in a **test market**.
- **Test marketing** involves launching the product in small part (usually geographic) part of the target market in order to gauge the viability of a product or service in the target market prior to a main roll-out or launch.
- The **aim of the test marketing is to gather as much information as possible about the elements of the marketing mix,** including:
  - The product itself
  - The promotional message and media spend
  - The distribution channels
  - The price
- Sometimes several test markets (usually small ones) are used, with each testing different marketing mixes.

Forecasting through Intentions & Expert Opinion:

In this method of demand forecasting, **the firm makes an effort to obtain the opinion of experts who have long standing experience in the field of enquiry related to the product under consideration**. Various methods are as follows:

1. Buyers' Intentions Method

- It is also known as consumers' expectations or opinions survey. It is commonly used method for sales forecasting. A sale is the result of consumer intention to buy the product. Many companies conduct periodical survey of consumers' buying interest to know when and how much they will buy.
- A sample of potential consumers is surveyed to know how much of the stated product they would buy at a given price during a specified future time period. Some firms maintains a permanent sample of buyers known as the panel to collect needed data on a regular basis.

2. Sales Force Opinion

- Under this method of sales forecasting, an opinion poll of the sales force is conducted. On the basis of the opinion poll, an estimate of the sales of the firm is made. This method is a very good method of sales forecasting, because the salesmen have a good idea of market conditions. Further, it is less expensive. This method is, generally, used when it is not possible to make use of the first method (i.e., the survey of buyers' intentions).

3. Expert Opinion

Under this method, the opinions of the experts are sought, and on that basis sales forecasts are made. The experts may be outside experts or top executives of the firm itself, such as the production executive, marketing executive, finance executive, etc.

4. Trade Opinion

Forecasting through Intentions & Expert Opinion:

5. Delphi Method

- In this method a panel of experts is individually presented a series of questions pertaining to the forecasting problem. Responses acquired from the experts are analyzed by an independent party that will provide the feedback to the panel members. Based on the responses of other individuals, each expert is then asked to make a revised forecast. This process continues till a consensus is reached or until further iterations generate no change in estimates.
- The advantage of Delphi technique is that it helps individual panel members in assessing their forecasts. However Delphi method is quite expensive. Often, the most knowledgeable experts in the industry will command more fees. Besides, those who consider themselves as experts may be reluctant to be influenced by the opinions of others on the panel.

6. Bootstrapping

- Converts subjective judgments into structured procedures. Experts are asked what information they use to make predictions about a class of situations. They are then asked to make predictions for diverse cases, which can be real or hypothetical. **For example**, they might forecast next year’s sales for alternative designs for a new product. The resulting data are then converted to a model by estimating a regression equation relating the judgmental forecasts to the information used by the forecasters.

7. Cross Impact Analysis

- Cross-impact analysis is the general name given to a family of techniques designed to evaluate changes in the probability of the occurrence of a given set of events consequent on the actual occurrence of one of them. The cross impact model was introduced as a means of accounting for the interactions between a set of forecasts, when those interactions may not have been taken into consideration when individual forecasts were produced. This allows to **circumscribe the area of plausible future developments by retaining only those which have a high-average probability of occurrence**.

Knowledge Management Systems

- "Knowledge management is leveraging relevant intellectual assets to enhance organizational performance."
- Market knowledge becomes an important factor in creating competitive advantage to an organization. The knowledge should be managed and analyzed by Market Knowledge Management System (MKMS) in order to create an advantage to an organization. The new discovered market knowledge should be shared within an organization so that an organization can identify a new pattern, a new trend and a new preference in a market.
- Market knowledge consists of customer knowledge, competitor knowledge and supplier knowledge.
- According to the Knowledge Based View (KBV) theory, market knowledge becomes an external factor which is vital and can affect an organizational performance
- The development of knowledge management system (MKMS) makes an organization to retrieve needed information very quickly and on time.
- Organizations use different information systems to facilitate knowledge sharing through creating or acquiring knowledge repositories, where employees share expertise electronically and access to shared experience becomes possible to other staff. This system is very important especially in service providing organization such as telephone operator department. Any delay in response to customers will make customers dissatisfied with the service.

Knowledge Management Systems

- **Marketing Intelligence**

- Market intelligence is defined as the information or data that is derived by an organization from the market it operates in or wants to operate in, to help determine market segmentation, market penetration, market opportunity, and existing market metrics. Market intelligence is a vital aspect to understand the state of the market, as well as helps collect competitor intelligence which in turn aids towards becoming profitable.
- Marketing intelligence is everyday data that is relevant to the marketing efforts of an organization. Once collected, this data can be analyzed and used to make informed decisions regarding competitor behaviors, products, consumer trends, and market opportunities.
- Market intelligence not only helps companies to distinguish their brand from its competitors but also helps in providing valuable information to stay in the game and excel at it.
- **For example,** A company wants to understand who is the right target audience for a mobile phone they are launching soon. A profile survey can help the company to shortlist its target audience based on the type of mobile device they are launching. For instance, if the colors of the phone are bold and its features are set in a manner to market it as a gaming mobile device, a survey will shortlist participants who prefer gaming, are in a younger age group and people who fall in a specific income range. Such information helps the company to focus its efforts on the right people thus saving costs and efforts.

Knowledge Management Systems

- **Marketing Databases**

- **Definition:** Database marketing is defined as a personalized marketing campaign that accomplishes its personalization goals by using databases of existing and potential customers while promoting a product or service.
- Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The method of communication can be any addressable medium, as in direct marketing.
- Customer relationship management or database marketing collects data on your potential clients to develop personalized communication that addresses the customers' wants or needs. The database contains all types of data like demographic data and even purchase history.
- It allows the marketer to learn more about its potential clients. Based on such information, it is easy to develop the best ways to approach diverse customers.
- Simply collecting data on a customer is not database marketing. A crucial aspect of database marketing is understanding consumer behavior. Once a marketer understands the behaviors of a consumer, solutions offered are specific to those consumers. Solutions include tutorials, videos, a particular product, or service.
- "Database Marketing is an interactive approach to marketing, which uses the individually addressable marketing media and channels (such as mail, telephone and the sales force):

- to extend help to a company's target audience;
- to stimulate their demand; and
- to stay close to them by recording and keeping an electronic database memory of the customer, prospect and all commercial contacts,
- to help improve all future contacts and
- to ensure more realistic of all marketing."

Knowledge Management Systems

- **Marketing Data Touch Points-Significance & Application**

- A touch point is **a point of contact and/or engagement between a business and a customer**. This type of contact/engagement can occur at any time throughout a customer's journey. Touch points describes the who, what, when and where of engagement, especially in the stages of pre-purchase, purchase, and post purchase.
- As touch points can be categorized as a customer's experience with a brand, every interaction a customer has with a brand, is an opportunity for a business to strengthen the relationship. The more positive interaction with a touch point is, the better the overall customer experience.
- **Touch points can be**: Website , Email , Social Media ,Product Packaging ,Brick and Mortar Stores ,Direct Mail, Print and Digital Advertising ,Signage , Employee Interaction
- Touch points are important to understand as they give an in depth look into how a customer is interacting with a business while also giving insight into:
- The information customers are searching for before buying a product
- What channels customers are using to purchase a product
- The follow-up information customers are searching for after completing a purchase
- The information customers are searching for before buying again

END OF UNIT 2

UNIT 3

TARGETING ATTRACTIVE MARKET SEGMENTS & POSITIONING

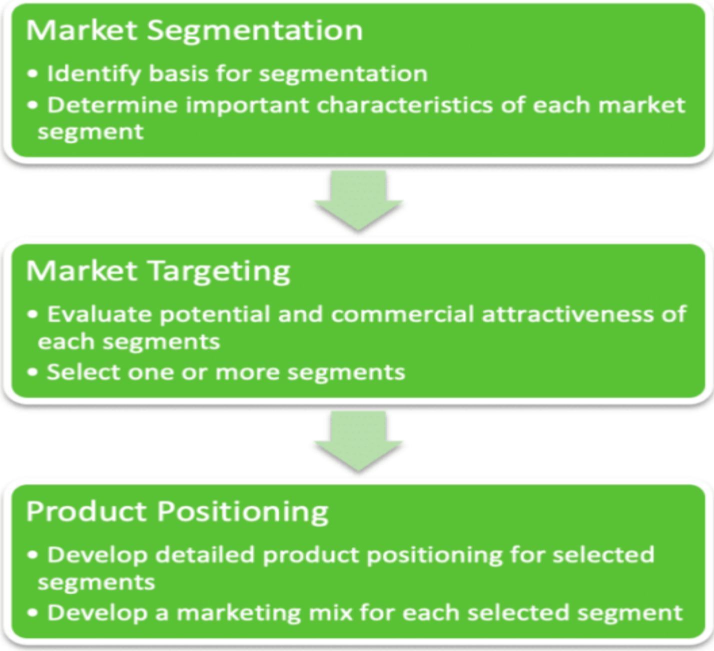
Segmentation, targeting, and positioning (often referred to as segmentation-targeting-positioning or **STP** marketing) is a consumer-centric approach to marketing communications. The STP model helps deliver more relevant, personalized messages to target audiences. An important element of the marketing process is the value creation stage. Value creation begins with the process of **STP.**

What Is the STP Marketing Model?

The STP Marketing Model can help you to **analyze** your **product offering** and the way you **communicate** its benefits and value to **specific groups**.

STP stands for:

- **S**egment your market.
- **T**arget your best customers.
- **P**osition your offering.



The model is useful because it helps you to identify your most valuable types of customer, and then develop products and marketing messages tailored to them. This allows you to engage with each target group more effectively, personalize your messaging, and – ultimately – increase your selling.

The marketing concept relies upon marketing research to define market segments, their size, and their needs. To satisfy those needs, the marketing team makes decisions about the controllable parameters of the marketing mix.

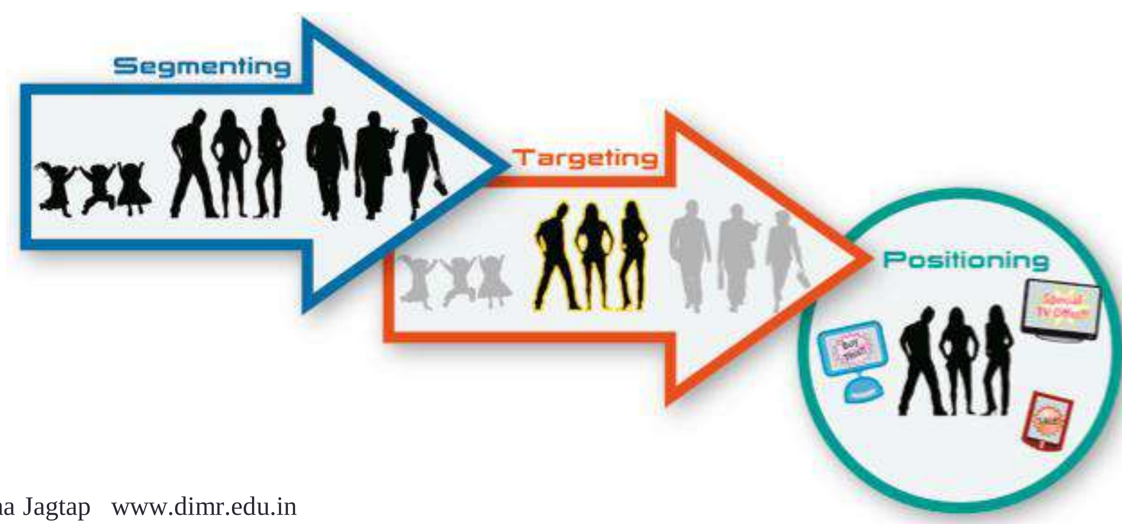
Segmenting, Targeting, and Positioning (STP) Approach

In order to better match heterogeneous customer needs, firms focus their efforts on small “homogenous” customer groups

Segmenting: Dividing market into groups of similar customers (slice the pie into pieces)

Targeting: Selecting best customer group to sell to (picking the slice to eat)

Positioning: Improve your relative advantage in the minds of your targeted customers (also addresses Marketing Principle 3 by building SCA)



See *Business Model Analysis for Entrepreneurs* for how to adapt this process for startups

Segmentation

- **Segmentation** refers to the **process** of **dividing your audience** into **smaller groups** based on certain **characteristics**.
- This process allows you to group your individual audience members into similar groups so you can better communicate your products, features, and benefits that may be most relevant to them.

Bases for market segmentation

Geographic
- Region
- County size
- City Size
- Population Density
- Climate

Demographic
- Age
- Gender
- Family size
- Family Life cycle
- Income
- Occupation
- Education
- Religion
- Race
- Nationality

Psychographic
- Social class
- Lifestyle
- Personality

Behavioral
- Purchase occasion
- Benefits sought
- User status
- Usage rate
- Loyalty status
- Readiness state
- Attitude toward product

Segmentation and Targeting

- Market segmentation and targeting help firms determine and acquire key customers.
- Consumers can be put into segments based on location, lifestyle, and demographics. Another way to segment consumers is by asking the who, what, and why questions.
- Segmentation and targeting influence a company’s strategy for pricing, communication, and customer management.

An attractive market

Factors influencing choice of Targeting & An attractive market has the following characteristics:

a. Measurable:

- The segment should be measurable in term of the total size, purchasing power and, demographic, geographic and psychographic characteristics.

b. Substantial:

- -The segment should be of sufficient size so as to generate profits; it should also have a potential for growth.

c. Accessible:

- - It should be reachable and easy to enter or penetrate.
- - The marketers must be able to deliver the product or service offering and must be able to operate therein.

d. Differentiable:

- - One segment should be easily differentiated from another;
- - It should be distinct from others and the people therein should react differently from other segments towards a marketing mix program;
- - Clear differences in consumer want, needs and preferences for the product must exist across segments.
- - Homogeneity within the segment; Heterogeneity with other segments.

e. Actionable:

- - It should be possible to design a marketing program directed towards that segment and serve it effectively and efficiently.
- - The marketer should be able to react to the need, wants and preferences of the segment with the appropriate marketing mix.

Segment synergies

- Companies which decide to serve more than one segment need to pay close attention to synergies between segments with respect to cost, performance and technology. Two or more segments might provide just the opportunity for exploitation because they share common distribution channels, manufacturing facilities, etc. The joint effect of marketing to all segments creates synergy. That is, the overall effect of marketing to two or more segments is to produce gr eater sales and profits than if each segment had been exploited one at a time in complete isolation from the others.
- In international markets it is sometimes a good strategy to use a segment to which one can gain access as a stepping stone to other segments which may be difficult to access unless one already has a base in the country concerned.

Segment invasion strategy

- A company would be wise to enter one segment at a time. Competitors must not know to what segment(s) the firm will move next. Segment by segment invasion plans are illustrated. Three firms A, B, and C, have specialized in adapting computer systems to the needs of airlines, railroads, and trucking companies. Company A meets all the computer needs of airlines. Company B sells large computer systems to all three transportation sectors. Company C sells personal computers to trucking companies.
- Where should company C move next? Company C will next offer midsize computers to trucking companies. Then, to allay company Bs concern about losing some large computer business with trucking companies, Cs next move will be to sell personal computers to railroads. Later C will offer midsize computers to railroads. Finally, it may launch a full scale attack on company Bs large computer position in trucking companies. Cs hidden planned moves are provisional in that much depends on competitors segment moves and responses.
- Market segmentation is the process of dividing a heterogeneous market into homogeneous sub-units. The Indian market consists of 844 million people. For a consumer product company making toiletries, this is a big number and hence a big market. However not all the 844 million people believe in the same things or look for same features and buy for the same reason. The same toiletries firm can look at the census data further to find that there are about 438 million men and 406 million women. This then is a new insight. Should the firm make toiletries for men or women or both? The firm also found that 74% of the entire population lived in rural areas.
- Thus, the total population of a given market indicates only the market size. This, however, does not indicate anything more. To succeed, a firm needs to appreciate that the market is a heterogeneous one and the marketer must also identify similarities among different groups of customers.
- Unfortunately, too many companies fail to develop a long term invasion plan. Pepsi Co is an exception. It first attacked Coca-Cola in the grocery market, then in the vending machine market, then in the fast food market, and so on. Japanese firms also plot their invasion sequence. They first gain a foothold in a market, then enter new segments with products. Toyota began by introducing small cars (Tercel, Corolla), then expanded into midsize cars (Camry, Avalon), and finally into luxury cars (Lexus).
- A companys invasion plans can be thwarted when it confronts blocked markets. The invader must then figure out a way to break in. The problem of entering blocked markets calls for a mega-marketing approach. Mega-marketing in the strategic coordination of economic, psychological, political, and public relations skills, to gain the cooperation of a number of parties in order to enter or operate in a given market. Pepsi used mega-marketing to enter the Indian market.

CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

- Most firms, not even Coca-Cola, no longer aim a single product and marketing program at the mass market. Instead, they break that market into homogeneous segments on the basis of meaningful differences in buyer behavior or in the benefits sought by different groups of customers. Then they tailor products—such as Coca-Cola, Coke Zero, Coke Light, and Diet Coke—and marketing programs to the particular desires and idiosyncrasies of each segment. But not all segments represent equally attractive opportunities for the firm. To prioritize target segments by their potential, marketers must evaluate their future attractiveness and their firm's strengths and capabilities relative to the segments' needs and competitive situations.
- Within an established firm, rather than allowing each business unit or product manager to develop an approach to evaluate the potential of alternative market segments, it is often better to apply a common analytical framework across segments. With this approach, managers can compare the future potential of different segments using the same set of criteria and then prioritize them in order to decide which segments to target and how resources and marketing efforts should be allocated. One useful analytical framework managers or entrepreneurs can use for this purpose is the market attractiveness/competitive position matrix.
- The diagram outlines the steps involved in developing a market attractiveness/ competitive position matrix for analyzing current and potential target markets. Underlying such a matrix is the notion that managers can judge the attractiveness of a market (its profit potential)

Steps in Constructing a Market Attractiveness/Competitive Position Matrix for Evaluating Potential Target Markets

Target Marketing

Marketer distinguishes the major markets segments, targets one or more of these segments, and develops products and marketing programmes tailored to each selected segment.

