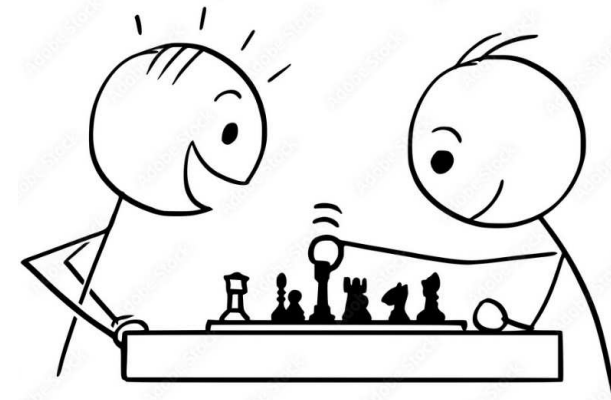


Competitive Strategies

Prateek Kalia, Ph.D.



Agenda

- Competitive Strategies adopted by
 - Market Leader
 - Market Challenger
 - Market Follower
 - Market Nicher
- Product Life-Cycle Marketing Strategies
- Marketing in an Economic Downturn

Hypothetical Market Structure



Market Leaders Strategies



Expanding
Total Market
Demand

Protecting
Market
Share

Increasing
Market
Share

Expanding Total Market Demand

– New Customers

- Who might use it but do not (market penetration strategy)
- Who have never used it (new-market segment strategy)
- Who live elsewhere (geographical-expansion strategy)

– More Usage

- Increase the amount, level, or frequency of consumption.
- Boost the amount through packaging or product redesign.
- More availability for impulse products such as soft drinks and snacks
- Additional opportunities to use the brand (E.g., Gillette razor cartridges with colored stripes signaling replacement)

– New ways to use the brand

- (E.g., Toothpaste as stain remover from piano keys)

Protecting Market Share

- The most constructive response is **continuous innovation**. The front-runner should lead the industry in developing new products and customer services, distribution effectiveness, and cost cutting.



Proactive
Marketing

Defensive
Marketing



Proactive Marketing

Responsive

- Finds a stated need and fills it.

Anticipative

- Looks ahead to needs customers may have in the near future.

Creative

- Discovers solutions customers did not ask for but to which they enthusiastically respond.

