

Strategic Marketing - Contemporary Issues
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Lecture - 18

We have been discussing number of strategic dimensions as applied to marketing. We have almost reached the midpoint of our course. By now you have already been exposed to the additional concepts that are required in strategic marketing over and above what you have already studied in your basic marketing courses. You have also been exposed to some key frameworks and some key tools that we can use for strategy formulation, strategy implementation, strategy evaluation in the marketing domain. But marketing like most functional management areas is what we call a clinical art meaning it can be compared with medical practices like surgery or general medicine and that means that, you may know everything about human anatomy, but all that theoretical knowledge is of not much use in surgery until and unless you actually do surgery.

Now, we know that in medical schools before the young students graduate and get the opportunity to perform operations on live patients, they practice on bodies provided to them for that purpose in the laboratory. It can even be compared with this art and science of marketing with that of swimming; you may know everything about swimming, you may know the physics of swimming, you may know about specific gravity, you may know about fluid dynamics, you may know about friction and all aspects but you will not be able to swim unless you get into the water and swim. Now, as it happens in the medical school, you will not get immediately a live opportunity to practice marketing in a real company in the real situation with real products or services and that is why just like the way they learn surgery, just like you learn swimming you have to engage through simulations, through certain sort of experimental tasks.

To implement your concepts practice what you know so that you really will be able to recall your knowledge when it demands in real life situation and apply that knowledge. Just like in swimming it is only through constant practice you can become a swimmer and then a better swimmer and then a better swimmer. In the same way, to become a strategic marketer you have to practice, practice, practice. Now the question may come up where is this laboratory, where is this simulation arena, where you will practice and

understand all these concepts that we have been discussing about? Fortunately this arena, this laboratory is available to you for practicing strategic marketing almost free of cost. If you just open yourself to all that is happening around you; observe listen to analyze the promotions that happen every day during your TV serials that you are interested in and the breaks.

Usually we go away during the break and that is why the program executive say do not go away we are just coming back; they do not want you to go away. Now, normally you would ignore all those advertisements because they do not really relate to the story in which you are interested in the movie that you are observing or the serial that you are observing. But for you as a strategic marketing experimenter observer those promotional advertisements are excellent opportunities to stimulate your mind and understand what are those strategic concepts that created this particular promotion. For example in the summer, you will see quite strong promotion coming from Kerala tourism for visiting Kerala during the summer. This type of marketing we call destination marketing; it is a branch of services marketing that we were discussing in the last session. It is a kind of marketing that has many interesting dimensions one of them is seasonality and the market segment changes according to the season.

Now, Kerala tourism as a regional brand promoting all the destinations in Kerala have understood the different segments, they know that during winter they have global tourists coming in large numbers and the value proposition to them is besides the normal tourism besides visiting the Kerala backwaters and all the other interesting places they have there; often called the God's own country. Besides all that they have a tractor like medical tourism, people come there for ayurvedic treatment, for medicinal, herbal, massage and so on. Kerala has acquired almost an iconic status in that field, but during summer these tourists from western countries do not come because of the weather condition and so on. Now in services marketing one of the key problems we have is this peak and trough in inflow customer arrival. The problem is there for in restaurants, the problem is there in hotels, it also affects the airlines and almost all service industries associated with tourism.

So, what is the underlying theme in the Kerala tourism at this point of time in summer? It is about family holiday and the key message in all that is affordability is about cost advantage. It is aimed it is s, heavily promoted on Indian TV channels because it is

aimed that the domestic travelers who are looking for an affordable enjoyable package during the summer vacation the children have holidays and so you are looking for a family vacation which is affordable but also enjoyable which has some kind of good brand promise. So, instead of talking about medical tourism, instead of talking about various other attractors, focus here is on family togetherness and affordability. So, you see how their segmentation and targeting for domestic middle class tourists who are seeking a holiday package with the family. The positioning of Kerala tourism has changed compared to the way they position themselves during winter for the global tourists.