TM involves

Market segmentation

- **Identify segmentation variables and segment the market**
- **Developing profiles of resulting segments**

Market targeting

- **Evaluate the attractiveness of each segment**
- **Select the target segments**

How should we Decide Which Segments to Target? - Steps in Constructing a Market-Attractiveness/Competitive-Position Matrix

1. Choose criteria to measure market attractiveness and competitive position.

2. Weigh market attractiveness and competitive position factors to reflect their relative importance.

3. Assess the current position of each potential target market on each factor.

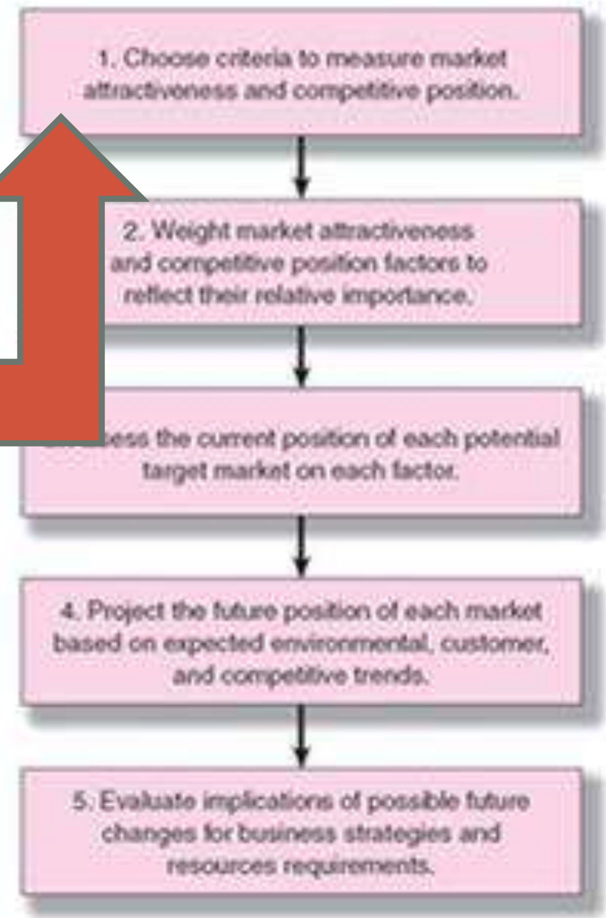
4. Project the future position of each market based on expected environmental, customer, and competitive trends

5. Evaluate implications of possible future changes for business strategies and resources requirements.

CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

Step 1: Select Market Attractiveness and Competitive Position Factors

Assessing the attractiveness of markets or market segments involves determining the market's size and growth rate and assessing various trends— demographic, sociocultural, economic, political/ legal, technological, and natural—that influence demand in that market. An even more critical factor in determining whether to enter a new market or market segment, however, is the degree to which unmet customer needs, or needs that are currently not being well served, can be identified. In the absence of unmet or underserved needs, it is likely to be difficult to win customer loyalty, regardless of how large the market or how fast it is growing. "Me-too" products often face difficult going in today's highly competitive markets.



Market-Attractiveness Factors

Customer needs and behavior
- Are there unmet or underserved needs we can satisfy?

Market or market segment size and growth rate
- Market potential in units, revenue, number of prospective customers
- Growth rate in units, revenue, number of prospective customers
- Might the target segment constitute a platform for later expansion into related segments in the market as a whole?

Macro trends: Are they favorable, on balance?
- Demographic
- Sociocultural
- Economic
- Political/legal
- Technological
- Natural

CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

Step 1: Select Market Attractiveness and Competitive Position Factors

Understanding the attractiveness of the industry in which one competes is also important. Entering a segment in a way that would place the firm in an unattractive industry or increase its exposure therein may not be wise. Of more immediate and salient concern, however, is the degree to which the firm's proposed product will be sufficiently differentiated from its competitors, given the critical success factors and product life-cycle conditions already prevalent in the category. Similarly, decision makers need to know whether their firm has or will be able to acquire the resources it will take—human, financial, and otherwise—to effectively compete in the new segment. Simply put, most new goods or services need to be either better from a consumer point of view or cheaper than those they hope to replace. Entering a new market or market segment without a source of sustainable competitive advantage is often a trap.

Competitive-Position Factors

Opportunity for competitive advantage

- Can we differentiate?
- Can we perform against critical success factors?
- Stage of competing products in product life cycle: Is the timing right?

Firm and competitor capabilities and resources

- Management strength and depth
- Financial and functional resources: marketing, distribution, manufacturing, R&D, etc.
- Brand image
- Relative market share

Attractiveness of industry in which we would compete

- Threat of new entrants
- Threat of substitutes
- Buyer power
- Supplier power
- Competitive rivalry
- Industry capacity

CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

Step 2: Weight Each Factor

- A numerical weight is assigned to each factor to indicate its relative importance in the overall assessment. Weights that Under Armour's Kevin Plank might have assigned to the major factors.
- Some users would rate each bullet point in independently, assigning a weight to each one.
- The task of weighting the factors—as well as determining them in the first place—gets more complicated as companies reach out to new and different markets, like the growing middle class in the developing world.
- Both the scores and the weights placed on different factors may differ in emerging versus developed markets, for example, and the factors and their weights may differ across markets where a category is relatively mature versus nascent.
- Macro trends are generally more favourable for Coca-Cola in emerging markets with growing middle classes, for example, than in North America or western Europe, where both population growth and Soft drink consumption have been relatively flat or down.

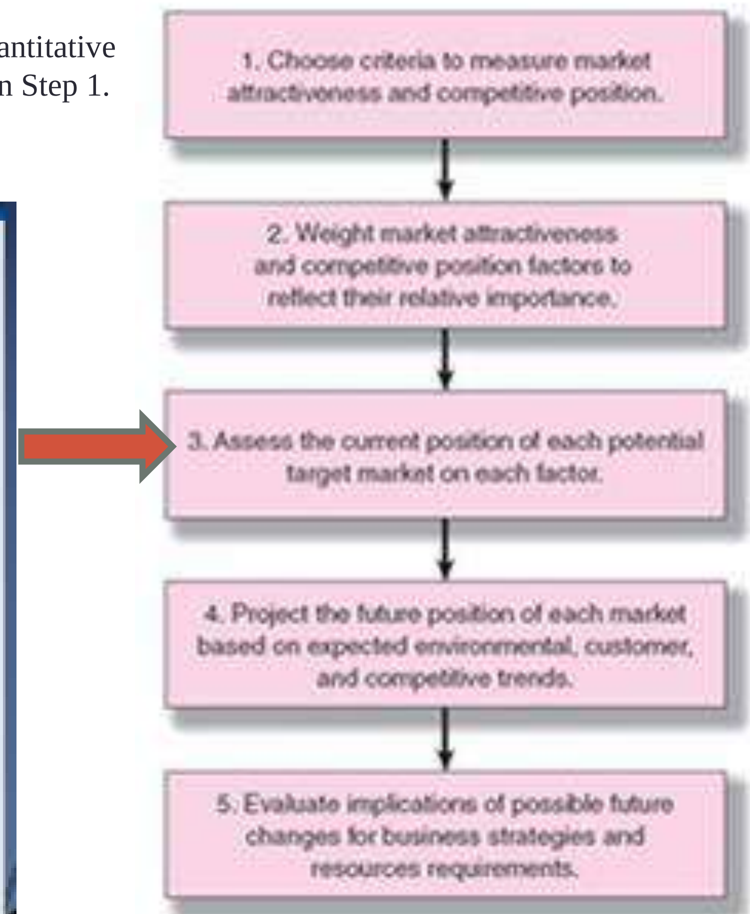
CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

Step 3: Rate Segments on Each Factor, Plot Results on Matrices

- This step requires that evidence—typically both qualitative and quantitative data—be collected to objectively assess each of the criteria identified in Step 1.

A Useful Tool for Assessing Market Segments: Segment Rating Chart

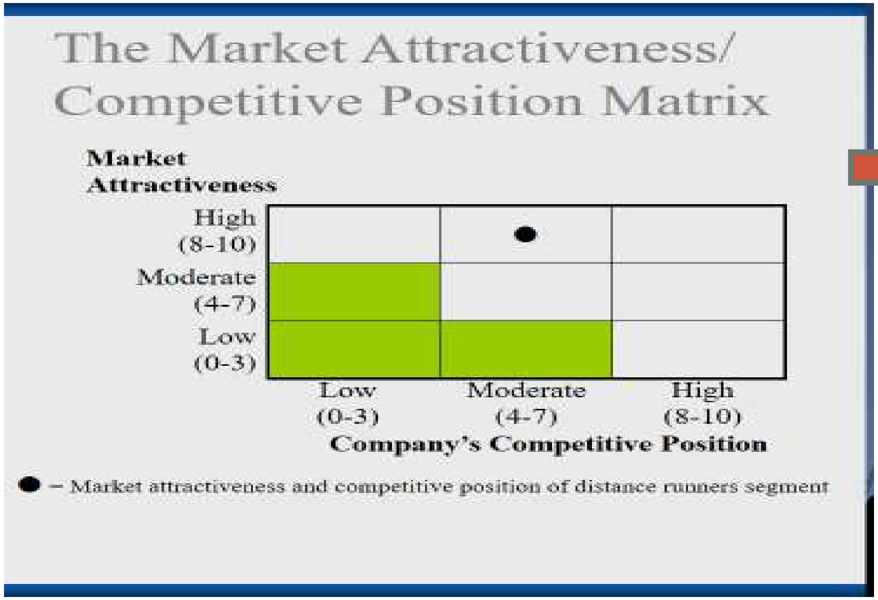
	WEIGHT	RATING (0-10)	TOTAL
Market attractiveness factors			
Customer needs and behavior	.5	10	5.0
Segment size and growth rate	.3	7	2.1
Macro trends	.2	8	1.6
Total: Market attractiveness	**1.0**		**8.7**
Competitive position factors			
Opportunity for competitive advantage	.6	7	4.2
Capabilities and resources	.2	5	1.0
Industry attractiveness	.2	7	1.4
Total: Competitive position	**1.0**		**6.6**



CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

Step 4: Project Future Position for Each Segment

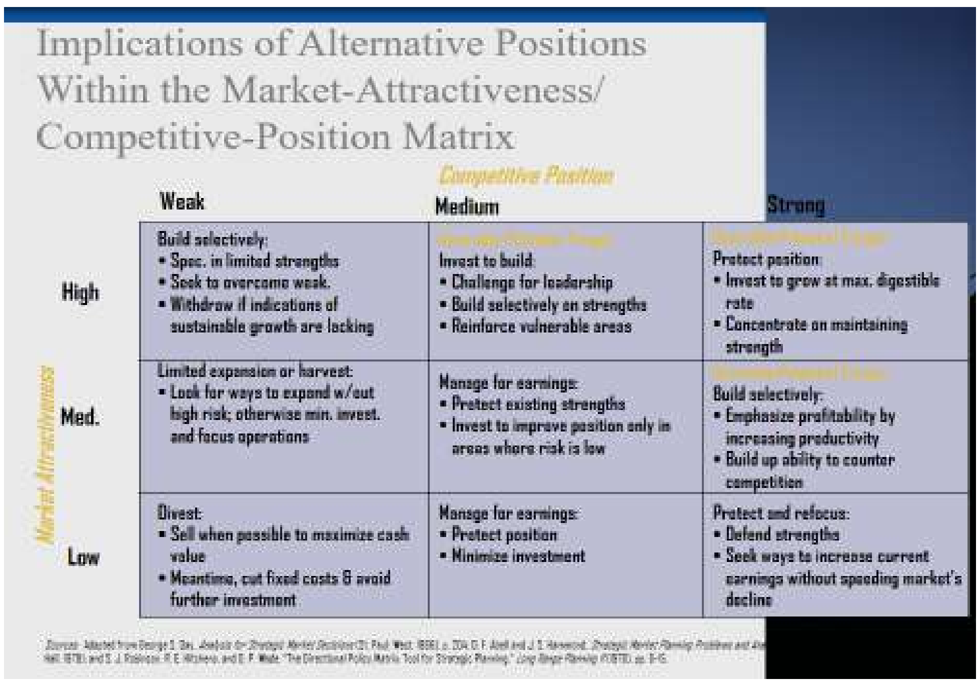
- Forecasting a market's future is more difficult than assessing its current state. Managers or entrepreneurs should first determine how the market's attractiveness is likely to change over the next three to five years, if not longer.
- The starting point for this assessment is to consider possible shifts in customer needs and behavior, the entry or exit of competitors, and changes in their strategies.
- Managers must also address several broader issues, such as possible changes in product or process technology, shifts in the economic climate, the impact of social or political trends, and shifts in the bargaining power or vertical integration of customers.



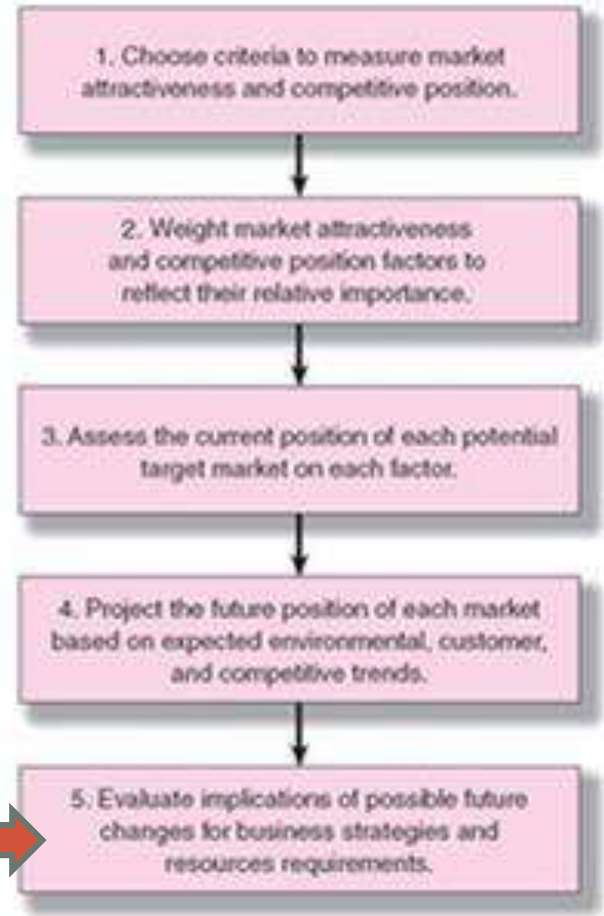
CHOOSING ATTRACTIVE MARKET SEGMENTS: A FIVE-STEP PROCESS

Step 5: Choose Segments to Target, Allocate Resources

Managers should consider a market segment to be a desirable target only if it is strongly positive on at least one of the two dimensions of market attractiveness and potential competitive position and at least moderately positive on the other. In the pic below, this includes markets positioned in any of the three cells in the upper right-hand corner of the matrix. However, a business may decide to enter a market that currently falls into one of the middle cells under these conditions: (1) managers believe that the market's attractiveness or their competitive strength is likely to improve over the next few years; (2) they see such markets as steppingstones to entering larger, more attractive markets in the future; or (3) shared costs or synergies are present, thereby benefiting another entry.


Implications of Alternative Positions Within the Market-Attractiveness/ Competitive-Position Matrix

Market Attractiveness \ Competitive Position	Weak	Medium	Strong
High	Build selectively: • Spec. in limited strengths • Seek to overcome weak. • Withdraw if indications of sustainable growth are lacking	Invest to build: • Challenge for leadership • Build selectively on strengths • Reinforce vulnerable areas	Protect position: • Invest to grow at max. digestible rate • Concentrate on maintaining strength
Med.	Limited expansion or harvest: • Look for ways to expand w/out high risk; otherwise min. invest. and focus operations	Manage for earnings: • Protect existing strengths • Invest to improve position only in areas where risk is low	Build selectively: • Emphasize profitability by increasing productivity • Build up ability to counter competition
Low	Divest: • Sell when possible to maximize cash value • Meantime, cut fixed costs & avoid further investment	Manage for earnings: • Protect position • Minimize investment	Protect and refocus: • Defend strengths • Seek ways to increase current earnings without speeding market's decline



Different Targeting Strategies

- The second step is market targeting—evaluating each market segment's attractiveness and selecting one or more of the market segments to enter.
- Once firms has identify its market-segment opportunities, it has to decide how many and which ones to target. Two factors companies look at is the segments overall attractiveness and the company's objectives and resources.
- **Attractiveness** – Size, Growth, Profitability, Scale economies, Low, Risks.
- **Objectives & Resources** – Does the segment meet the firms' long term objectives and the available resources?
- **For Example**

The Quest Travel Company analyzes the profits, revenue and market size of each of its segments. These are its findings:

- Segment A has profits of Rs.8,220,000.
- Segment B has profits of Rs.4,360,000.
- Segment C has profits of Rs.3,430,000.

So, it decides to focus on Segment A, after confirming that the segment size is big enough (it's estimated to be worth Rs.220,000,000/year.)

- **Three** common **targeting strategies** are

1. **niche-market,**
2. **mass-market, and**
3. **growth-market strategies**.

Different Targeting Strategies

- **Three** common **targeting strategies** are

1. **niche-market**

- This strategy involves serving one or more segments that, while not the largest, consist of a sufficient number of customers seeking somewhat-specialized benefits from a good or service, as Dinaz's Fitness Studios and Under Armour did.