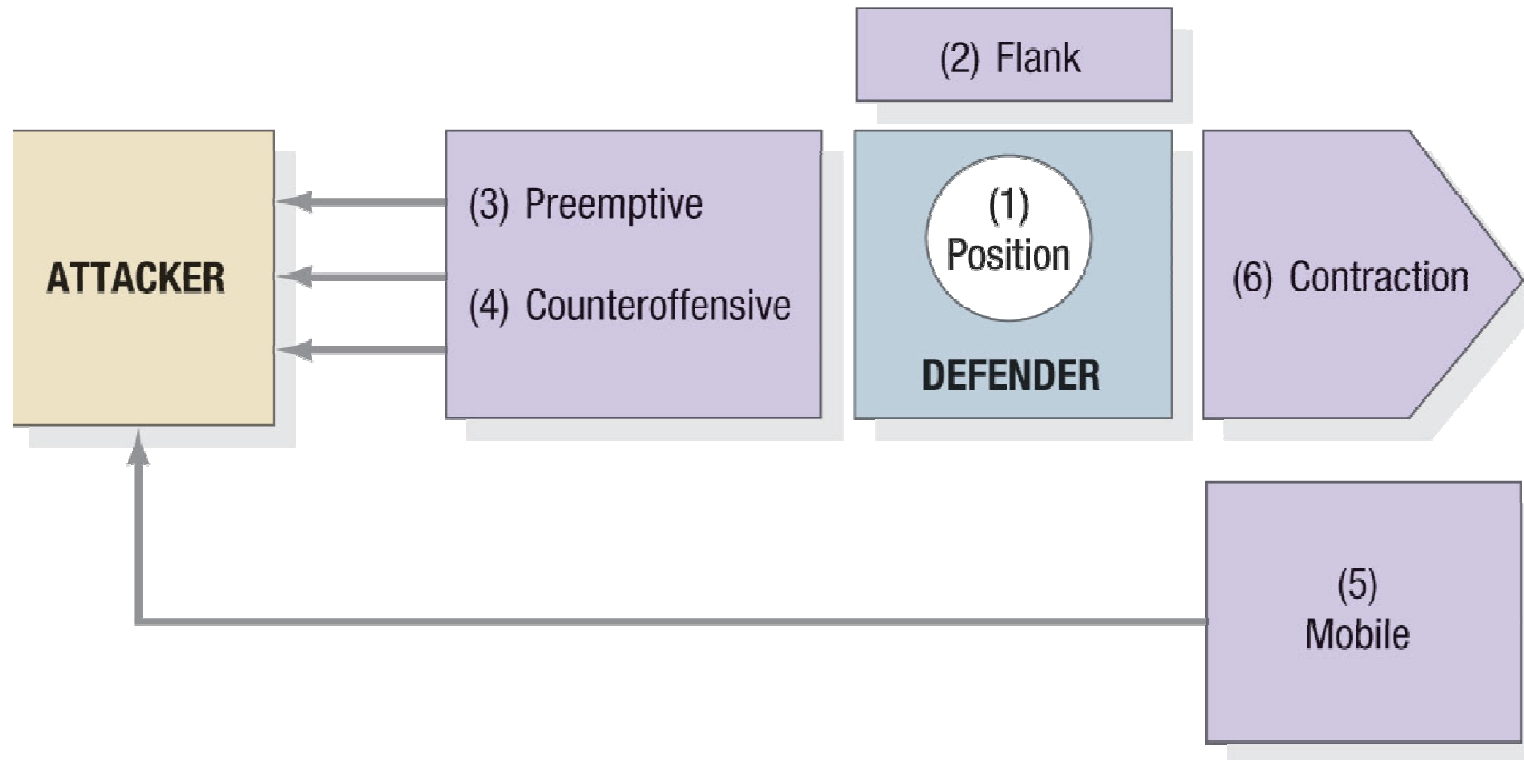


Hardware → Software



MUNI
ECON

Defensive Marketing



Defensive Marketing

– Position Defense.

- Position defense means **occupying the most desirable market space in consumers' minds**, making the brand almost impregnable, as Procter & Gamble has done with Tide detergent for cleaning, Crest toothpaste for cavity prevention, and Pampers diapers for dryness.

– Flank Defense

- The market leader should **erect outposts** to **protect** a **weak front** or **support** a possible **counterattack**. Procter & Gamble brands such as Gain and Cheer laundry detergent and Luvs diapers have played strategic offensive and defensive roles.

– Preemptive Defense.

- A more **aggressive** maneuver is to attack first, perhaps with guerrilla action across the market—hitting one competitor here, another there—and **keeping everyone off balance**. Another is to achieve broad market envelopment that signals competitors not to attack. E.g., Bank of America, Microsoft (nationwide 18,500 ATMs and 6,100 retail branches)

Defensive Marketing

Contd..

– Counteroffensive Defense

- In a counteroffensive, the market leader can **meet the attacker frontally** and **hit its flank**, or **launch a pincer movement** so it will have to pull back to defend itself. After FedEx watched UPS successfully invade its airborne delivery system, it invested heavily in ground delivery through a series of acquisitions to challenge UPS on its home turf.
- https://www.youtube.com/watch?v=vHVWegNfQI0&ab_channel=JvMNeckar

– Mobile Defense

- In mobile defense, the leader **stretches its domain over new territories** through **market broadening** and **market diversification**. Market broadening shifts the company's focus from the current product to the underlying generic need. Thus, “petroleum” companies such as BP sought to recast themselves as “energy” companies. This change required them to research the oil, coal, nuclear, hydroelectric, and chemical industries.

Defensive Marketing

Contd..