In the same way then you can extend your this understanding and observe that restaurants in your city, they often declare happy hours in the afternoon early evening; most of the time their happy hours close maybe by 7, 7.30 p. m or so on depending on where you are because you need an attractor to fill that time which is normally usually a lean period. So, these are all marketing strategies by which you help the operation and their challenge due to this uneven flow arrival of customers. So, for better capacity utilization, for smoothening the flow of customers arriving, you create this different value propositions for different segments. So, if nobody comes to the restaurant in midmorning you move your tables and create pool billiards tables are laid out attracting the young college going crowd for hanging out while playing those board games create a different package of value bundle for a different market segment.

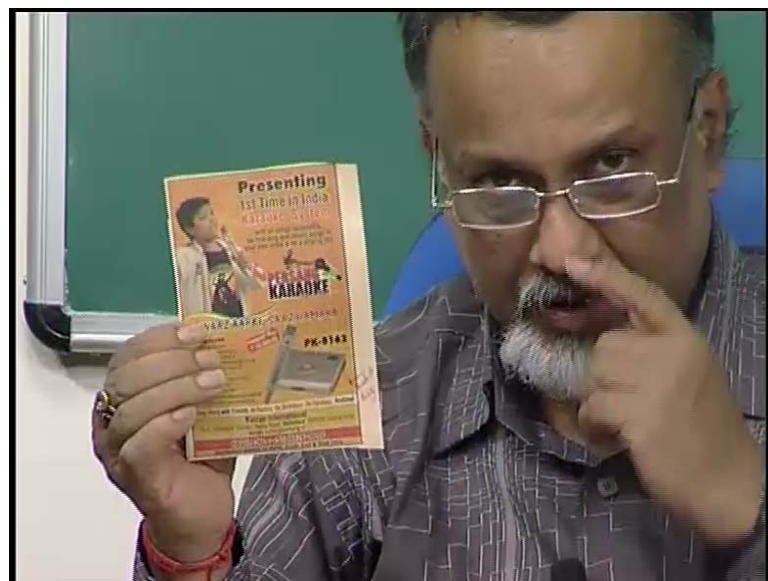
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In the same way if you open your eyes and look at even print ads, now here is an ad of a hotel. What do you see here? You see a young executive reading a financial newspaper because it has that pink salmon color and he talks about the last minute meeting that just popped up. The whole proposition here just by the simple look it immediately identifies that this particular facility club facility in a hotel chain is aimed at these young frequent travelers business travelers and so you do not have any immediate understanding that what is the theme, what is the strategic driver for this and it is quite expensive because it is in one of the top international magazine like the economist.

So, you have to be very clear crisp, you have to attract your target, position your offering in a few minutes the moment you look at this and you know that you identify if you are the target customer, you identify yourself with this image and then you start reading what is it all about. So, you see this is the way you will understand if you constantly observe, try to interpret that why is they have this particular picture, why are they talking about an affordable family holiday.

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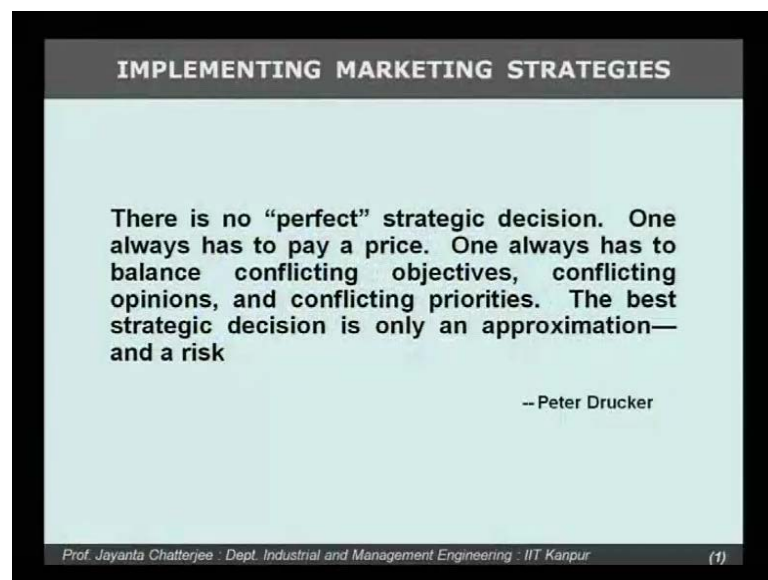