- Niche marketing involves targeting an even more select group of consumers. When engaging in niche marketing, a company's goal is to be a big fish in a small pond instead of a small fish in a big pond1.

- **Nestlé** did just this in launching its exclusive—and pricey, at 10 times the price per cup compared to buying unground beans at the supermarket—Nespresso brand of coffee, packed in single-serve capsules for high-end consumers who would like to enjoy an espresso or cappuccino at home. Nespresso has become a $3 billion business, growing at more than 20 percent annually. Such a strategy is designed to avoid direct competition with larger firms that are pursuing the bigger segments. Unfortunately, overall coffee consumption is down in some countries, as four-dollar lattes have become less fashionable in the distressed global economy.

Different Targeting Strategies

- **Three** common **targeting strategies** are

2. Mass-Market Strategy

- A business can pursue a **mass-market strategy in two ways**. First, it can ignore any segment differences and design a **single product-and-marketing program** that will appeal to the largest number of consumers. The primary object of this strategy is to capture sufficient volume to gain economies of scale and a cost advantage. This strategy requires substantial resources, including production capacity, and good mass-marketing capabilities. Consequently, it is favored by larger companies or business units or by those whose parent corporation provides substantial support. For example, when Honda first entered the American and European motorcycle markets, it targeted the high-volume segment consisting of buyers of low-displacement, low-priced cycles. Honda subsequently used the sales volume and scale economies it achieved in that mass-market segment to help it expand into smaller, more-specialized segments of the market.

- A **second approach** to the mass market is to design separate products and marketing programs for the differing segments. This is often called **differentiated marketing**. Marriott and Europe's Accor do this with their various hotel chains. Although such a strategy can generate more sales than an undifferentiated strategy, it can also increase costs in product design, manufacturing, inventory, and marketing, especially promotion.

Different Targeting Strategies

- **Three** common **targeting strategies** are

3. Growth-Market Strategy

- Most companies would probably prefer to make life simple and **sell more or less identical products wherever they go**. In fact, some do. **Boeing,** whose largest markets for passenger jets are now in India and China, sells more or less the same planes there that they sell elsewhere. Automakers like Ford and Toyota design cars on global platforms. An Apple iPod is an iPod wherever you go. But for most companies, segmenting global markets presents similar, if not more daunting, challenges compared to segmenting their home markets.

- Businesses pursuing a **growth-market strategy** often **target one or more fast-growth segments**, even though these segments may not currently be very large. It is a strategy often favored by smaller companies to avoid direct confrontations with larger firms while building volume and share. Most venture capital firms invest only in firms pursuing growth-market strategies because doing so is the only way they can earn the 30 percent to 60 percent annual rates of return on investment that they seek for portfolio companies.

- VC-backed Zynga, the multiplayer online gaming company whose games are played by more than 120 million users, hitched its wagon to fast-growing Facebook, whose user base has grown at a torrid pace. Founded in 2007, privately held Zynga's revenues were thought to have surpassed $450 million in 2010. "Only a few companies are so privileged to get the rocket-ship growth that Zynga has," crowed Reid Hoffman, cofounder of Linkedln and a Zynga director and investor. In December 2011, Zynga IPO'd, but perceptions of overly rich valuations of Zynga, Facebook, Groupon, and other tech IPOs drove the stock to less than half of its offering price by June 2012. Thus, despite the excitement that growth-market strategies can generate, they are far from certain to deliver strong long-term financial performance.

- A growth-market strategy usually requires strong R&D and marketing capabilities to consistently identify and develop products appealing to newly emerging user segments, plus the resources to finance rapid growth. One problem, however, is that fast growth, if sustained, attracts large competitors. The acquisition of Playfish by longtime gaming leader Electronic Arts may give Zynga a run for its money and compound its difficulties. The goal of the early entrant is to have developed an enduring competitive position via its products, service, distribution, costs, and its brand by the time competitors enter. In the online world, however, such positions can be fleeting.

DIFFERENTIATION STRATEGY

- To operate effectively, the marketing executive will commonly use a **differentiation strategy** – making consumers believe the firm's offer is different (i.e., better) than those of the competitors.
- In differentiation, the attempt is to endow the product offer with certain distinct qualities which in turn offer some special value to customer. Companies attempt to bring about differentiation in their products to give better value to their consumers. Marketers try to stress aspects of product differentiation to guarantee that customers see their product as different from their competitors' products. Marketers use goods, services, delivery channels and positioning strategies to discriminate their products. Differentiation can be based on differences in quality, features, style, price, or can be even based on the image of the product in the mind of the customer. Kotler describes differentiation as the process Differentiation is the process of adding a set of meaningful and valued differences to differentiate the company's offering from competitors offering. There are a number of differentiation dimensions and strategies for their achievement.
- Differentiation allows you to provide superior value to customers at an affordable price, creating a win-win scenario that can boost the overall profitability and viability of your business.

The differentiation process consists of two steps:

- Identifying a set of differentiating competitive advantages on which to build a position
- Choosing the right competitive advantages

Thus, we have to deal with competitive advantages. In other terms, each firm must differentiate itself and its offer by building a unique bundle of benefits, which makes it different from competing offerings. This bundle of benefits should appeal to a substantial group within the chosen and targeted segment. You see that by means of this differentiation, the right position in customers' minds can be achieved, leading to a strong correlation of differentiation and positioning.

Differentiation Based on Product, Image, Channel, Personnel & Services

Firms that compete based on uniqueness and target a broad target market are following a differentiation strategy. Several examples of firms pursuing a differentiation strategy are illustrated below.

Although salt is a commodity, Morton has differentiated its salt by building a brand around its iconic umbrella girl and its trademark slogan of "When it rains, it pours."

FedEx's slogan, "When it absolutely, positively has to be there overnight" highlights the commitment to very speedy delivery that differentiates Fedex from competitors such as UPS or Canada Post.

Offerings such as Hot Wheels cars and the Barbie line of dolls highlight toy maker Mattel's differentiation strategy. Both are updated regularly to reflect current trends and tastes.

Nike differentiates its athletic shoes through its iconic "swoosh" as well as an intense emphasis on product innovation through research and development.

The Walt Disney Company has developed numerous well-known characters such as Mickey Mouse, the Little Mermaid, and Captain Jack Sparrow that help differentiate their movies, theme parks, and merchandise.

Differentiation Based on Product, Image, Channel, Personnel & Services

In what way can a company differentiate itself from competitors? To find that out, you should adopt a customer's perspective. In fact, a company can differentiate itself on basis of the product, services, channels, people or image.

- **Product Differentiation**

Product Differentiation refers to differentiating the market offer based on features, performance, style or design. A sandwich-maker could differentiate itself by offering healthy, low-fat products. A car manufacturer might use extremely large engine as a point of differentiation. Thus, your product is better, faster, cheaper, healthier, greener etc.

- **Service Differentiation**
- Service Differentiation is based on aspects such as speedy or careful delivery, opening hours, customer care etc. Thus, the service is differentiated. For instance, an airline could differentiate itself by means of extraordinary customer care and very attentive and graceful stewardesses. This type of differentiation may then become experience differentiation.
- **Channel Differentiation**
- A firm can also gain competitive advantage by channel differentiation. This means that the firm differentiates itself by differentiating their channel's coverage, expertise and performance. So how does the firm get goods to the customer? It might be through a smooth-functioning, speedy direct channel.

Differentiation Based on Product, Image, Channel, Personnel & Services

- **People Differentiation**

Companies can also differentiate themselves by people differentiation. People differentiation means nothing else than hiring and training better people than competitors do. Staff can be more friendly, competent, courteous etc. Certainly, this mainly appeals to customer contact staff.

- **Image Differentiation**

Image Differentiation refers to the image a company or a brand has in consumers' minds. The development of a strong and distinctive image requires creativity and a lot of work. Only over a long period, an image in consumers' minds can be attained. If you want to differentiate your company by high quality, this image must be supported by absolutely everything your company does. An aid for image differentiation are symbols, such as the Nike swoosh or Apple's logo. These provide a strong brand recognition and thereby contribute to image differentiation. Also, famous persons may be of help. For instance, H&M built a brand around a famous person, David Beckham, to develop its image differentiation. The chosen symbols, characters or other elements such as colour associated with a brand must be promoted and communicated through advertising.

Image differentiation may be the hardest form of differentiating a company. However, there is also no stronger type of differentiation. The company has to build a personality around a brand that everybody knows and immediately thinks of.

Market Positioning

- Identify possible positioning concepts for each target Market
- Select, develop,and communicate the chosen positioning concept.

Market Segmentation

- Identify segmentation variables and segment the product

Different variables are used to segment consumer market.

Consumer characteristics	Consumer responses

Positioning

The third step is market positioning. Beyond deciding which segments of the market it will target, the company must decide what positions it wants to occupy in those segments.

- **Develop the positioning for each target segment**

For all selected target segments, a brand needs to define itself by the attributes that consumers care about. A product's position is the way the product is defined by consumers on important attributes. Again we can say that the place the product occupies in consumers' minds relative to competing products.

- **Develop a marketing mix for each target segment**

Positioning involves implanting the brand's unique benefits and differentiation in customers' minds and setting the brand's marketing mix in a way that attracts customers more than the competition.

some typical examples of marketing positioning:

- Tesla and Audi position themselves as a luxury status symbol
- Starbucks positions itself as a trusted source of upscale quality coffee and beverage
- McDonald's positions itself as a place to get quick and cheap meals
- Microsoft and Apple position themselves as a tech company that offers innovative and user-friendly products.

Positioning in marketing is about more than simply adding a category or specialty page on your website. With positioning comes a need to live and breathe that expertise - from generating content to conducting research and branding your company to appeal to your defined target buyer.

DIFFERENTIATION AND POSITIONING:

DIMR

- Positioning is the battle for a place in the consumer's mind. Positioning means owning a credible and profitable position in the consumer's mind, either by getting there first or by adopting a position relative to the competition. Positioning depends on differentiation, by which we actually differ our product from competing ones so that it gives consumers more value. After the
- Company has chosen the desired position, it can take the steps necessary to deliver and communicate that position to target customers by differentiation.
- **For example**, Porsche is positioned as a performance car. BMW is positioned as a luxury car.

Positioning Process

- The positioning process is important to be identified and followed by any organization which wants to implement its marketing strategy soundly. It is a difficult task to identify and select a positioning strategy and thereby the correct positioning process for an organization.
- Positioning Process is the continuous & reiterative process which companies do to ensure strong, positive & stable positioning in a consumer's mind. Positioning process enables companies to define the positioning of a brand, product or service.
- **The steps involved in positioning process.**

➢ Identifying relevant competitors,

➢ identifying determinant attributes,

➢ collecting information on perceptions of products

Positioning Process

The steps involved in positioning process.

Step 1: Identify a Relevant Set of Competitive Products

- Positioning analyses are useful at many levels: company, business unit, product category, and specific product line or brand. At the company or business unit level, such analyses are useful to determine how an entire company or business unit is positioned relative to its competitors. Even countries can be thought of as having brand positions in the marketplace. Unfortunately for Chinese manufacturers, a string of toy recalls for safety reasons, incidents of poisonous pet foods, and other scares mean that the words "Made in China" do not ring with confidence in some consumers' ears. Positioning that says "cheap" in the mind of the consumer is not what quality and globally oriented Chinese companies such as personal computer manufacturer Lenovo and brewer Tsingtao want to hear.

- At whichever level the positioning analysis is to be done, the analyst's choice of competing products (or product categories or firms) is critical. Marketers who omit important substitute products or potential competitors risk being blindsided by unforeseen competition. Just ask Kodak or Fuji who their key competitors are today!

Positioning Process

The steps involved in positioning process.

Step 2: Identify Determinant Attributes

Positioning, whether for goods or services, can be based on a variety of **attributes**—some in the form of surrogates that imply desirable features or benefits as a positioning base.

Some common bases are the following.

- Features are often used in physical product positioning and, hence, with industrial products. An example of emphasizing features with a consumer good is U.S. high end home appliance maker Jenn-Air’s claim; “This is the quietest dishwasher made in America.” Amazon.com has a unique “1-click” ordering system.
- Benefits, like features, are directly related to a product. Examples here include Volvo’s emphasis on safety, Toyota’s emphasis on reliability, and Norelco’s promising a “close and comfortable shave.”
- Parentage includes who makes it (“At Fidelity, you’re not just buying a fund, a stock, or a bond—you’re buying a better way to manage it”) and prior products (“Buying a car is like getting married. It’s a good idea to know the family first—followed by a picture of the ancestors of the Mercedes-Benz S class model”).
- Manufacturing process is often the subject of a firm’s positioning efforts. An example is Jaeger-LeCoultre’s statement about its watches; “We know it’s perfect, but we take another 1,000 hours just to be sure.”
- Ingredients as a positioning concept is illustrated by some clothing manufacturers’ saying their shirts are made only of organic cotton.
- Endorsements are of two types—those by experts (“Discover why over 5,000 American doctors and medical professionals prescribe this Swedish mattress”—Tempur Pedic) and those via emulation as with Kobe Bryant wearing Nike shoes.
- Comparison with a competitor’s product is common (“Tests prove Pedigree is more nutritious than IAMS, costs less than IAMS, and tastes great, too”—Pedigree Mealtime pet food).
- Pro environment positioning seeks to portray a company as a good citizen (“Because we recycle over 100 million plastic bottles a year, landfills can be filled with other things, like land, for instance”—Phillips Petroleum, part of Conoco Phillips).
- Price/quality is used in cases such as Walmart successfully positioning itself as the lowest-price seller of household products.

Positioning Process

The steps involved in positioning process.

Step 3: Collect Data about Customers' Perceptions for Brands in the Competitive Set

Having identified a set of competing brands, the marketer needs to know what attributes are determinant for the target market and the product category under consideration. He or she also needs to know how different brands in the competitive set are viewed on these attributes. Typically, this market knowledge is developed by first conducting qualitative research, perhaps interviews or focus groups, to learn which attributes are determinant. Sometimes, participants in such studies are engaged through online brand communities on Facebook or other internet sites. Assuming that such consumers are loyal or committed brand users, however, is probably not a safe assumption to make. Then quantitative research follows, perhaps a survey of consumers about their perceptions, to gather data on how competing brands score on these attributes. Several statistical and analytical tools are useful at this step of the positioning process.

Positioning Process

The steps involved in positioning process.

Step 4: Analyze the Current Positions of Brands in the Competitive Set

- Whether the positioning process is directed at a new brand not yet introduced or repositioning one that already exists, it is important to develop a clear understanding of the positioning of the existing brands in the competitive set (see Step 1). There are two useful tools for doing so. One is the positioning grid, also called a perceptual map. The other is the value curve. The positioning grid provides a visual representation of the positions of various products or brands in the competitive set in terms of (typically) two determinant attributes. Where more than two attributes are to be considered in a positioning analysis, multidimensional grids, or multiple grids, are produced. Alternatively, a value curve, which comprises more than just two dimensions, can be generated.

- But not all brands exist in the awareness of most consumers. A brand that is not known by a consumer cannot, by definition, occupy a position in that consumer's mind. Often the awareness set for a given product class is three or fewer brands. Thus, many if not most brands have little or no position in the minds of many consumers. Consider coffee bars, which, in recent years, have become ubiquitous in cities worldwide. In London, three major chains dominate— Starbucks, Coffee Republic, and Caffé Nero—each with its own ambience and image with consumers. There are also several smaller chains and numerous independents, most of which are largely unknown—thus with no clear positioning—to most Londoners.

- With consumers having so many coffee bars to choose from already—often several shops within a few hundred feet of each other on any busy street—for a new coffee bar entrant to be successful, it must adopt a clear positioning in consumers' minds to give consumers a reason to switch. Determining the attributes on which the brand's positioning will be based is a key outcome of the positioning process and a driver of the marketing communication strategy, as well as the marketing strategy overall, that will ultimately be developed. Without clear guidance about the intended position of the brand, advertising agencies, sales forces, and others charged with building the awareness and recognition of the product in the marketplace will be ill-equipped to do their jobs.

Positioning Process

The steps involved in positioning process.

Step 5: Determine Customers' Most Preferred Combination of Attributes

- There are several ways analysts can measure customer preferences and include them in a positioning analysis. For instance, survey respondents can be asked to think of the ideal brand within a category—a hypothetical brand possessing the perfect combination of attributes (from the customer's viewpoint). Respondents could then rate their ideal product and existing products on a number of attributes.
- An alternative approach is to ask respondents not only to judge the degree of similarity among pairs of existing brands, but also to indicate their degree of preference for each. In either case, the analyst, using the appropriate statistical techniques, can locate the respondents' ideal points relative to the positions of the various existing brands on the product space map.
- Another method of assessing customers' preferences and trade-offs among them is a statistical technique called conjoint analysis. Customers are surveyed and asked their preferences among various real or hypothetical product configurations, each with attributes that are systematically varied. By analyzing the resulting data, the marketer can learn which of several attributes are more important than the others. These results can then be used in positioning analyses.

Positioning Process

The steps involved in positioning process.

Step 6: Consider Fit of Possible Positions with Customer Needs and Segment Attractiveness

- An important criterion for defining market segments is the difference in the benefits sought by different customers. Because differences between customers' ideal points reflect variations in the benefits they seek, a market positioning analysis can simultaneously identify distinct market segments as well as the perceived positions of different brands.
- When customers' ideal points cluster in two or more locations on the product space map, the analyst can consider each cluster a distinct market segment. For analytical purposes, each cluster is represented by a circle that encloses most of the ideal points for that segment; the size of the circle reflects the relative proportion of customers within a particular segment.
- By examining the preferences of customers in different segments along with their perceptions of the positions of existing brands, analysts can learn much about (1) the competitive strength of different brands in different segments, (2) the intensity of the rivalry between brands in a given segment, and (3) the opportunities for gaining a differentiated position within a specific target segment.
- It not only concludes the analysis portion of the positioning process and crystallizes the decision about the positioning a brand should hold, but it also can uncover locations in the product space where additional new brands could be positioned to serve customer needs not well served by current competitors. Thus, it suggested, a side benefit of the positioning process is recognition of underserved positions where additional new products might be placed.