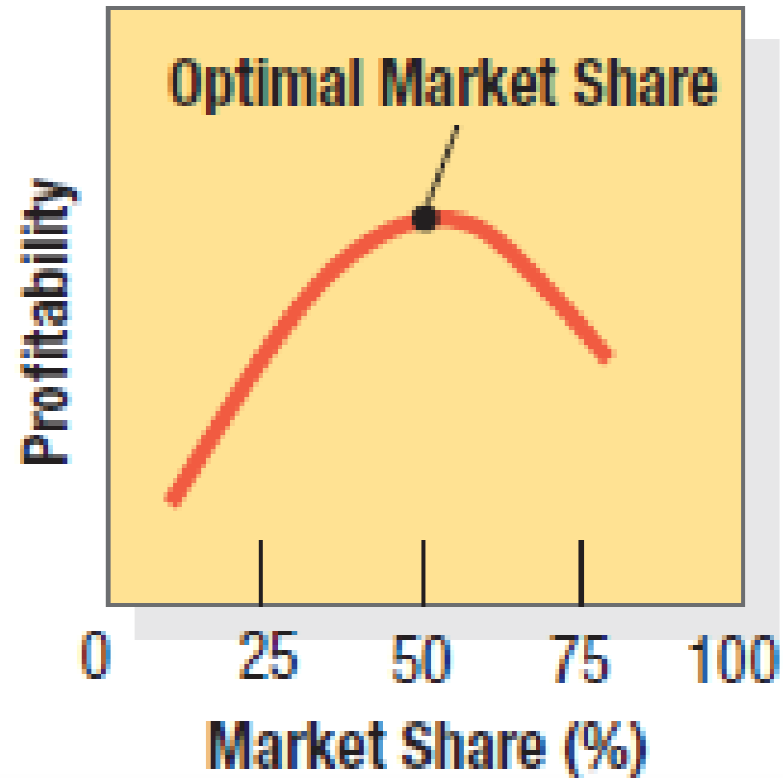
– Contraction Defense

- Sometimes large companies can **no longer defend all their territory**. In planned contraction (also called strategic withdrawal), they **give up weaker markets** and reassign resources to stronger ones. Since 2006, Sara Lee has spun off products that accounted for a large percentage of its revenues—including its strong Hanes hosiery brand and global body care and European detergents businesses—to focus on its core food business.

Increasing Market Share

- Economic cost
 - **Profitability might fall with market share gains** after some level. For instance, the costs of legal work, public relations, and lobbying rise with market share.
- The danger of pursuing the wrong marketing activities
 - Companies that **attempt to increase market share by cutting prices** more deeply than competitors typically don't achieve significant gains, because rivals meet the price cuts or offer other values so buyers don't switch.
- The effect of increased market share on actual and perceived quality
 - Too many customers can put a strain on the firm's resources, hurting product value and service delivery.

The Concept of Optimal Market Share



Other Competitive Strategies

Market
Challengers

Market
Followers

Market
Nichers

Market-Challenger Strategies



Defining the strategic objective and opponent(s)

- Attack the market leader
 - This is a **high-risk** but potentially **high-payoff** strategy and makes good sense if the leader is not serving the market well. Xerox wrested the copy market from 3M by developing a better copying process.
- Attack firms its own size that are not doing the job and are underfinanced.
 - These firms have **aging products**, are charging **excessive prices**, or are **not satisfying customers** in other ways.
- Attack small local and regional firms.
 - Several major banks grew to their present size by **gobbling up smaller** regional banks, or “guppies.”

Choosing a General Attack Strategy

– Frontal Attack

- The attacker **matches its opponent's product, advertising, price, and distribution**. The principle of force says the side with the greater resources will win. A modified frontal attack, such as cutting price, can work if the market leader doesn't retaliate, and if the competitor convinces the market its product is equal to the leader's.

