TYPES OF MARKETING STRATEGIES

MARKET LEADER STRATEGIES

1. Expand total market

2. Defend market share

3. Expand market share

MARKET CHALLENGER STRATEGIES

1. Define strategic objective and opponents

2. Choosing an attack strategy

MARKET FOLLOWER STRATEGIES

MARKET NICHE STRATEGIES

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A. MARKET LEADER STRATEGIES

1. EXPAND TOTAL MARKET

• New Users
E.g.: perfume:--> non-users (mkt-penetration strat)
--> men (new market strat)
--> other countries (geo-expan strat)

E.g.: J&J Baby shampoo: birthrate declining
--> ads target adults --> leading brand

• New uses
Cereals: as snacks --> increase frequency of use
OJ: "not for breakfast anymore"
Du Pont nylon: parachute-->pantyhose-->blouses & shirts --> auto tires -->seat belts --> carpeting
Arm & Hammer: baking--> fridge deodorant --> quell kitchen grease --> carpet/pet deodorant --> bath tub relaxant --> toothpaste --> ????

• **More usage:**

Michelin: want French to drive more --> rate restaurants (best in south --Provence & Riviera) --> publish guidebooks with maps and sights along the way

2. DEFEND MARKET SHARE

• decide where to defend
• continuous innovation along Mktg Mix

Position defense:

- purely defensive not enough
--> must take offensive counter-measure

Eg: Coke --> multi segments of cola mkt
--> enter wine market
--> acquire fruit drink companies
--> desalination equipment
--> plastics

Flanking defense:

- guarding territory not enough
- create outposts/flanks:
  --> protect weak front
  --> invasion base for counter-attack

Eg: Hyvee: supermkt still dominant yet facing challenges from other retailers

flanking strategy:
strengthening via superstore concept -->

• traditional foods - meat/canned/packaged

• non-traditional --> ethnic foods, wines

• prepared foods --> restaurant, take out, salad bar, bakery

• non-food retailing --> clothings, garden store, video rental, dry cleaning, photo developer,
• services: catering, party planning

Classic flanking failures: lack of commitment
Half-hearted design: GM: Vega and Ford: Pinto
flanking failed --> VW, Toyota, Nissan

Preemptive defense:

• attack BEFORE enemy starts offense
Eg: Microsoft: “Vapor-ware”

• guerrilla action: Seiko with 2300 watch models

• sends market signals but does nothing
(3 Kingdoms: empty city strategy)
-- hears of competitor’s plan to build new factory
--> “leaks info” of planned price cut and new factory plans

Failure to respond to strong attacks: fatal
Heinz did not respond to Hunt’s attack
--> Hunt now established rival brand

Counter-offensive defense:

- when attacked most mkt leaders will respond with counterattack
- cannot be passive in the face of continued attack
    - price cut,
    - promo blitz,
    - product improvement,
    - sales-territory invasion

options:
• “wait and see”
-- take time to understand motives -- ST vs LT
-- identify areas of weakness of competitor

• strong response:
-- detailed all-out offensive

Eg: BMW & Mercedes vs Lexus & Infinity
--> action when MS erosion was serious
• price cuts
• low end defense --> new models for under $45K segment

Mobile defense:
- more than aggressively defend
-- stretches domain over new territories

Strategies: Mercedes sees stagnant luxury mkt

Mkt broadening: broaden generic defn
-- MB takes on SUV with own all-wheel drive
-- MB takes on new microcar segment
-- JV with Swatch in MB/Swatch car

CAUTION: Mktg Myopia --> Mktg Hyperopia

Mkt diversification:
Reynolds: from cigarettes --> beer, liquor, soft drinks, frozen foods

MB: shifts more resources into aeronautics, auto design equipment CAD/CAM,

Contraction defense:

- strategic withdrawal
-- give up weak territories
-- concentrates strength at pivotal positions

Eg: Ford retires T-birds and Probe
Focuses on Contour & Taurus

3. EXPANDING MARKET SHARE

PIMS (Profit impact on mkt strategy) reports higher profits with higher mkt share
Argument: Profitability goes with high MS

Eg: MB high P because it a high MS holder in its served mkt (luxury segment)

Eg: 1 share point gain:
Coffee: > $80M
Soft drinks: $ 150M

CAUTION: gaining MS not necessarily gain P
- depends on strategy for gaining increased MS
-- cost of buying higher MS < revenues generated

3 critical considerations:
a. provoking antitrust action or anti-dumping charge

b. economic cost -- beyond optimal MS
,i.e. inverted "U" curve
WHY: legal costs, fight off competitors losing MS, PR problems, legal problems

c. wrong marketing-mix strategy

Recent case: UPS strike reveals vulnerability
- buyers want multiple vendors
- unattractive mkt segments
strategy: selectively decrease MS in weaker areas