Positioning Process

The steps involved in positioning process.

Step 7: Write Positioning Statement or Value Proposition to Guide Development of Marketing Strategy

- The final decision about where to position a new brand or reposition an existing one should be based on both the market targeting analysis and the results of a brand positioning analysis. The position chosen should match the preferences of a particular market segment and should take into account the current positions of competing brands.
- It should also reflect the current and future attractiveness of the target market (its size, expected growth, and environmental constraints) and the relative strengths and weaknesses of competitors. Such information, together with an analysis of the costs required to acquire and maintain these positions, allows an assessment of the economic implications of different market positioning strategies.
- Most successful products are positioned based on one or, at most, two determinant attributes, whether physical or perceptual. Using more attributes simply confuses customers. Domino's Pizza in the United States, in its early days, focused its positioning solely on its fast delivery, since that was the principal dimension on which it established its competitive advantage. While there are many things Domino's could have said about the pizza itself, it chose to focus its positioning on its key point of differentiation: fast delivery. Later, when fast delivery became common in the pizza industry, Domino's added a heat retention device to its delivery containers and added a second positioning attribute: hot. Papa John's, a later entrant in the pizza business, positions its offering around a single attribute, the quality of its pizza, with its promotional phrase "Better ingredients. Better pizza."
- Where there are no real product differences, as in so-called me-too products, or no differential benefits to the user, not only is success hard to achieve, but also ethical issues may arise. For an example of ethical issues involving positioning in the pharmaceutical industry.
- Once the desired positioning for the product has been determined, it's a good idea to write it down so those charged with developing and implementing the marketing strategy have a clear understanding of what is intended for the product and where it will fit in its competitive set. Two approaches are commonly used for doing so. In the classical approach, a positioning statement is written. A more recent approach, one adopted by a growing number of firms, involves writing a value proposition for the product.

END OF UNIT 3

UNIT 4

MARKETING STRATEGIES FOR NEW ECONOMY

Marketing Strategies for New Market Entries

- With products such as Word, Excel, and PowerPoint, Microsoft holds a leading share of most office application software categories. But in most of those categories, the firm was not the pioneer. Lotus 1-2-3 was the leading spreadsheet for many years, and WordPerfect and other programs led the word processing category.
- But as a follower, Microsoft developed improved product designs offering better performance, and it had superior financial resources to aggressively promote its products. Microsoft's Windows also held a commanding share of the operating systems market, a position the firm could leverage to convince personal computer manufacturers to bundle its applications software with their machines.
- On the other hand, some of the software industry's pioneers have not fared so well in the marketplace. Lotus, for example, experienced financial difficulties and was ultimately acquired by IBM. Although we have stressed the competitive importance of growth via the introduction of new products, the important strategic question is whether it always makes sense to go first. Or do both pioneer and follower market entry strategies have some particular advantages under different conditions?

1. Marketing Strategies for New Market Entries

Pioneer Strategy

- Conventional wisdom holds that although they take the greatest risks and probably experience more failures than their more conservative competitors, successful pioneers are handsomely rewarded.
- Pioneers gain advantage by making first moves in technology, product or marketing innovation. These advantages are called first-mover advantages.
- It is assumed competitive advantages inherent in being the first to enter a new product-market can be sustained through the growth stage and into the maturity stage of the product life cycle, resulting in a strong share position and substantial returns.
- Strong innovation focus, high R&D budgets, high proportion of new products, pioneer role.
- The buzz and the brand loyalty that a brand can build by being a pioneer can be amazing and it can use this to its advantage to outperform other competitor when they enter the markets.
- Creation of market know-how, early use of experience curve effects, cost advantages, early expansion of market positions, generation of brand loyalty, creation of a technologically advanced image, recruitment of good employees
- Higher costs of market development, risk of misjudgment, free-rider effect (followers benefit)
- Some of the potential sources of competitive advantage available to pioneers are briefly summarized

➢ First choice of market segments and positions.

➢ The pioneer defines the rules of the game.

➢ Distribution advantages

➢ Economies of scale and experience.

➢ High switching costs for early adopters.

➢ Possibility of positive network effects

➢ Possibility of preempting scarce resources and suppliers.

1. Marketing Strategies for New Market Entries

Pioneer Strategy

- Examples:

1. The Apple iPod is an example of a product developed using a pioneer strategy. At the time, there were no similar products on the market. As Apple has continued to develop products such as the iPhone and iPad, many electronics companies have mimicked the aesthetic style and functionality of their products.
2. Nokia had a key advantage in the Cellphone industry as it was a pioneer and it had the largest market share in India for several years but it lagged in technology from the new players like Samsung and had to loose on market share.
3. Mango frooti was a pioneer in the mango drinks industry in India. The market advantage was such that for several years all mango drinks were referred to as frooti even if they were of different brands.
4. Similar Pioneer advantage has been achieved by several other brands such as coca cola, Levi Strauss Etc. and these were able to outperform their competitors for several years and still have an advantage over them.

1. Marketing Strategies for New Market Entries

Follower Strategy

In many cases, a firm becomes a follower by default. It is simply beaten to a new product market by a quicker competitor. But even when a company has the capability of being the first mover, the preceding observations suggest there may be some advantages to letting other firms go first into a product-market. Let the pioneer shoulder the initial risks while the followers observe their shortcomings and mistakes.

Possible advantages of such a follower strategy are briefly summarized as follows.

- Ability to take advantage of the pioneer's positioning mistakes.
- Ability to take advantage of the pioneer's product mistakes
- Ability to take advantage of the pioneer's marketing mistakes
- Ability to take advantage of the latest technology
- Ability to take advantage of pioneer's limited resources

Marketing Strategy Elements Pursued by Successful Pioneers, Fast Followers, and Late Entrant

These marketers . .	are characterized by one or more of these strategy elements:
Successful pioneers	• Large entry scale • Broad product line • High product quality • Heavy promotional expenditures
Successful fast followers	• Larger entry scale than the pioneer • Leapfrogging the pioneer with superior: ➢ product technology ➢ product quality ➢ customer service
Successful late entrants	Focus on peripheral target markets or niches

2. Strategies for Growth Markets

- This is the stage of rapid market acceptance. The strategies are aimed at sustaining market growth as long as possible.
- Here, the aim is not to increases awareness, but to get trial of the product.
- Company tries to enter the new segments.
- The growth stage is often short, and rapid technological change and market fragmentation are making it even shorter in many industries.
- Competitors have entered the market. The company tries to strengthen competitive position in the market. It may forgo maximum current profits to earn still greater profits in the future.

OPPORTUNITIES AND RISKS IN GROWTH MARKETS

Why are followers attracted to rapidly growing markets? Conventional wisdom suggests such markets present attractive opportunities for future profits because:

• It is easier to gain share when a market is growing.

• Share gains are worth more in a growth market than in a mature market.

• Price competition is likely to be less intense.

• Early participation in a growth market is necessary to make sure that the firm keeps pace with the technology

Strategies for Growth Markets

A. GROWTH-MARKET STRATEGIES FOR MARKET LEADERS

The five internally consistent strategies that a market leader might employ, singly or in combination, to maintain its leading share position:

1. a fortress, or position defense, strategy;
2. a flanker strategy;
3. a confrontation strategy;
4. a market expansion strategy; and
5. a contraction, or strategic withdrawal, strategy

Strategic Choices for Share Leaders in Growth Markets

Which, or what combination, of these five strategies is most appropriate for a particular product-market depends on

(1) the market's size and its customers' characteristics,

(2) the number and relative strengths of the competitors or potential competitors in that market, and

(3) the leader's own resources and competencies.

Strategies for Growth Markets

A. GROWTH-MARKET STRATEGIES FOR MARKET LEADERS

- The primary objective of the early share leader (usually the market pioneer) in a growth market is share maintenance.
- The share leader must accomplish two tasks:
  - Retain repeat or replacement business from its existing customers
  - Continue to capture the major portion of sales from the growing number of new customers entering the market for the first time.

The five internally consistent strategies that a market leader might employ, singly or in combination, to maintain its leading share position:

1. **a fortress, or position defense, strategy**;

The most basic defensive strategy is to continually strengthen a strongly held current position—to build an impregnable fortress capable of repelling attacks by current or future competitors. This strategy is nearly always part of a leader's share-maintenance efforts. By shoring up an already strong position, the firm can improve the satisfaction of current customers while increasing the attractiveness of its offering to new customers with needs and characteristics similar to those of earlier adopters. Strengthening the firm's position makes particularly good sense when current and potential customers have relatively homogeneous needs and desires and the firm's offering already enjoys a high level of awareness and preference in the mass market. In some homogeneous markets, a well-implemented position defense strategy may be all that is needed for share maintenance. Anything the business can do to improve customer satisfaction and loyalty and encourage and simplify repeat purchasing should help the firm protect its current customer base and make its offering more attractive to new customers.

Strategies for Growth Markets

A. GROWTH-MARKET STRATEGIES FOR MARKET LEADERS

The five internally consistent strategies that a market leader might employ, singly or in combination, to maintain its leading share position:

2. a flanker strategy;

- One shortcoming of a fortress strategy is that a challenger might simply choose to bypass the leader's fortress and try to capture territory where the leader has not yet established a strong presence. This can represent a particular threat when the market is fragmented into major segments with different needs and preferences and the leader's current brand does not meet the needs of one or more of those segments. A competitor with sufficient resources and competencies can develop a differentiated product offering to appeal to the segment where the leader is weak and thereby capture a substantial share of the overall market.

- To defend against an attack directed at a weakness in its current offering (its exposed flank), a leader might develop a second brand (a flanker or fighting brand) to compete directly against the challenger's offering. This might involve trading up, where the leader develops a high-quality brand offered at a higher price to appeal to the prestige segment of the market. This was **Toyota's** rationale for introducing **its Lexus brand of luxury automobiles**, for instance. More commonly, a flanker brand is a lower-quality product designed to appeal to a low-price segment to protect the leader's primary brand from direct price competition. Thus, **Toyota introduced the Scion brand in the U.S.** market in 2003, a line of cars that appeals young car buyers looking for good quality, funky design, low prices, and no-hassle shopping. The Scion brand is an attempt to insulate Toyota cars from low-price competitors and to establish a presence among young first-time buyers who might "trade up" to more expensive Toyota models in the future. **Similarly, Nike launched Tailwind—a** low-priced flanker brand aimed at value-conscious women—though the firm's managers have been reluctant to introduce flankers in larger market segments, such as basketball shoes, for fear of cannibalizing the high-margin Nike brand.

- A flanker strategy is always used in conjunction with a position defense strategy. The leader simultaneously strengthens its primary brand while introducing a flanker to compete in segments where the primary brand is vulnerable. This suggests that a flanker strategy is appropriate only when the firm has sufficient resources to develop and fully support two or more entries. After all, a flanker is of little value if it is so lightly supported that a competitor can easily wipe it out

Strategies for Growth Markets

A. GROWTH-MARKET STRATEGIES FOR MARKET LEADERS

The five internally consistent strategies that a market leader might employ, singly or in combination, to maintain its leading share position:

3. a confrontation strategy;

- Confrontation strategy **contributes less to social welfare than would more innovative responses**. **For example**, if another nearby restaurant offers a similar menu item, Eat At Jane's might suddenly reduce the price of their own version to deter customers and send a bit of a message to that other restaurant.
- Confrontation strategy is a stand that speaks of aggression or confrontation. It is generally followed by such marketing units which are aspiring to be leaders in the sphere.
- **Confrontation Strategy** an organizational **strategy** in which company management decides to confront, rather than avoid, competition; an organizational **strategy** in which company management still attempts to differentiate company products through new features or to develop a price leadership position by dropping prices, even though management recognizes that competitors will rapidly bring out similar products and match price changes; an organizational **strategy** in which company management identifies and exploits current opportunities for competitive advantage in recognition of the fact that those opportunities will soon be eliminated
- If the leader's competitive intelligence is good, it may decide to move proactively and change its marketing program before a suspected competitive challenge occurs. A confrontational strategy, though, is more commonly reactive. The leader usually decides to meet or beat the attractive features of a competitor's offering—by making product improvements, increasing promotional efforts, or lowering prices—only after the challenger's success has become obvious.

4. a market expansion strategy;

5. a contraction, or strategic withdrawal, strategy

Strategies for Growth Markets

A. GROWTH-MARKET STRATEGIES FOR MARKET LEADERS

The five internally consistent strategies that a market leader might employ, singly or in combination, to maintain its leading share position:

4. a market expansion strategy;

- A market expansion strategy is a more aggressive and proactive version of the flanker strategy. Here the leader defends its relative market share by expanding into a number of market segments. This strategy's primary objective is to capture a large share of new customer groups who may prefer something different from the firm's initial offering, protecting the firm from future competitive threats from a number of directions. Such a strategy is particularly appropriate in fragmented markets if the leader has the resources to undertake multiple product development and marketing efforts.
- The most obvious way a leader can implement a market expansion strategy is to develop line extensions, new brands, or even alternative product forms utilizing similar technologies to appeal to multiple market segments. For instance, Nike captured and has sustained a leading share of the athletic shoe market by developing a series of line extensions offering technical, design, and style features tailored to the preferences of enthusiasts in nearly every sport.
- A less expensive way to appeal to a variety of customer segments is to retain the basic product but vary other elements of the marketing program to make it relatively more attractive to specific users. Thus, a leader might create specialized salesforces to deal with the unique concerns of different user groups, or it might offer different ancillary services to different types of customers or tailor sales promotion efforts to different segments. Thus, performing arts groups often promote reduced ticket prices, transportation services, and other inducements to attract senior citizens and students to matinee performances.

5. a contraction, or strategic withdrawal, strategy

In some highly fragmented markets, a leader may be unable to defend itself adequately in all segments. This is particularly likely when newly emerging competitors have more resources than the leader. The firm may then have to reduce or abandon its efforts in some segments to focus on areas where it enjoys the greatest relative advantages or that have the greatest potential for future growth. Even some very large firms may decide that certain segments are not profitable enough to continue pursuing. For example, Samsung has withdrawn from the most price-sensitive consumer electronics segments—and from discount retailers such as Wal-Mart—to concentrate on higher-margin products that take full advantage of the firm's strengths in cutting-edge technical R&D and hip design.

Strategies for Growth Markets

B . SHARE GROWTH STRATEGIES FOR FOLLOWERS

Many followers, particularly larger firms entering a product-market shortly after the pioneer, have more grandiose objectives. They often seek to displace the leader or at least to become a powerful competitor within the total market. Thus, their major marketing objective is to attain share growth, and the size of the increased relative share such challengers seek is usually substantial. **For instance**, when Haier, the Chinese appliance manufacturer, started making refrigerators just two decades ago, it set its sights on becoming a global share leader even though the category was dominated by large international brands such as Whirlpool, Electrolux, and General Electric. Today, Haier is the world's number one refrigerator brand according to Euro monitor International.

A list of possible marketing actions for challengers is not exhaustive, and it contains actions that do not always fit well together. The activities that do fit tend to cluster into five major strategies that a challenger might use singly or in combination to secure growth in its relative market share.

As it indicates, these five share-growth strategies are:

1. Frontal Attack,
2. Leapfrog Strategy,
3. Flanking Attack,
4. Encirclement, and
5. Guerrilla Attack.

Strategies for Growth Markets

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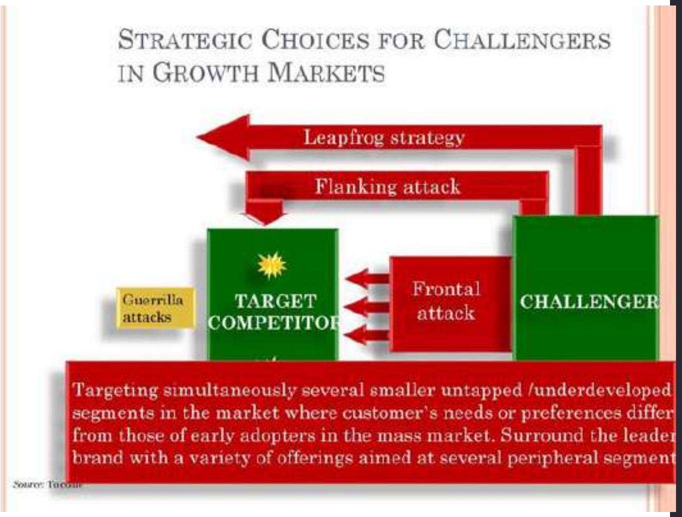

Which, or what combination, of these five strategies is best for a particular challenger depends on market characteristics, the existing competitors' current positions and strengths, and the challenger's own resources and competencies.

Strategies for Growth Markets

B . SHARE GROWTH STRATEGIES FOR FOLLOWERS

As it indicates, these **five share-growth strategies** are:

1. Frontal Attack:

Frontal Attack Strategy is a direct challenge to the market leader or leaders. **It's where the company ape the competition's strengths and match them to provide buyers with a viable alternative**. This approach can be challenging as the company is taking on an established company and attempting to beat them at their own game.