– Flank Attack

- **Identifying** shifts that are causing **gaps** to develop, then rushing to **fill the gaps**. Flanking is particularly attractive to a **challenger with fewer resources** and can be more likely to succeed than frontal attacks. E.g., Newspapers sell where internet is still weak.

– Encirclement Attack

- Attempts to **capture a wide slice of territory** by launching a **grand offensive on several fronts**. It makes sense when the **challenger commands superior resources**. E.g., Microsoft vs Java Software.

Choosing a General Attack Strategies ...

– Bypass Attack

- Bypassing the enemy altogether to **attack easier markets** instead offers three lines of approach: diversifying into **unrelated products**, diversifying into **new geographical markets**, and leapfrogging into **new technologies**. E.g., Pepsi rolled Aquafina, bought Tropicana, Google used technological leapfrogging to overtake Yahoo!

– Guerrilla Attacks

- Guerrilla attacks consist of **small, intermittent attacks**, conventional and unconventional, including selective price cuts, intense promotional blitzes, and occasional legal action, to harass the opponent and eventually secure permanent footholds.

Choosing a Specific Attack Strategy

- Any aspect of the marketing program can serve as the basis for attack, such as lower-priced or **discounted products**, new or **improved products** and services, a **wider variety** of offerings, and **innovative distribution strategies**. A challenger's success depends on combining several, more specific, strategies to improve its position over time.

Market-Follower Strategies



Market-Follower Strategies

– Counterfeiter

- **Duplicates** the leader's product and packages and sells it on the black market or through disreputable dealers. Music firms, Apple, and Rolex have been plagued by the counterfeiter problem, especially in Asia.

– Cloner

- **Emulates** the leader's products, name, and packaging, with **slight variations**. For example, Ralcorp Holdings sells imitations of name-brand cereals in look-alike boxes.



Market-Follower Strategies

Contd.

– Imitator

- **Copies some things** from the leader **but differentiates** on packaging, advertising, pricing, or location. The leader doesn't mind as long as the imitator doesn't attack aggressively. Fernandez Pujals grew up in Fort Lauderdale, Florida, and took Domino's homedelivery idea to Spain, where he borrowed \$80,000 to open his first store in Madrid. His Telepizza chain now operates almost 1,050 stores in Europe and Latin America.



– Adapter

- The adapter **takes the leader's products and adapts** or improves them. The adapter may choose to sell to different markets, but often it grows into a future challenger, as many Japanese firms have done after improving products developed elsewhere.

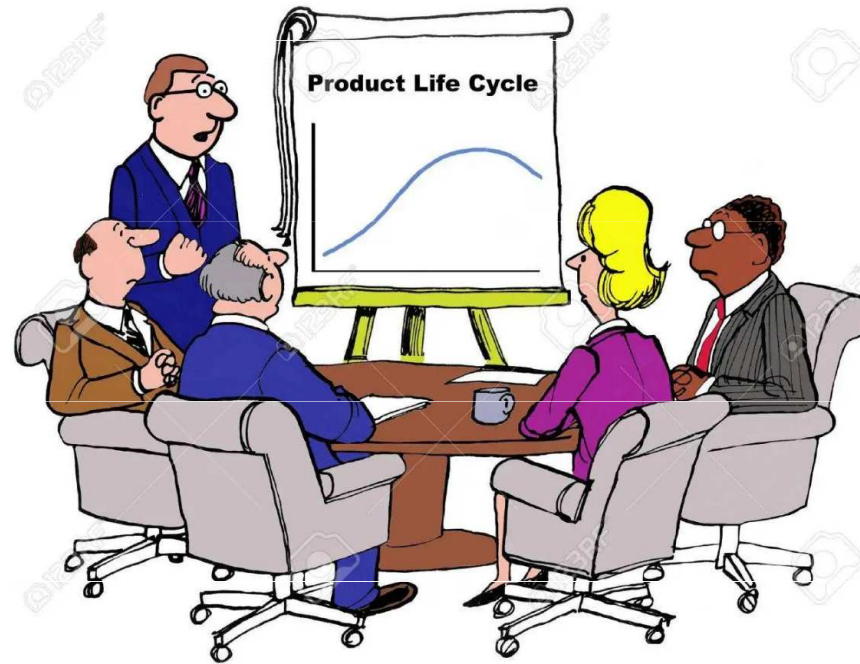


Market-Nicher Strategies

- An alternative to being a follower in a large market is to be a **leader in a small market**, or niche. Smaller firms normally avoid competing with larger firms by targeting small markets of little or no interest to the larger firms. But even large, profitable firms may choose to use niching strategies for some of their business units or companies.