Conditions when MS and P go together:

a. Unit costs fall with increased MS
- real gains in economies of scale --
cost/experience curves,
Intel: significant improvements in both product and process innovations, and large capital investment in new plants

b. Target Premium segment:
- premium price covers cost of offering higher quality
- MB/BMW strategy

B. MARKET CHALLENGER STRATEGIES

Targets of attack: conditions for success

1. Mkt leader not in tune with mkt: vulnerable
   -- dissatisfied customers
   -- technology shifted
   Intel & Microsoft Vs IBM

2. firm its own size -- underfinanced, not doing job

3. small and regional firms -- underfinanced

Attack strategies:

1. Frontal attack:
- "head-on" attack: condition : the principleof force
3:1 advantage
attacker matches opponent along all parts of MM

Cases: Shampoo/conditioner mkt 1977

SCJohnson's entry in shampoo mkt with Agree:
- raided Colgate & others for exper executives
- $14M promo blitz; 30M sample bottles of conditioner too
- Results: 1978-MS=15%; 1979-MS=20%
- 1978: $30M assault of shampoo mkt --> 6% MS

Helene Curtis' low-price strategy when @ 1% MS
strat: imitate high priced brands but sell at half price
• Sauve: launched in 1973 with aggressive pricing
• Result: 1976: 16% MS; > P&G's H&S; J&J's BS

2. Flank attack

• "concentration against weakness"
• attack strong side --> tie up defender's troops
• real attack: side or rear --> catch off guard

• spot uncovered mkt needs not served by leaders
• identify shifts in mkt segments --> quick entry, develop segment into strong segments

Case: Autos in 70s:
Japanese & Germans saw Detroit's vulnerability in small, fuel efficient car segment

Case: Beer industry 1970s
Miller "discovered" light beer segment: aggressively pursued new market
MS: from 7th --> 2nd in 5 years

3. Encirclement attack

• capture a wide slice of territory via blitzkreig
• grand offensive in many fronts
• enemy mustprotect front, rear, sides
• lessons from 1991 Gulf War operational tactics?

• attacker offers everything leader offers & more

Case: Seiko's global strategy
• 2300 models worldwide & 400 for US mkt
• attributes attacked:
-- fashion, features, user pref, price

Case: failed attack
• Hunt's (16% MS) assault on Heinz's 26% MS
• 2 new flavors: pizza and hickory
• goals: Change taste pref & take shelf space
• tactics: priced at 70% of Heinz; raised adv budget; heavy trade discounts
• Result: Heinz counter-attacked
-- cons taste pref unchanged --> no switching
-- very costly for Hunt to sustain
-- Heinz got stronger --> 40% MS

4. Bypass attack

• indirect assault
• avoid enemny; attack easier markets

3 alternative bypass attack strategies:
a. diversify into unrelated products
b. new geographical markets
c. leapfrog into new technologies

Case: Colgate Vs P&G: futile head-on
• expand into non-P&G mkts: via acquisition
-- textiles, hospital products, cosmetics, sporting goods

5. Guerrilla attack
• harassing & demoralizing opponent
• excellent for small companies

Some Attack Strategies Available to Challengers

1. Price discounts: Fuji vs Kodak

2. Cheaper goods strategy:
average/low quality at much lower price

3. Prestige goods strategy:

4. Product proliferation
Hunt: several flavors, several bottle sizes,
Cold cereal mkt

5. Product innovation strategy:

6. Improved services strategy

7. Distribution innovation: Timex thru mass-merch

8. Manufacturing cost reduction strategy

9. Intensive advertising strategy

C. Market Nicher Strategies

• small firms eschew whole or large segments
• also works very well with large firms

• low MS --> high profits

• WHY IS NICHING PROFITABLE?

-- product differentiation: initimately knows customers and better at meeting their needs
-- high margin

Cases:
• J&J ($20B) imitates P&G: 200 affiliates/subsid

Conditions for successful niching:

• substantial --> sufficient size & purchasing power
• has growth potential
• of negligible interest to major competitors
• has resources & skills to niche successfully
• can defend against attack via customer goodwill

Nichers are specialists:

• End-user specialists; e.g. Jiffy lube

• Vertical-level specialists: production/distrib

• Customer-size: sell to either small, med or large

• geographic specialists:

• Product or product-line specialists: lab equipment

• Product feature specialist: Rent-a-wreck

• Job-shop specialists: customize as ordered

• Quality/price specialists: low or high end target

• Service specialists: more or specialised service

• Channel specialists: serve only one channel