A **frontal attack strategy** in marketing focuses on a challenger taking on the market leader head-on. This means focusing on your competitors' strengths and matching your own pricing, products, marketing, and promotions to the leading brand. Like a frontal attack in battle, the winner is often determined by who has endurance to last the longest. Frontal attacks can be risky because they pit your best against your competitor's best. If you don't match up, the loss can be felt in terms of sales, customers, and public image. Let's face it, it's easier to key in on your competition's weakest points and supersede them than to face the giant head-on and potentially lose. Frontal attacks can come in many forms, including **pure frontal**, which is a head-to-head marketing battle; **limited frontal**, which is focused on specific markets; and **research and development**, which involves building a product to compete directly with the market leader.

1. Leapfrog Strategy,
2. Flanking Attack,
3. Encirclement, and
4. Guerrilla Attack.

Strategies for Growth Markets

B . SHARE GROWTH STRATEGIES FOR FOLLOWERS

As it indicates, these **five share-growth strategies** are:

2. Leapfrog Strategy:

A challenger stands the best chance of attracting repeat or replacement purchases from a competitor's current customers when it can offer a product that is attractively differentiated from the competitor's offerings. The odds of success might be even greater if the challenger can offer a far superior product based on advanced technology or a more sophisticated design. This is the essence of a leapfrog strategy. It is an attempt to gain a significant advantage over the existing competition by introducing a new generation of products that significantly outperform or offer more desirable customer benefits than do existing brands. For example, the introduction of reasonably priced video cameras by Sony and other Japanese electronics manufacturers largely took over the market for home movie equipment and a large share of the market for Polaroid's self-developing photography equipment as well. Now digital cameras are doing the same thing to the video market. In addition, such a strategy often inhibits quick retaliation by established competitors. Firms that have achieved some success with one technology—or that have committed substantial resources to plant and equipment dedicated to a current product—often are reluctant to switch to a new one because of the large investments involved or a fear of disrupting current customers. A leapfrog strategy is not viable for all challengers. To be successful, the challenger must have technology superior to that of established competitors as well as the product and process engineering capabilities to turn that technology into an appealing product. Also, the challenger must have the marketing resources to effectively promote its new products and convince customers already committed to an earlier technology that the new product offers sufficient benefits to justify the costs of switching.

Strategies for Growth Markets

B . SHARE GROWTH STRATEGIES FOR FOLLOWERS

As it indicates, these **five share-growth strategies** are:

3. Flanking Attack:

- **Flank Attack** is appropriate when the market can be broken into two or more large segments, when the leader and/or other major competitors hold a strong position in the primary segment, and when no existing brand fully satisfies the needs of customers in at least one other segment. A challenger may be able to capture a significant share of the total market by concentrating primarily on one large untapped segment. This usually involves developing product features or services tailored to the needs and preferences of the targeted customers, together with appropriate promotional and pricing policies to quickly build selective demand. Japanese auto companies, for instance, penetrated the U.S. car market by focusing on the low-price segment, where domestic manufacturers' offerings were limited. Domestic car manufacturers were relatively unconcerned by this flanking action at first. They failed to retaliate very aggressively because the Japanese were pursuing a segment they considered to be small and unprofitable. History proved them wrong.
- In some cases, a successful flank attack need not involve unique product features. Instead, a challenger can sometimes meet the special needs of an untapped segment by providing specially designed customer services or distribution channels. **For instance**, Apple's iTunes music store captured a substantial share of the global recorded music market by offering a convenient way for web-savvy consumers to locate and download songs for their personal music libraries.

Encirclement, and

1. Guerrilla Attack.

Strategies for Growth Markets

B . SHARE GROWTH STRATEGIES FOR FOLLOWERS

As it indicates, these **five share-growth strategies** are:

4 Encirclement

- An encirclement strategy involves targeting several smaller untapped or underdeveloped segments in the market simultaneously.
- The idea is to surround the leader's brand with a variety of offerings aimed at several peripheral segments.
- This strategy makes most sense when the market is fragmented into many different applications segments or geographical regions with somewhat unique needs or tastes.
- Once again, this strategy usually involves developing a varied line of products with features tailored to the needs of different segments. Rather than try to compete with Coke and Pepsi in the soft drink market, for example, Cadbury-Schweppes offers a wide variety of flavors such as cream soda, root beer, and ginger ale—almost anything but cola—to appeal to small groups of customers with unique tastes. Similarly, Vans is trying to expand its foothold in the athletic shoe industry by targeting several niche segments of enthusiasts in other alternative sports—such as snowboarding—where the brand's youthful "outsider" image might be appealing and where the firm's larger competitors are not well established

Strategies for Growth Markets

B . SHARE GROWTH STRATEGIES FOR FOLLOWERS

As it indicates, these **five share-growth strategies** are:

5.Guerrilla Attack.

- When well-established competitors already cover all major segments of the market and the challenger's resources are relatively limited, flanking, encirclement, or all-out frontal attacks may be impossible. In such cases, the challenger may be reduced to making a series of surprise raids against its more established competitors. To avoid massive retaliation, the challenger should use **guerrilla attacks** sporadically, perhaps in limited geographic areas where the target competitor is not particularly well entrenched.
- A challenger can choose from a variety of means for carrying out guerrilla attacks. These include sales promotion efforts (e.g., coupon drops and merchandising deals), local advertising blitzes, and even legal action. Short-term price reductions through sales promotion campaigns are a particularly favored guerrilla tactic in consumer goods markets.
- They can target specific customer groups in limited geographic areas; they can be implemented quickly; and they are often difficult for a larger competitor to respond to because that firm's higher share level means that a given discount will cost it more in absolute dollars.
- Carefully targeted direct mail, public relations, or internet marketing campaigns also can be an effective guerrilla tactic, particularly when they generate positive word of mouth between customers and potential customers. **For example**, when BMW rolled out the Mini Cooper—its small sporty car targeted at younger and less affluent customers than the typical BMW buyer—its ad agency Crispin Porter & Bogusky didn't bother with TV commercials. Instead, it put giant trash cans and pay phones in airports, and hung mini-billboards beside them reading "makes everything else seem a little too big.
- In some cases, the ultimate objective of a series of guerrilla attacks is not so much for the challenger to build its own share as it is to prevent a powerful leader from further expanding its share or engaging in aggressive actions to which it would be costly for the followers to respond. Lawsuits brought against the leader by several smaller competitors over a range of activities can effectively slow down the leader's expansionist tendencies by diverting some of its resources and attention.

3. Strategies for Mature Market

- Since markets can remain in the maturity stage for decades, milking or harvesting mature product-markets by maximizing short-run profits makes little sense. Pursuing such an objective typically involves substantial cuts in marketing and R&D expenses, which can lead to premature losses of volume and market share and lower profits in the longer term. The business should strive during the early years of market maturity to maximize the flow of profits over the remaining life of the product-market. Thus, the most critical marketing objective is to maintain and protect the business's market share. In a mature market where few new customers buy the product for the first time, the business must continue to win its share of repeat purchases from existing customers.

In a maturing markets, at least three issues become dominant:

- nearly all potential buyers are already users of the industry's products;
- market demand consists mainly of replacement sales to existing users; and
- growth in the industry depends on the industry's ability to attract new buyers and motivate existing buyers to increase their use of products.

A firm might pursue several different marketing strategies—either singly or in combination—to squeeze additional volume from a mature market. These include an

1. **increased penetration strategy,**
2. **an extended use strategy, and**
3. **a market expansion strategy.**

3. Strategies for Mature Market

A firm might pursue several different marketing strategies—either singly or in combination—to squeeze additional volume from a mature market. These include an

1. **Increased Penetration Strategy**

- The total sales volume produced by a target segment of customers is a function of (1) the number of potential customers in the segment; (2) the product's penetration of that segment, that is, the proportion of potential customers who actually use the product; and (3) the average frequency with which customers consume the product and make another purchase.

- Where usage frequency is quite high among current customers but only a relatively small portion of all potential users actually buy the product, a firm might aim at increasing market penetration. It is an appropriate strategy for an industry's share leader because such firms can more likely gain and retain a substantial share of new customers than smaller firms with less well-known brands

- The secret to a successful increased penetration strategy lies in discovering why nonusers are uninterested in the product. Very often the product does not offer sufficient value from the potential customer's view to justify the effort or expense involved in buying and using it. One obvious solution to such a problem is to enhance the product's value to potential customers by adding features or benefits, usually via line extensions. Another way to add value to a product is to develop and sell integrated systems that help improve the basic product's performance or ease of use. A firm also may enhance a product's value by offering services that improve its performance or ease of use for the potential customer.

- Product modifications or line extensions, however, will not attract nonusers unless the enhanced benefits are effectively promoted For consumer goods, some combination of advertising to stimulate primary demand in the target segment and sales promotions to encourage trial, such as free samples or tie-in promotions with complementary products that nonusers currently buy, can be effective.

- Finally, some potential customers may be having trouble finding the product due to limited distribution or the product's benefits may simply be too modest to justify much purchasing effort. In such cases, expanding distribution or developing more convenient and accessible channels may help expand market penetration. For example, few travelers are so leery of flying that they would go through the effort of calling an insurance agent to buy an accident policy for a single flight. But the sales of such policies are greatly increased by making them conveniently available through the credit card companies travelers use to pay for their flights.

3. Strategies for Mature Market

2. An Extended Use Strategy:

- In situations of good market penetration but low frequency of use, an extended use strategy may increase volume.
- One effective approach for stimulating increased frequency of use is to move product inventories closer to the point of use. This approach works particularly well with low involvement consumer goods. Marketers know that most consumers are unlikely to expend any additional time or effort to obtain such products when they are ready to use them
- One obvious way to move inventory closer to the point of consumption is to offer larger package sizes. The more customers buy at one time, the less likely they are to be out of stock when a usage opportunity arises. This approach can backfire, though, for a perishable product or one that consumers perceive to be an impulse indulgence. Thus, most super premium ice creams, such as Häagen-Dazs, are sold in small pint containers; most consumers want to avoid the temptation of having large quantities of such a high-calorie indulgence too readily available.
- The design of a package also can help increase use frequency by making the product more convenient or easy to use.
- Various sales promotion programs also help move inventories of a product closer to the point of use by encouraging larger volume purchases. For consumer products, multi-item discounts or two-for-one deals serve the same purpose. Promotional programs also encourage greater frequency of use and increase customer loyalty in many service industries. Consider, for instance, the frequent-flier programs offered by major airlines.
- Sometimes the product's characteristics inhibit customers from using it more frequently. If marketers can change those characteristics, such as difficulty of preparation or high calories, a new line extension might encourage customers to use more of the product or to use it more often. Microwave waffles and low-calorie salad dressings are examples of such line extensions.
- Advertising can sometimes effectively increase use frequency by simply reminding customers to use the product most often.
- Other approach for extending use among current customers involves finding and promoting new functional uses for the product.
- Firms promote new ways to use a product through a variety of methods. For industrial products, firms send technical advisories about new applications to the salesforce to present to their customers during regular sales calls. For consumer products, new use suggestions or recipes may be included on the package, in an advertising campaign, or on the firm's web site. Sales promotions, such as including cents-off coupons in ads featuring a new recipe, encourage customers to try a new application.
- In some cases, slightly modified line extensions might encourage customers to use more of the product or use it in different ways. For example, Australian, French, Chilean, and even a few large U.S. winemakers have attempted to attract more young consumers and broaden the variety of occasions at which they drink wine rather than beer or other beverages. They have pursued these objectives by blending fruitier, less tannic wines, designing whimsical labels and logos

3. Strategies for Mature Market

3. A Market Expansion Strategy.

- A market expansion strategy is a growth strategy that involves selling current products in a new market when growth peaks in the company's existing sales channels. Being able to successfully employ market expansion strategies first requires the company to have fulfilled existing markets. Then, the company needs to identify the other markets that are reachable.
- In a fragmented and heterogeneous market where some segments are less well developed than others, a market expansion strategy may generate substantial additional volume growth. Such a strategy aims at gaining new customers by targeting new or underdeveloped geographic markets (either regional or foreign) or new customer segments. Once again, share leaders tend to be best suited for implementing this strategy.
- Pursuing market expansion by strengthening a firm’s position in new or underdeveloped domestic geographic markets can lead to experience-curve benefits and operating synergies. The firm can rely on largely the same expertise and technology, and perhaps even the same production and distribution facilities, it has already developed. Unfortunately, domestic geographic expansion is often not viable in a mature industry because the share leaders usually have attained national market coverage. Smaller regional competitors, on the other hand, might consider domestic geographic expansion a means for improving their volume and share position. However, such a move risks retaliation from the large national brands as well as from entrenched regional competitors in the prospective new territory.
- In a different approach to domestic market expansion, the firm identifies and develops new or underserved customer or application segments. Sometimes the firm can effectively reach new customer segments by simply expanding the distribution system or promotional mix without changing the product’s characteristics. A sporting goods manufacturer that sells its products to consumers through retail stores, for instance, might expand into the commercial market consisting of schools and amateur and professional sports teams by establishing a direct salesforce.
- One final possibility for domestic market expansion is to produce private-label brands for large retailers such as Sears or Tesco. Firms whose own brands hold relatively weak positions and who have excess production capacity find this a particularly attractive option. Private labeling allows such firms to gain access to established customer segments without making substantial marketing expenditures, thus increasing the firm’s volume and lowering its per-unit costs. However, since private labels typically compete with low prices and their sponsors usually have strong bargaining power, producing private labels is often not a very profitable option unless a manufacturer already has a relatively low-cost position in the industry. It also can be a risky strategy, particularly for the smaller firm, because reliance on one or a few large private-label customers can result in drastic volume reductions and unit-cost increases should those customers decide to switch suppliers.

4. Strategies for Declining Market

- Most products eventually enter a decline phase in their life cycles. As sales decline, excess capacity once again develops.
- As the remaining competitors fight to hold volume in the face of falling sales, industry profits erode. Consequently, conventional wisdom suggests that firms should either divest declining products quickly or harvest them to maximize short-term profits.
- Not all markets decline in the same way or at the same speed, however, nor do all firms have the same competitive strengths and weaknesses within those markets. Therefore, as in most other situations, the relative attractiveness of the declining product-market and the business's competitive position within it should dictate the appropriate strategy.

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- Marketing Strategies for declining markets are :

1. Harvesting
2. Maintenance
3. Profitable Survivor
4. Niche

4. Strategies for Declining Market

- Marketing Strategies for declining markets are :

1. **Harvesting**

- A harvest strategy is a marketing and business strategy that involves a reduction or a termination of investments in a product, product line, or line of business so that the entities involved can reap—or, harvest—the maximum profits.
- A harvest strategy is typically employed toward the end of a product's life cycle when it is determined that further investment will no longer boost product revenue.
- A harvesting strategy is most appropriate for a firm holding a relatively strong competitive position in the market at the start of the decline and a cadre of current customers likely to continue buying the brand even after marketing support is reduced. Such a strategy also works best when the market's decline is inevitable but likely to occur at a relatively slow and steady rate and when rivalry among remaining competitors is not likely to be very intense. Such conditions enable the business to maintain adequate price levels and profit margins as volume gradually falls.
- Implementing a harvesting strategy means avoiding any additional long-term investments in plant, equipment, or R&D. It also necessitates substantial cuts in operating expenditures for marketing activities. This often means that the firm should greatly reduce the number of models or package sizes in its product line to reduce inventory and manufacturing costs.
- The business should improve the efficiency of sales and distribution. For consumer goods, the business might move to more selective distribution by concentrating its efforts on the larger retail chains.
- The firm would likely reduce advertising and promotion expenditures, usually to the minimum level necessary to retain adequate distribution.
- Finally, the business should attempt to maintain or perhaps even increase its price levels to increase margins.

4. Strategies for Declining Market

- Marketing Strategies for declining markets are :

2. Maintenance Strategy

- In markets where future volume trends are highly uncertain, a business with a leading share position might consider pursuing a strategy aimed at maintaining its market share, at least until the market's future becomes more predictable.
- In such a maintenance strategy, the business continues to pursue the same strategy that brought it success during the market's mature stage.
- This approach often results in reduced margins and profits in the short term, though, because firms usually must reduce prices or increase marketing expenditures to hold share in the face of declining industry volume. Thus, a firm should consider share maintenance an interim strategy.
- Once it becomes clear that the market will continue to decline, the business should switch to a different strategy that will provide better cash flows and return on investment over the market's remaining life.

4. Strategies for Declining Market

- Marketing Strategies for declining markets are :

3. Profitable Survivor

- An aggressive alternative for a business with a strong share position and a sustainable competitive advantage in a declining product-market is to invest enough to increase its share position and establish itself as the industry leader for the remainder of the market's decline. This kind of strategy makes most sense when the firm expects a gradual decline in market demand or when substantial pockets of continuing demand are likely well into the future.
- It is also an attractive strategy when a firm's declining business is closely intertwined with other SBUs through shared facilities and programs or common customer segments.
- Using a profitable survivor strategy is feasible when the firm feels the market, or some version of the market, will start to grow again in the future. A profitable survivor focuses on surviving gaining market share as other firms leave, even at a cost--with the plan of being the veteran firm once the market bounces.