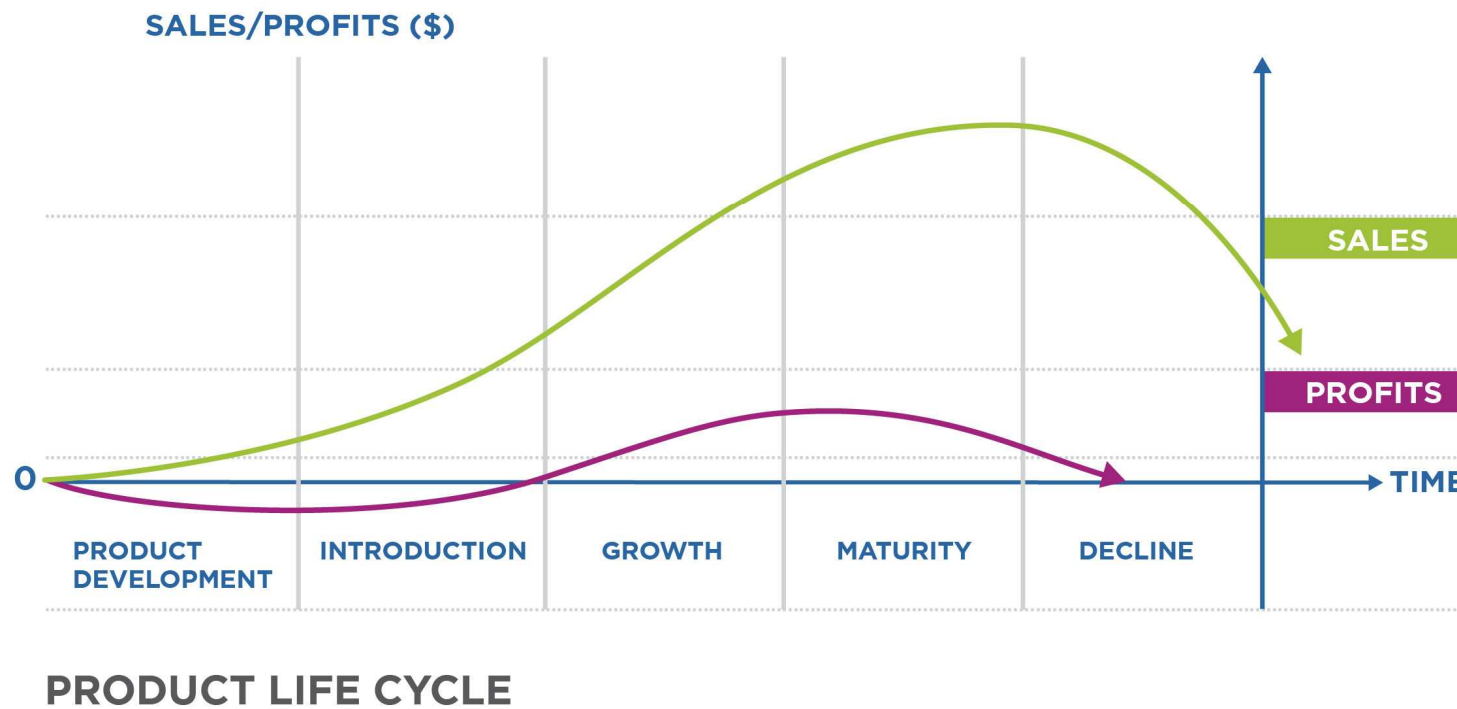


Product Life-Cycle Marketing Strategies



“And this all happened in the last week ...”

Product Life Cycle

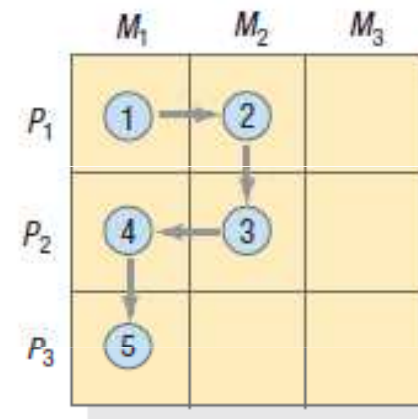


Four assertions of Product Life Cycle

- Products have a **limited life**.
- Product sales **pass through distinct stages**, each posing different challenges, opportunities, and problems to the seller.
- **Profits rise and fall** at different stages of the product life cycle.
- **Products require different** marketing, financial, manufacturing, purchasing, and human resource **strategies** in each life-cycle stage.

Marketing Strategies: Introduction Stage

- Roll out a **new product**, work out the **technical problems**, fill **dealer** pipelines, and gain **consumer acceptance**, sales growth tends to be **slow** in the introduction stage. **Profits are negative** or low, and **promotional expenditures** are at their **highest** ratio to sales because of the need to:
 - (1) Inform potential consumers,
 - (2) Induce product trial, and
 - (3) Secure distribution in retail outlets.



Marketing Strategies: Growth Stage

- **Improve product quality** and adds new features and improved styling.
- **Add new models** and flanker products (of different sizes, flavors, and so forth) to protect the main product.
- Enter **new market** segments.
- Increase distribution **coverage** and enter new channels.
- Shift from awareness and trial communications to preference and **loyalty** communications.
- **Lowers prices** to attract the next layer of price-sensitive buyers.

Marketing Strategies: Maturity Stage

– Market Modification

- A company might try to expand the market for its mature brand by working with the two factors that make up sales volume: $\text{Volume} = \text{number of brand users} \times \text{usage rate}$ per user, but may also be matched by competitors.

– Product Modification

- Stimulate sales by improving **quality, features, or style**. Quality improvement increases functional performance by launching a “new and improved” product. Feature improvement adds size, weight, materials, supplements, and accessories that expand the product’s performance, versatility, safety, or convenience.

– Marketing Program Modification

- Stimulate sales by modifying nonproduct elements—**price, distribution, and communications** in particular.

Marketing Strategies: Decline Stage

- Restage or rejuvenate
 - a mature product often do so by **adding value** to it (When exit barriers are high).
- Harvesting
 - Gradually **reducing a product or business's costs** while trying to maintain sales. The first step is to cut R&D costs and plant and equipment investment. The company might also reduce product quality, sales force size, marginal services, and advertising expenditures, ideally without letting customers, competitors, and employees know what is happening.
- Divest
 - If a company is having a product with strong distribution and residual goodwill, it can probably **sell the product to another firm**.

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing Objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Communications	Build product awareness and trial among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits and encourage brand switching	Reduce to minimal level needed to retain hard-core loyalists