4. Strategies for Declining Market

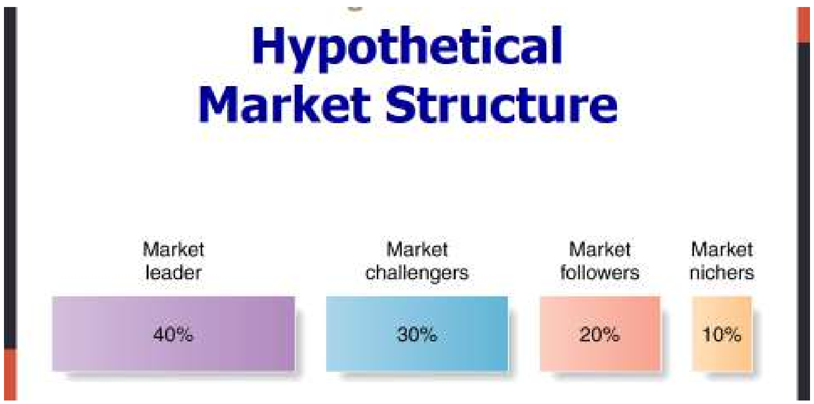
- Marketing Strategies for declining markets are :

4. Niche Strategy

- Even in a declining market, there is a segment of the market that will continue producing demand. In a niche strategy, a firm focuses almost exclusively on this niche market, meeting their demands almost exactly and not worrying about other market participants. This is what happened to vinyl records, to return to our previous example.
- Even when most segments of an industry are expected to decline rapidly, a niche strategy may still be viable if one or more substantial segments will either remain as stable pockets of demand or decay slowly.
- The business pursuing such a strategy should have a strong competitive position in the target segment or be able to build a sustainable competitive advantage relatively quickly to preempt competitors.
- This is one strategy that even smaller competitors can sometimes successfully pursue because they can focus the required assets and resources on a limited portion of the total market.
- The marketing actions a business might take to strengthen and preserve its position in a target niche are similar to those discussed earlier concerning niche strategies in mature markets.

Organisational Specific Marketing Strategies

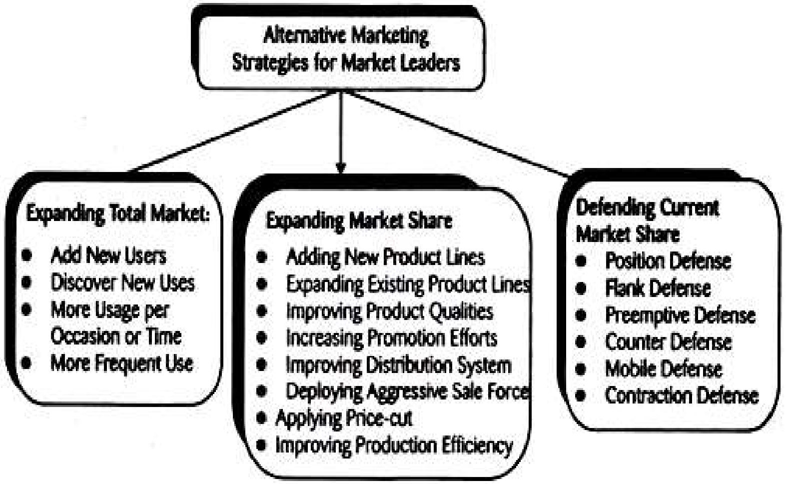
1. Marketing Strategies for Leaders
2. Marketing Strategies for Challengers
3. Marketing Strategies for Followers
4. Niche Competitive Strategies



Organisational Specific Marketing Strategies

1. Marketing Strategies for Leaders

- Expanding the total demand
  - Finding new users
  - Discovering and promoting new product uses
  - Encouraging greater product usage
- Protecting market share
  - Many considerations
  - Continuous innovation
- Expanding market share
  - Profitability rises with market share



Organisational Specific Marketing Strategies

2. Marketing Strategies for Challengers

- ***Option 1:*** challenge the market leader
  - High-risk but high-gain
  - Sustainable competitive advantage over the leader is key to success
- ***Option 2:*** challenge firms of the same size, smaller size or challenge regional or local firms
- **Full frontal vs. indirect attacks**

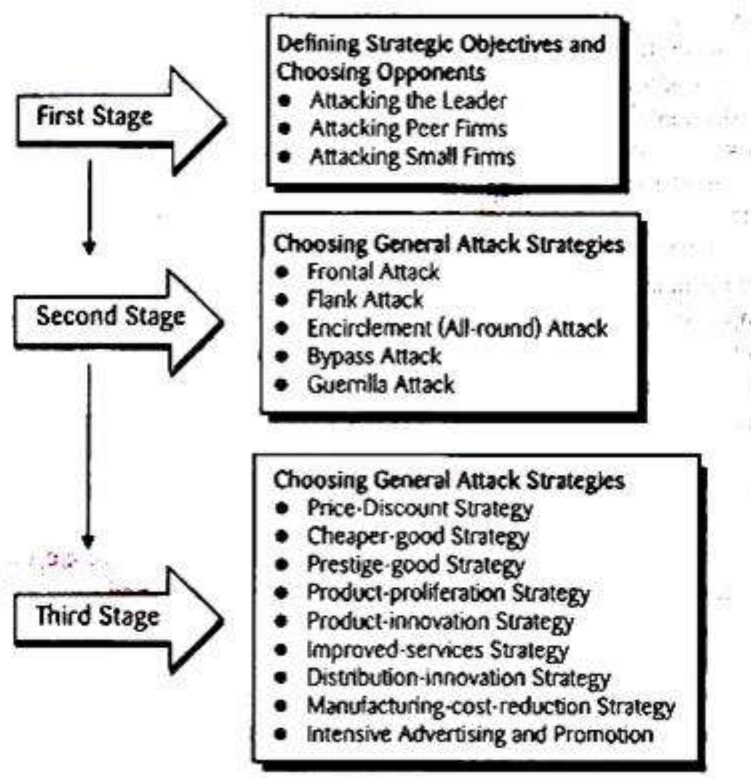


Figure 4: Three-stage Marketing Strategies for Market Challengers

Pepsi is an example of market challenger that has chosen to use a full frontal attack

Organisational Specific Marketing Strategies

3. Marketing Strategies for Followers

- Follow the market leader
  - Focus is on improving profit instead of market share
  - Many advantages:
    - Learn from the market leader's experience
    - Copy or improve on the leader's offerings
    - Strong profitability

Organisational Specific Marketing Strategies

DIMR

3. Marketing Strategies for Followers

Market Follower Strategy is a strategy used by an organization who imitates what the market leader does. These companies do not overtake or challenge the market leader. Also, these companies earn a lot of profit as they do not bear the expenses of innovation.

There are 4 main market follower strategies i.e.

- **Counterfeiter:**

In this strategy, the company copies the product of the market leader and sells it in the black market.

Eg.- Watches of luxury brand been sold such as Rolex, pirated movie CDs.

- **Cloner:**

Here, the company not only replicates the product of market leader but also name and packaging of that company with minor differences. Eg- Shoes of Adidas are been sold as Abidas or Puma is been spelled and sold as Pooma/POMA.

- **Imitator:**

In the imitator strategy, the follower company imitates the product of leader company but maintains its own difference and quality in the product. They offer the product to the customers at compromised quality but the characteristics are exactly the same or similar.

Eg: IBM possessed the technology to bring a personal computer long before Apple or Microsoft.

- **Adaptor:**

The adaptor strategy is also termed a white collared strategy. This is a stereotyped strategy which is used by many companies. The follower companies create products that are improved versions or adapted from the goods and services that are already present in the market.

Eg – Every company comes out with a better version of a car than another.

These companies learn from the mistake of the market leader. And they copy or innovate the product and launch in the market which helps them earn huge amount of profits as they do not have to bear the cost of research and development plus the product education cost.

Organisational Specific Marketing Strategies

4. Niche Competitive Strategies:

- Serving market niches means targeting sub segments
- Good strategy for small firms with limited resources
- Offers high margins
- Specialization is key
  - By market, customer, product, or marketing mix lines

Introduction to Competitive Edge

- Competitive advantage refers to factors that allow a company to produce goods or services better or more cheaply than its rivals. These factors allow the productive entity to generate more sales or superior margins compared to its market rivals. Competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property, and customer service.
- Competitive advantage is what makes an entity's products or services more desirable to customers than that of any other rival.
- Competitive advantages can be broken down into comparative advantages and differential advantages.
- Comparative advantage is a company's ability to produce something more efficiently than a rival, which leads to greater profit margins.
- A differential advantage is when a company's products are seen as both unique and of higher quality, relative to those of a competitor.

Introduction to USP

- **Unique Selling Proposition** or USP is the one feature or the perceived benefit of a good which makes it unique from the rest of the competing brands in the market. It is that very reason which motivates a buyer to purchase that product even though it might be costlier than other products.

- Unique Selling Proposition or USP is a very important concept used during the time when a company promotes its product through its advertisements in both TV as well as print media which eventually attracts a consumer to buy a particular product. The key to boost the sales of the product effectively through advertising is to highlight the USP of the product prominently. Unless you highlight the USP, consumers will not be tempted to buy your product. Every product should have its own USP, which makes it stand apart from other products in the similar category.

- USP is different for different products. Let's take an example of a restaurant which is very famous across the world for its quick Subway Sandwiches. The company makes the sandwiches healthier for consumers. Consumers who are looking for a quick meal can walk into any subway outlet and get a quick sandwich made, which contains nutritional value. In this way the company is able to create its own niche market across town in India. The USP of the product is a nutritious sandwich at an affordable price. USP is a very important component in developing the product.

- A strong unique selling proposition makes you stand apart and also plays an important role in branding your product. But, USP alone can guarantee to a product's success. Superior product quality and at par service, both before and after-sale are very important in creating the foundations of a market for a product. Always remember, with a distinct USP, the company doesn't even have to bother about competition because if you have developed something which has not been developed by others, then you are the only player or a market leader in that specific product category (Example – iPpod by Apple).

Retrenchment Strategy

- The **Retrenchment Strategy** is adopted when an organization aims at reducing its one or more business operations with the view to cut expenses and reach to a more stable financial position.
- The strategy followed, when a firm decides to eliminate its activities through a considerable reduction in its business operations, in the perspective of customer groups, customer functions and technology alternatives, either individually or collectively is called as Retrenchment Strategy.
- The retrenchment strategies mainly act on two factors, they are

  1. Cost-cutting 2. Restructuring.
- The firm can either restructure its business operations or discontinue it, so as to revitalize its financial position.
- **There are three types of Retrenchment Strategies:**

- **Turnaround**
- **Divestment**
- **Liquidation**

To further comprehend the meaning of Retrenchment Strategy, go through the following examples in terms of customer groups, customer functions and technology alternatives.

- The book publication house may pull out of the customer sales through market intermediaries and may focus on the direct institutional sales. This may be done to slash the sales force and increase the marketing efficiency.
- The hotel may focus on the room facilities which is more profitable and may shut down the less profitable services given in the banquet halls during occasions.
- The institute may offer a distance learning programme for a particular subject, despite teaching the students in the classrooms. This may be done to cut the expenses or to use the facility more efficiently, for some other purpose.

In all the above examples, the firms have made the significant changes either in their customer groups, functions and technology/process, with the intention to cut the expenses and maintain their financial stability.

Adapting Marketing to the New Economy

- Companies in 21st century have to adapt to ever changing environment. At present, companies represent a curious mix of old as well as the new economy. A great deal of research has already been done with respect to the old economy, but for the new economy, companies are learning it rather hard way. Companies have to choose elements from old and new economy wisely as to build a business model which would bring value to the company.
- **Technology revolution, globalization and market deregulation factors are among many sculpting the new economy. These 3 factors interact with each other at different levels creating the driving force for the new economy.**
- **In the old economy focus was only on standardization, mass production and singular marketing policy. However, with the amount of information available in the new economy, companies are best at understanding consumers**. This better understanding has led to customized products, a shift from standardization. However, this customization has its drawbacks not only for companies but also for customer.
- **The new economy had brought forward challenges and opportunities not only for companies but also for consumer**.

END OF UNIT 4

UNIT 5

MARKETING METRICS FOR MARKETING PERFORMANCE

BCG Matrix

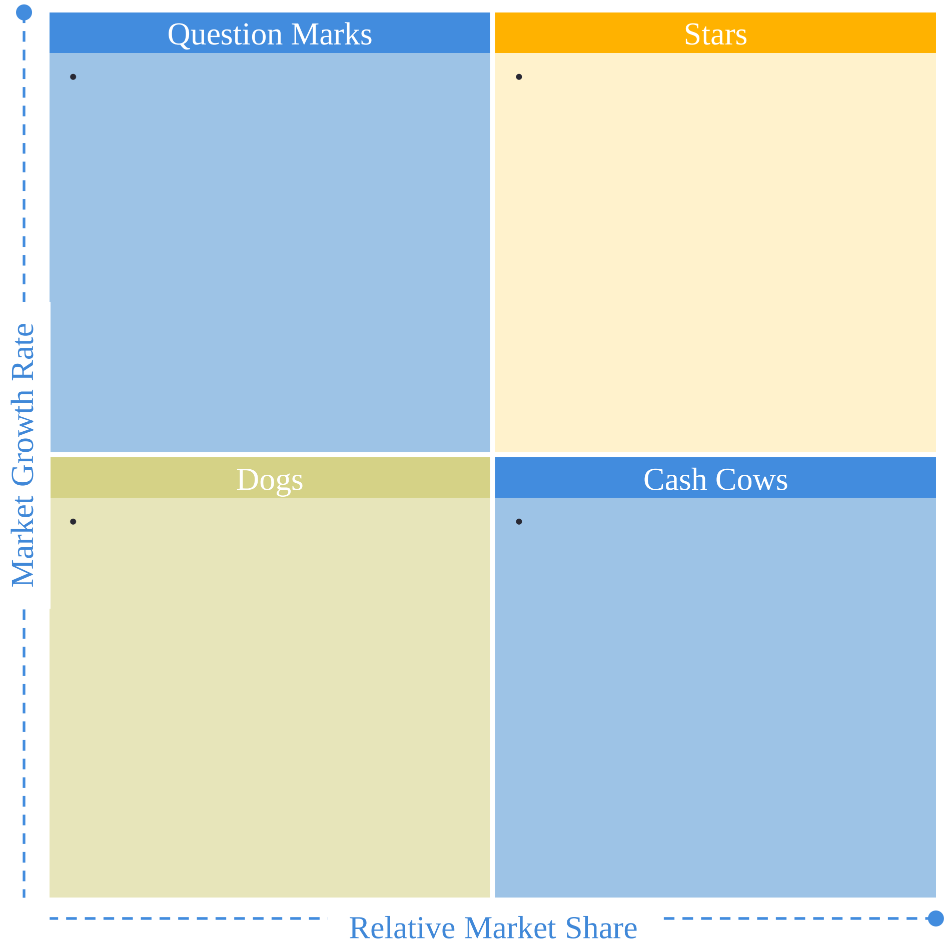
- The BCG Matrix is a tool used by organizations to assess the value of the products that they offer in terms of their growth (i.e., how desirable the product on the market will be) and market share (i.e., competitive advantage). Using the model, an organization can determine which products are a worthwhile investment of company money and employee time and effort.
- The BCG matrix model was developed by Bruce Henderson in the early 1970's
- The BCG matrix stands for Boston consulting group
- The BCG matrix model is a portfolio planning model
- The BCG model is a well-known portfolio management tool used in product life cycle theory
- BCG matrix is often used to prioritize which products within company product mix get more funding and attention
- It has 2 dimensions: MARKET SHARE & MARKET GROWTH
- The BCG Matrix consist of 4 category in a portfolio of a company Stars, Cash cows, Dogs, Question marks

BCG Matrix

- ***Stars:*** Products in this category are those that are most profitable and encompass a large share of the market. Therefore, it is advisable to invest in these products. Notably, however, even though these products generate a lot of profit, because they are so in demand, they also cost the company a large sum of money to produce. Ultimately, for these products, equal amounts of money go in and out of the organization. To prevent star products from becoming cash cows, continue to invest in these products until their growth rate begins to decline.
- ***Question Marks:*** These products have the potential to increase their occupancy of the market but currently hold a small portion. This means that they do not bring in much profit for the organization. However, because they have the potential to become star products, they require investment from the organization.
- ***Cash Cows:*** Products that dominate the market and accrue significant profit are considered cash cows. However, the money generated from these products is used to transform question mark products into market leaders. Therefore, organizations are advised to continue to invest in these products just enough to maintain their current level of production in order to "milk" the benefits provided.
- ***Dogs:*** Finally, dogs are products that neither dominate the market nor have potential to do so. These products don't cost much to produce but are not very profitable. It is in the organization's best interest to disinvest in these products because putting money into these products without any significant return is a misuse of company funds.

BCG Matrix

Have the potential to increase their occupancy of the market but currently hold a small portion



The most profitable products and services that encompass a large share of the market.