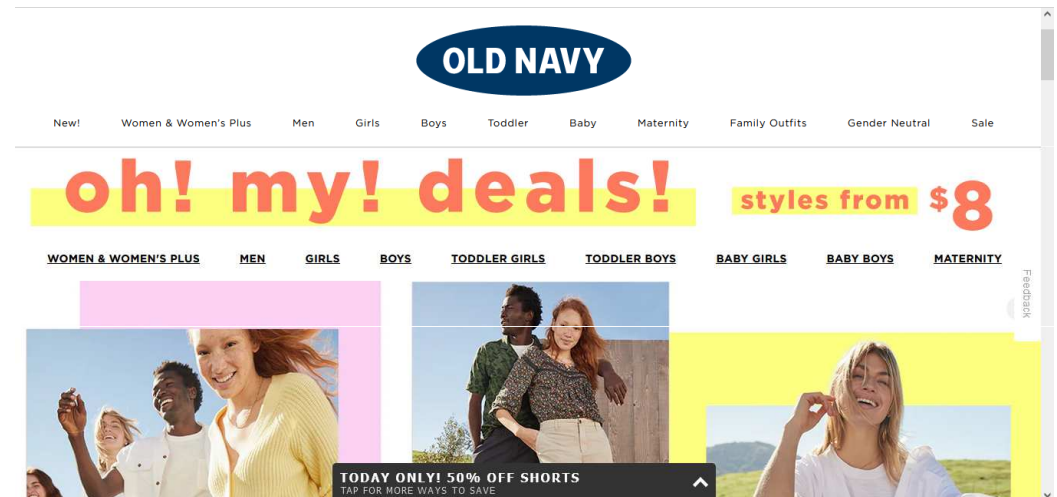
Marketing in an Economic Downturn

- Explore the Upside of Increasing Investment
- Get Closer to Customers
- Review Budget Allocations
- Put Forth the Most Compelling Value Proposition
- Fine-tune Brand and Product Offerings



Get Closer to Customers

- After unsuccessfully chasing twenty-somethings with trendier clothing, Old Navy refocused its message to target a budget-conscious mom shopping for herself and the family



Put Forth the Most Compelling Value Proposition

- Marketers should increase—and clearly communicate—the value their brands offer, making sure consumers appreciate all the financial, logistical, and psychological benefits compared with the competition.

Why add detergent 365 times a year when you could just add it twice?

GE Profile's new frontload washer with the SmartDispense™ pedestal holds up to six months of detergent* and conveniently dispenses the right amount for each load. And now you can reduce wrinkles, refresh fabrics and improve cleaning with the addition of Steam technology to the washer and dryer. Just a few of the many features that will ensure your clothes are well taken care of. To learn more, visit geappliances.com/profilefrontload. 100 years of innovation. And we're just getting started.

 Profile™



Review Budget Allocations

<https://www.hotcars.com> > Electric Cars

Here's Why You Don't See Tesla Ads On TV - HotCars

Jun 17, 2021 — **Tesla** won't even spend a single dollar on paid **advertising** on Facebook, YouTube Instagram, and Twitter. Musk even said on Twitter that he hates ...



<https://www.cnn.com> > 2022/02/14 > business > super-bo...

There wasn't a single Tesla ad during the Super Bowl ...

Feb 14, 2022 — CEO Elon Musk has been steadfast about his opposition to **advertising**. "Tesla does not advertise or pay for endorsements. Instead, we use that ...



<https://www.forbes.com> > sites > larrylight > 2020/06/01

The Natural: Elon Musk's Non-Traditional Approach To Tesla

Jun 1, 2020 — The **Tesla** shareholder wants **advertising** to drive awareness and brand value (share value, probably, rather than customer value). However, if the ...



Elon Musk @elonmusk

Order Tesla Model S Plaid at

tesla.com
Design Your Model S | Tesla
Design and order your Tesla Model S, the safest, quickest electric car on the road. Learn about lease and loan options, warranties, ...

6:45 AM · Jun 11, 2021

Read the full conversation on Twitter

90.4K Reply Copy link

Read 9.8K replies

Fine-tune Brand and Product Offerings

- Tier I, Giorgio Armani and Giorgio Armani Privé
 - Custom-made couture products that sell for thousands of dollars.
- Tier II, Emporio Armani
 - Young, modern, more affordable styles—convey technology and ecology.
- Tier III, A|X Armani Exchange
 - Youthful and street-savvy sold at retail locations in cities and suburban malls.

GIORGIO ARMANI
PRIVÉ

EMPORIO

ARMANI

A | X

ARMANI EXCHANGE

**MUNI
ECON**

M A S A R Y K

U N I V E R S I T Y