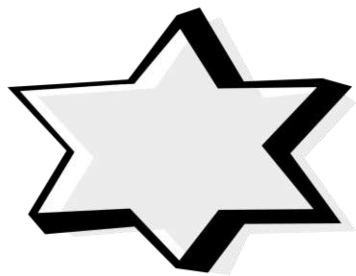
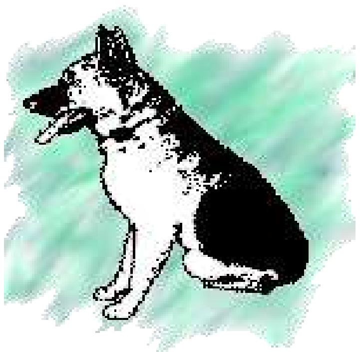
products that neither dominate the market nor have potential to do so

Products that dominate the market and accrue significant profit

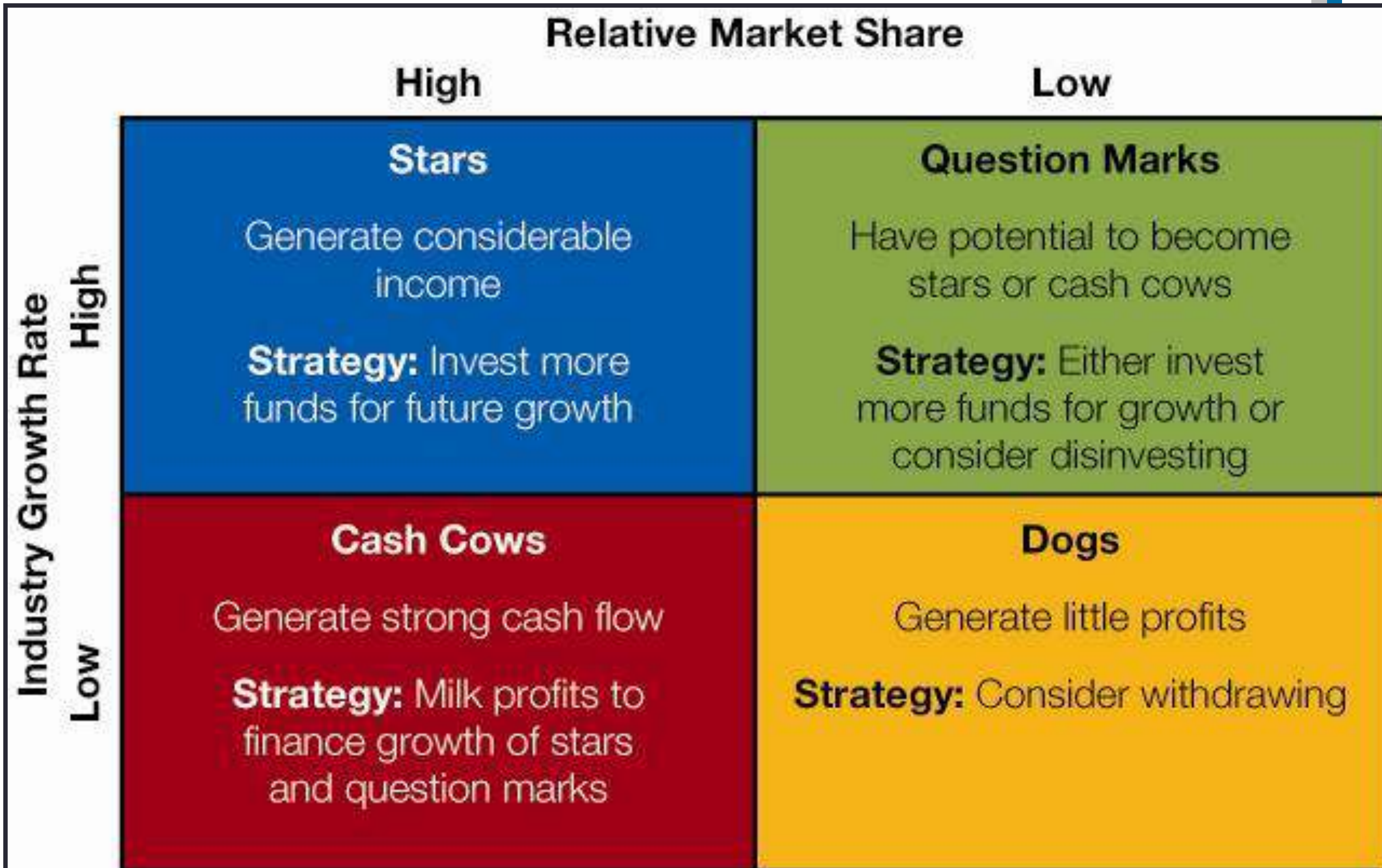
The BCG Matrix

Relative Market Share

Product Sales Growth Rate

	High	Low
High		
Low		

- BCG Market Share/Market Growth Matrix



Benefits of BCG Matrix

- BCG Matrix is simple and easy to understand
- It helps to quickly and simply screen the opportunities and make most of them
- It is used to identify how corporate cash resources can best be used to maximize a company's future growth and profitability
- BCG model is helpful for managers to evaluate balance in the firm's current portfolio of Stars, Cash Cows, Question Marks and Dogs
- BCG method is applicable to large companies that seek volume and experience effects
- It provides a base for management to decide and prepare for future actions

Limitations of BCG Matrix

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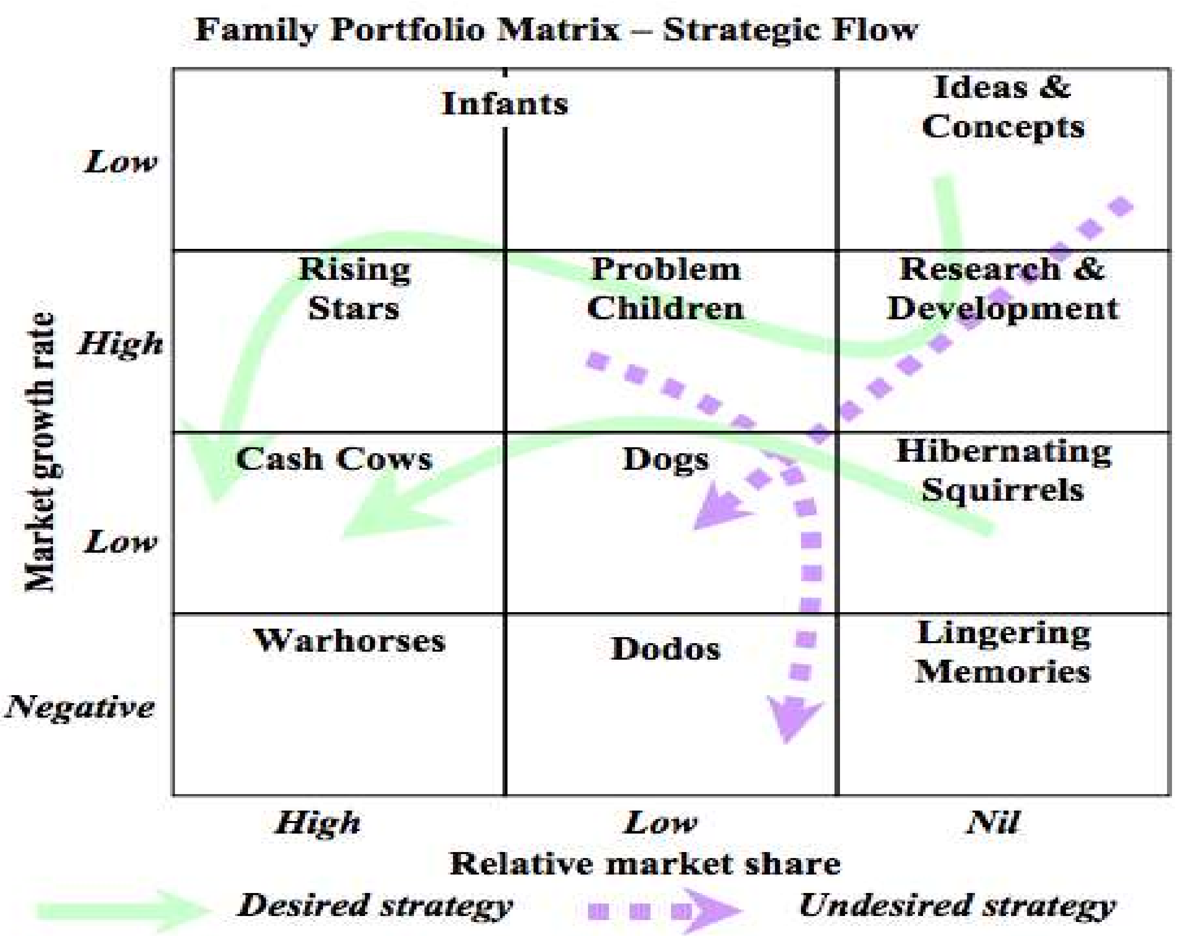
Family Portfolio matrix

- Leeds Metropolitan University published a conference paper which extended the BCG matrix. Called the Family Portfolio matrix, it suggested several new product categories:

1. **Infants –** These are new products to the market which generate cash for a low spend, they have a low market growth rate and a medium to high market share.
2. **Ideas and Concepts** – These are products that are in development. They are new to the market. The producer of these goods however are spending on their introduction to the market.
3. **Research and Development** – These are products have a high potential market growth rate but are yet to be placed on the market. They have no market share and make no income. There is significant spend on these products as they are prepared for the market.
4. **Hibernating Squirrels** – These are products which have been withdrawn from sale but which may be returned to the market at a later date. There is a small cost to these products e.g. the maintenance of intellectual property rights, storage of equipment etc.
5. **Warhorses** – These are products with a high relative market share but a negative growth rate. A product in decline but which still makes money.
6. **Dodos** – These are products which have a low relative market share and a negative market growth rate. These are products on the road to divestment. A good example are 'Findus Crispy Pancakes'. The Findus brand was bought by Northern Foods several years ago. The sales of crispy pancakes have fallen dramatically since they were introduced in the 1970s. Northern foods first dropped the Findus name from the pancake range, selling the product as a generic discount brand. This was a staged removal from the market.
7. **Lingering Memories** – these are products which have long-been removed from the market but still resonate in the minds of consumers. An example would be the Texan chew bar. Competitors may make a version of this product so there may be some residual benefit which can be drawn upon.

Family Portfolio matrix



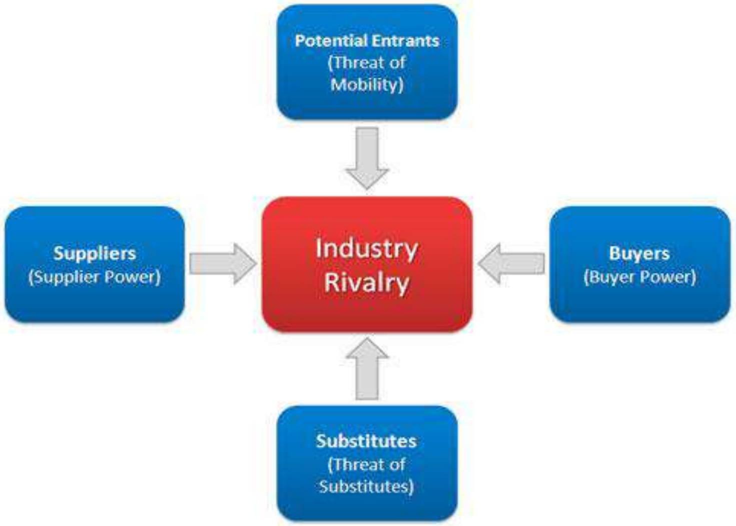
Porter's Five Forces Model

- Porter's Five Forces is a framework for analyzing a company's competitive environment.
- Porter's Five Forces is a frequently used guideline for evaluating the competitive forces that influence a variety of business sectors.
- It was created by Harvard Business School professor Michael E. Porter in 1979 and has since become an important tool for managers.
- These forces include the number and power of a company's competitive rivals, potential new market entrants, suppliers, customers, and substitute products that influence a company's profitability.
- Five Forces analysis can be used to guide business strategy to increase competitive advantage.

Porter's Five Forces Model

- **Porter’s five forces model** helps in accessing where the power lies in a business situation. **Porter’s Model** is actually a **business strategy tool** that helps in analyzing the attractiveness in an industry structure. It let you access current strength of your competitive position and the strength of the position that you are planning to attain.
- **Porters Model** is considered an important part of planning tool set. When you’re clear about where the power lies, you can take advantage of your strengths and can improve the weaknesses and can compete efficiently and effectively.
- **Porters model of competitive forces** assumes that there are **five competitive forces** that identifies the competitive power in a business situation. These **five competitive forces identified by the Michael Porter** are:

- Threat of substitute products
- Threat of new entrants
- Intense rivalry among existing players
- Bargaining power of suppliers
- Bargaining power of Buyers



Porter's Five Forces Model

Threat of substitute products

- **Threat of substitute products** means how easily your customers can switch to your competitors product.
- **Threat of substitute is high** when:
  - There are many substitute products available
  - Customer can easily find the product or service that you're offering at the same or less price
  - Quality of the competitors' product is better
  - Substitute product is by a company earning high profits so can reduce prices to the lowest level.

In the above mentioned situations, **Customer can easily switch to substitute products**. So substitutes are a threat to your company. When there are actual and potential substitute products available then segment is unattractive. Profits and prices are effected by substitutes so, there is need to closely monitor price trends. In substitute industries, if competition rises or technology modernizes then prices and profits decline.

Porter's Five Forces Model

Threat of new entrants

- A **new entry of a competitor** into your market also weakens your power. **Threat of new entry depends upon entry and exit barriers**.
- **Threat of new entry is high when**:
  - Capital requirements to start the business are less
  - Few economies of scale are in place
  - Customers can easily switch (low switching cost)
  - Your key technology is not hard to acquire or isn't protected well
  - Your product is not differentiated
- There is variation in attractiveness of segment depending upon entry and exit barriers. That segment is more attractive which has high entry barriers and low exit barriers. Some new firms enter into industry and low performing companies leave the market easily.
- When both **entry and exit barriers** are high then profit margin is also high but companies face more risk because poor performance companies stay in and fight it out. When these barriers are low then firms easily enter and exit the industry, profit is low. The worst condition is when entry barriers are low and exit barriers are high then in good times firms enter and it become very difficult to exit in bad times.

Porter's Five Forces Model

Industry Rivalry

- **Industry rivalry** mean the intensity of competition among the existing competitors in the market. Intensity of rivalry depends on the number of competitors and their capabilities.
- **Industry rivalry is high when**:
  - There are number of small or equal competitors and less when there's a clear market leader.
  - Customers have low switching costs
  - Industry is growing
  - Exit barriers are high and rivals stay and compete
  - Fixed cost are high resulting huge production and reduction in prices
- These situations make the reasons for advertising wars, price wars, modifications, ultimately costs increase and it is difficult to compete.

Porter's Five Forces Model

Bargaining power of suppliers

- **Bargaining Power of supplier** means how strong is the position of a seller. How much your supplier have control over increasing the Price of supplies. **Suppliers are more powerful when**
  - Suppliers are concentrated and well organized
  - a few substitutes available to supplies
  - Their product is most effective or unique
  - Switching cost, from one suppliers to another, is high
  - You are not an important customer to Supplier
- When suppliers have more control over supplies and its prices that segment is less attractive. It is best way to make win-win relation with suppliers. It's good idea to have multi-sources of supply.

Porter's Five Forces Model

Bargaining power of Buyers

- **Bargaining Power of Buyers means**, How much control the buyers have to drive down your products price, Can they work together in ordering large volumes.
- **Buyers have more bargaining power when:**
  - Few buyers chasing too many goods
  - Buyer purchases in bulk quantities
  - Product is not differentiated
  - Buyer’s cost of switching to a competitors’ product is low
  - Shopping cost is low
  - Buyers are price sensitive
  - Credible Threat of integration
- **Buyer’s bargaining power** may be lowered down by offering differentiated product. If you’re serving a few but huge quantity ordering buyers, then they have the power to dictate you.

Porter's Five Forces of the Steel Industry

- Industry rivalry is high
- There is not much product differentiation resulting in intense competition to get large contracts thereby minimizing customer's switching cost and loyalty and causing excess capacity.
- High exit barriers since assets are specialized due to various technology being used in the industry
- Increase of mini-mill competitors
- Increase in global competitor (Japanese Steel, Arcelor Mittal Steel)taking up greater market shares

Is low for integrated steel industry

- Growth is stagnant from the low price of steel
- Economies of scale
- Significant capital investment in acquiring property and equipment
- Barriers to exit are also very high as "tax laws and accounting rules inhibited the closing of inefficient plants"
- Difficult access to supply and distribution
- **Slightly higher for the mini-mill industry due to lower capital commitment and scale**

- For the industry, it is moderate
- Iron ore and scrap are relatively cheap commodities
- Few suppliers
- Mini-mills reliability on scrap metal can cause it to shift to a more costly materials like iron carbide in cases of higher cost of scrap metal due to limited supply
- For integrated steel makers, supplier power is low because their backward integration practice(acquiring their own coal/coke mines and transportation facilities).
- Bargaining power of union workers is medium too.

- It is moderate to high
- High in applications where strength is not a crucial concern but cost is(e.g. plastic, wood, synthetic materials, fiberglass)
- Moderate in applications that require strength since substitute materials are just not strong enough
- Threat of cheaper Chinese steel could take sales from domestic players too.

- Is moderate
- The huge availability of steel products has allowed buyers to set the price they will for steel products.
- Relatively low switching cost
- Large buyers have (e.g. car makers) have more bargaining power. For example, the U.S steel producers had to fulfill Japanese automakers' quality before they were allowed to supply Japanese auto plants in the U.S.

Ansoff Matrix

- ***Ansoff Matrix is a tool used by businesses to learn, analyse and design strategies for growth.*** It helps the firms to understand the external market scenario and the product portfolio that the firm possesses.
- ***H. Igor Ansoff*** (Mathematician and Business Manager) first developed the Ansoff Matrix and was published in the Havard Business Review 1957.
- Marketers have utilized it to recognize the risks and better execute the plans to grow their business. It consists of four strategies that can help a firm decide its market and product growth strategies.
- The Ansoff Matrix comprises two quadrants – The product quadrant and the market quadrant. The product quadrant on the ***x-axis*** consists of existing products and new products and, the market quadrant on th***e y-axis*** includes existing markets and new markets.
- The four strategies in the Ansoff Matrix are as follows:

➢ **Market Penetration:** Focuses on increasing sales of existing products in an existing market.

➢ **Market Development:** Targeting with current products in a new market.

➢ **Product Development:** Introducing new products in an existent market for expansion.

➢ **Diversification:** Introducing new products in a new market.

Ansoff Matrix

The Ansoff Matrix: Market Penetration

- In the Market Penetration Strategy, the firms focus on selling their current products in an existing market. The firms try to focus on testing with different growth strategies to increase their market share. Before going with a market penetration strategy, firms need to analyse several situations.
- Is the ***market saturated***? Going with a market penetration strategy in a saturated market means incurring higher expenses.
- Businesses should not be incurring extra cost for new product development or setting up a new unit for that market.

Some ways to execute a market penetration strategy:

- ***Adopting Aggressive Marketing, Increasing Promotions***
- ***Focusing on increasing distribution efforts***
- ***Giving discounts to attract new customers***
- ***Acquiring smaller competitors to decrease competition***
- ***Offering customized products***

Example

- ***Nestle*** adopts an aggressive marketing and promotional strategies to penetrate a market. Nestle focuses on launching different sizes of products to increase their customer base. It helps Nestle to acquire customers who cannot afford large-size packages. They also regularly introduce new flavours for its customers to increase their sales. Nestle also focuses on giving huge discounts on large-size products and promotes its offerings on multiple marketing channels. So, all these market penetration strategies help Nestle to sell its products consistently in an existing market.

Ansoff Matrix

Market Development

- In the Market Development Strategy, the businesses enter new markets with existing products.
- ***A Market Development Strategy is used when –***
- ***The new market is profitable.***
- ***The firm has the required capital to enter a new market.***
- ***Consumer behaviour of both markets is similar.***
- While entering a new region, a company should come up with new pricing and promotional strategies. It is also necessary for the firms to properly coordinate with the new distribution channels. ***So, the products are readily available to the customers.***
- Market development involves moderate risk because of a lack of familiarity with the customers. A firm entering a new market has to advertise its products which can be expensive. A company also needs to invest in production facilities, promotional strategies, distribution channel, and many more. So, the expenses that the firms will undergo is high.

Example

- When ***Nestle*** enters a new market, they make sure that the products are readily available to the customers at affordable prices. So, Nestle heavily invests on efficient distribution channels. Also, the company believes in giving excellent quality products to its customers at affordable prices. It helps in winning customers trusts and results in brand loyalty. The company also heavily invests in advertisements to aggressively market its presence in the new region. It also focuses on modifying its products according to the market need by changing the packaging or offering a product variant.
- However, ***high brand equity*** helps brands like Nestle, Nike or McDonalds to enter a new market. So, if a product has the backing of a reputed brand name, it gets easier to win the customers trust. But, if the product is not rooted in the current market, it is not recommended to implement the market development strategy.

Ansoff Matrix

Product Development

- Product Development in the Ansoff Matrix refers to the development of new products for the existing market. The strategies are implemented when a firm has strong R&D and can provide innovative solutions to its customers. ***Firms mainly go for product development strategies when the market is growing, and they have a strong understanding of their current market.***
- A company can come up with a new product in different forms:
  - New products replacing the old ones
  - New innovative products based on customer needs
  - Product line extensions
  - Several quality products to target different customer segments
- A product development strategy is a costly one, and there is a moderate risk associated with it. This strategy can misfire when the company does not have a core of strong brands and less consumer following. Not just cost, but if the product fails to deliver in the market, it might affect the firms brand equity.

Example

- A part of the success enjoyed by ***McDonald's*** stems from its product development strategy. To succeed internationally, McDonald's creates several products to meet customers demands in the local markets. They also adapt and modify their products to fit local tastes of that specific region. For example, In India, McDonald's changed their Big Mac to Maharaja Mac which contains no beef, to satisfy their local customers.

Ansoff Matrix

Diversification

- In a Diversification strategy, a company enters a new market with a new product. This strategy comes up with high risk, but with detailed research and proper execution, it yields high profits.
- ***Firms should first develop secure finances and then opt for this strategy because of the huge investments involved.*** Think of the money involved in entering a new market with a new product. However, the chances of profits are high because the firm is entering a new market with a whole new segment of customers to target.
- There are the following two types of diversification:

➢ **Related Diversification:** Development of new product and market has some synergies with the existing product and market. It means that the new product and market share some commonality with the old ones. For example, a bank develops an insurance product, or a leather wallet company produces a leather wallet product.

➢ **Unrelated Diversification:** Development of new product and market has little or no relation with the existing product and market. It means that the new product and market no commonality with the current ones. Imagine, a steel company developing an insurance product.

Example

- Although ***Honda motor company*** has its core competencies in cars and trucks, they started in the motorcycle business. Honda flourished in their new business because they were successfully leveraging their core competencies through related diversification.
- The best example for unrelated diversification can be ***Tata*** and ***Reliance.*** The two giants started with a single product but then successfully expanded into a completely unrelated segment. However, not every irrelevant diversification end in a happy ending. For instance, ***Harley Davidson*** tried to enter the branded bottled water business but resulted in a disaster.

Ansoff Matrix HUL

Uses of the Ansoff Matrix

- The matrix is a framework to explore directions for strategic growth
- It is the most commonly used model for analysing the possible strategic direction that a business should take
- It not only identifies and analyses different growth opportunities it also encourages planners to consider both expected returns and risks
- But, as we have seen, real world examples do not fit neatly into the four cells of the Ansoff's Matrix

Market Profitability Analysis

- Market profitability analysis measures the net profit earned by undertaking business in a particular market. Trading in a market usually means trading with more than one customer. Wholesale and retail or public sector and private sector, are examples of different markets.
- **A profitable market** is a market for the business that over time yields revenue that exceeds, by an acceptable amount, the cost of attracting, selling and servicing the group of customers with which they trade within that market.
- Profitability control is a marketing control tool used to perform **marketing profitability analysis**. The profitability analysis is a systematic and logical process used to analyze profits earned from various marketing activities and marketing channels. Firms show a growing interest in using marketing profitability analysis to quantify the true profitability of varying marketing activities. Gaining insights to true profitability, marketing managers can:

➢ Reduce unnecessary resources required to execute different actions.

➢ Increase resource productivity.

➢ Acquire resources at a reduced cost.

➢ Increase prices of products that consume increased amounts of support resources.

- **Marketing Profitability Analysis Steps**

Marketing profitability analysis involves the following steps:

➢ Identifying functional expenses.

➢ Assigning functional expenses to marketing entities.

➢ Preparing a profit-and-loss statement for each marketing entity.

- After marketing managers identify functional expenses, assign those expenses to marketing entities and prepare their respective profit-and-loss statements, the marketing professional then needs to determine if corrective action is necessary based on their profitability analysis.

Marketing Metrics

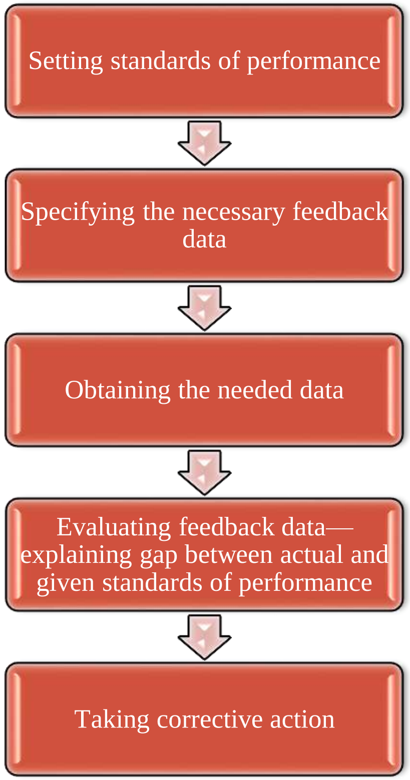
- **Marketing metrics** are quantifiable measures that are used by marketing departments to determine the overall performance and efficiency of an organization's marketing plan.
- **Marketing metrics** are at the core of a market based business striving to achieve profitable growth.
- **Marketing metrics** is the set of measures that help marketers quantify, compare, and interpret their performance. Marketers today have better marketing metrics for measuring the performance of marketing plans. Firms can choose metrics based on the particular issues or problems they face.
- London Business School's Tim Ambler believes firms can split evaluation of marketing performance into two parts: (1) short-term results and (2) changes in brand equity. **Short-term results often** reflect profit-and-loss concerns as shown by sales turnover, shareholder value, or some combination of the two. **Brand-equity** measures could include customer awareness, attitudes, and behaviors; market share; relative price premium; number of complaints; distribution and availability; total number of customers; perceived quality; and loyalty and retention.

Tracking Marketing Performance to Profit Performance Impact

Designing Marketing Metrics - Process

- A well-functioning performance measurement system is critical to the success of a business.
- To be successful, it should be well integrated with the other steps in the marketing management process—setting objectives, formulating strategies, and implementing a plan of action. The performance measurement system monitors the extent to which the firm is achieving its objectives. When it is not, the firm determines whether the reason lies in the environment, the strategies employed, the action plans, the way the plans are being implemented, or some combination thereof. Thus, reappraisal is diagnostic, serving to start the marketing management process anew.
- Performance measurement processes differ at each organizational level. Regardless of the organizational level involved, the performance measurement process is essentially the same.
- **It consists of five steps:**
  - Setting Performance Standards,
  - Specifying Feedback,
  - Obtaining Data,
  - Evaluating it, and
  - Taking Corrective Action

The Performance Measurement Process



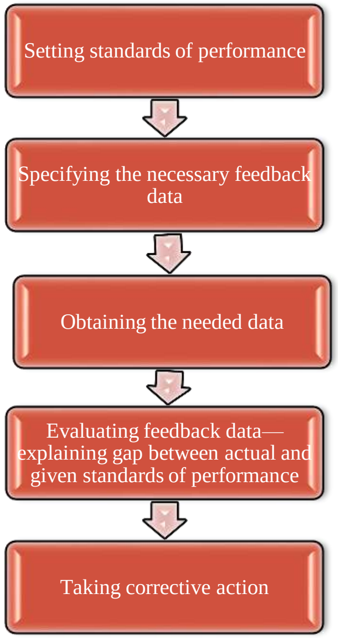
Designing Marketing Metrics - Process

- **It consists of five steps:**

Setting Performance Standards

- Performance standards derive largely from the objectives and strategies set forth at the SBU and individual product-market entry level. They generate a series of performance expectations for profitability (return on equity, return on assets managed, gross margins, or operating margins), market share, and sales.
- At the product-market level, standards of performance also include sales and market-share determinants such as percent effective distribution, relative shelf-facings, awareness, consumers' attitude change toward a given product attribute, customer satisfaction, and the extent of price parity.
- Similarly, for every line item in a marketing budget—product development costs, advertising and promotional expenses, costs for salespeople, and so on—specific and measurable standards of performance must be set so that each of these elements of marketing performance can be evaluated.
- To be of any value, performance standards must be measurable; further, they must be tied to specific time periods, particularly when they concern a management compensation system. The **SMART** acronym (**s**pecific, **m**easurable, **a**ttainable, **r**elevant, and **t**ime bound) is a useful framework for setting performance standards.

The Performance Measurement Process

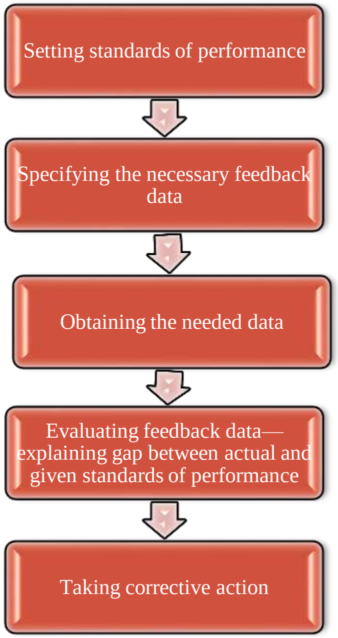


Designing Marketing Metrics - Process

- **It consists of five steps:**

Specifying & Obtaining Feedback Data

The Performance Measurement Process



- Once a company has established its performance standards, its next step is to develop a system that provides usable and timely feedback data on actual performance.
- The Company must gather and process considerable data to obtain the performance measures, especially at the product-market level. Analysts obtain feedback data from a variety of sources, including **company accounting records** and **syndicated marketing information services** such as Nielsen.
- The **sales invoice** or other transaction records, such as those produced by retailers' point-of-sale systems, are often the basic internal source of data because they provide a detailed record of each transaction. Invoices are the basis for measuring profitability, sales, and various budget items. They also provide data for the analysis of the geographic distribution of sales and customer accounts by type and size.
- For many companies, **tracking referrals**, and who makes them, is a key element in h and managing marketing performance.
- Careful measurement of **post-sale service** can also pay dividends in enhanced performance.
- Another source, and typically the most expensive and time-consuming, involves undertaking one or more **marketing research projects** to obtain needed information. **In-house research projects** are apt to take longer and be more expensive than using an outside syndicated service. But there may be no alternative, for example, in determining awareness and attitude changes and obtaining data on customer service

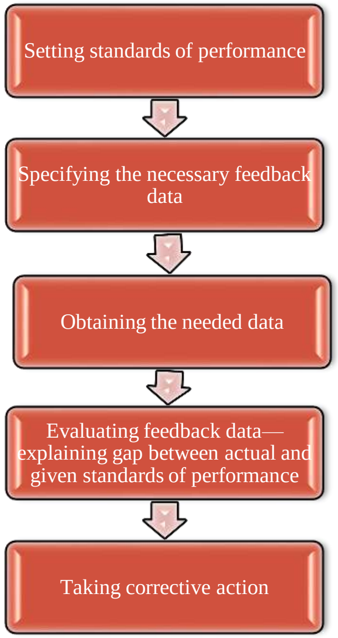
Designing Marketing Metrics - Process

- **It consists of five steps:**

Evaluating Feedback Data

- Management evaluates feedback data to find out whether there is any deviation from the plan and, if so, why. Walmart does this in a variety of ways, including sending its regional vice presidents into the field on a regular basis to learn what's going on and why.
- Typically, managers use a variety of information to determine what the company's performance should have been under the actual market conditions that existed when the plan was executed. In some cases, this information can be obtained in measured form; examples include a shift in personal disposable income (available from government sources), a change in the demand for a given product type (obtained when measuring market share), the impact of a new brand on market share (reported by a commercial source), or a change in price by a major competitor. Often, however, the explanation rests on inferences drawn from generalized data, as would be the case in attributing poor sales performance to an improvement in a competitor's salesforce.
- At the line-item level, whether for revenue or expenses, results are compared with the standards set in step one of the control process. A merchandise manager or buyer at an apparel retailer such as H&M, for example, would track sales results of each style or merchandise category in terms of its selling rate (how many weeks' supply is on hand overall and in which stores) and its gross margin performance. For a district sales team of an industrial goods manufacturer, salespeople might be measured on the number of sales calls they make per week, the number of new accounts they generate, their sales volume in revenue and units, their travel expenses, and a variety of other metrics. A stylist in a beauty salon might be measured in terms of the number of haircuts or the sales revenue she produces per day or per hour.

The Performance Measurement Process



Designing Marketing Metrics - Process

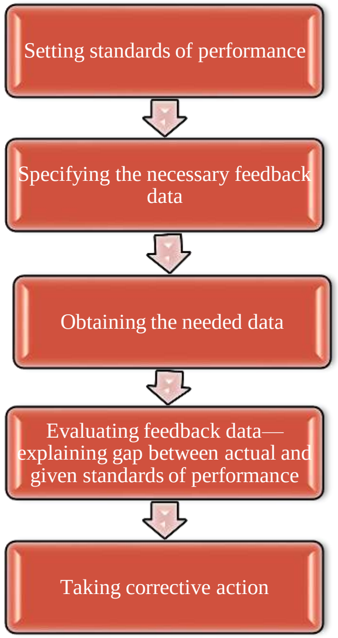
- **It consists of five steps:**

Taking Corrective Actions

- The last step in the control process concerns prescribing the needed action to correct the situation. At Walmart, this is partly accomplished at its various congresses held every Friday and Saturday when managers decide what actions to take to solve selected problems. Success here depends on how well managers carry out the evaluation step. When linkages between inputs and outputs are clear, managers can presume a causal relationship and specify appropriate action. For example, assume that input consisted of an advertising schedule that specified the frequency of a given TV message. The objective was to change attitudes about a given product attribute (the output). If the attitude change did not occur, remedial action would start with an evaluation of the firm's advertising effort, particularly the advertising message and how frequently it ran.

- But in many cases it is difficult to identify the cause of the problem. Almost always, an interactive effect exists among the input variables as well as the environment. There is also the problem of delayed responses and carryover effects. **For example**, advertisers can rarely separate the effects of the message, media, frequency of exposure, and competitive responses in an attempt to determine advertising effects. Even if the company could determine the cause of a problem, it faces the difficulty of prescribing the appropriate action to take. The result of these difficulties is that marketers continue to struggle with quantifying the value of marketing efforts and with creating a culture of accountability for marketing performance.

The Performance Measurement Process



Strategic wear-out

- **Definition Strategic wear-out**: Strategic wear-out occurs when an organisation no longer meets customer needs and the pursed strategy is surpassed by competitors. (Drummond and Ensor, 2001).
- There are many examples of companies that once had a successful strategy but have failed to adapt to the changing environment and have therefore suffered from ’strategic wear-out’.
- Marks & Spencer is a prime example of a company that is currently trying to overcome the problems of strategic wear-out.
- According to Davidson (1997) there are a **number of reasons for strategic wear-out**:

➢ **Market changes**

- changing customer needs
- developments in distribution such as the Internet

➢ **Competition** - from either existing or new competitors

➢ **Internal factors:**

- insufficient investment
- lack of management control of company costs
- misguided changes to winning strategy

In order to avoid strategic wear-out companies should:

❑ undertake regular and detailed reviews of each element that makes up the external environment

❑ identify the ways in which these elements are changing

❑ evaluate the impact of these changes on the organisation

❑ undertake an internal audit to establish the appropriateness of actions both currently and for the future to ensure that customer needs continue to be met


WEBSITE DESIGN
PLANNING
MANAGEMENT
OFFLINE INTEGRATION
MARKETING STRATEGY
CONVERSION ANALYSIS
OPTIMIZATION PROCESS
SOCIAL MEDIA
TRAFFIC BUILDING

THE END