Why are they showing the picture of a young teenager while promoting a new product which is a karaoke machine meant for Bollywood songs. So, you see in each of these cases there is a lot of strategic thinking that is embedded in designing or transmitting the message to all those things that we have been discussing segmentation, targeting, positioning, they are all at play and the more you open yourself to these observations try

to interpret them. They will be your laboratory, these are the constant simulations that you can do to test your knowledge to consolidate what you have learned.

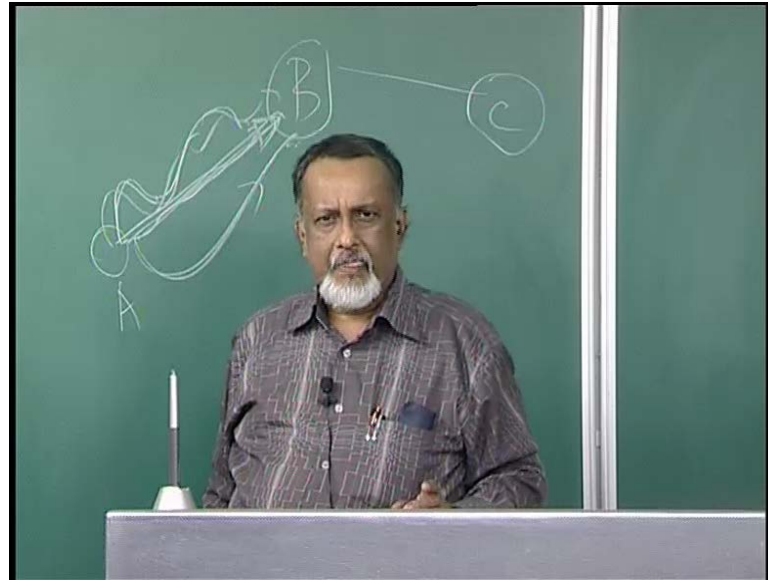
There are number of case studies in the books that are recommended to you, but I would say that besides those case studies you open yourself to these opportunities. Similarly if you regularly read I would urge that you should regularly read these financial newspapers like economic times or financial times or business standard or business line; there are number of them the business magazines, national as well as international, you can read them, a lot of the content of these are now freely available to you on the internet and you will discover great opportunities to learn several real issues relating to marketing strategy if you read carefully between the lines.

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For example this is on your screen now have a great quote from one of the pioneering management gurus Peter Drucker where he has said that there is no perfect strategic decision. There are trade-offs, there are conflicts and the best strategic decision is somewhat an approximation. It has risks and you remember that is why I have been repeatedly saying that strategic marketing like all strategic is a journey.

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From A to B to C and these are never straight lines; there are alternatives and you need to adapt be flexible that if there are. So, it is not a straight simple solution. You may have a core strategy but understand that at best this is an approximation there will have to be changes, you will have to adapt. Then if you are not able to adapt, if you have been successful with one strategy in one location and get trapped in that success, it will most probably lead you to failure. If you have been successful in solving a problem with a hammer then even though you know of all the other tools that you have in your bag, you will always take out the hammer and apply because that has given you success before. So, instead of using the spanner a problem which is actually where you are running a nut-bolt fastening system you are addicted to the hammer and you have been nailing and you use the hammer and obviously you will spoil that opportunity and interestingly it is not that it happens or will happen to a new marketing professional like you, it happens to seasoned world famous companies.

This simple understanding often gets ignored that strategy at best is an approximation and you must be able to adapt be flexible as the risks rise. Now this may appear to be a great philosophical theoretical concept, but if you open yourself as I said to everything that is happening around you, you will be able to immediately understand the application of this. I am reading out to you now a report which is appeared on many news channels, business papers, at websites it is about and it is real it is happening today. It is about the retail market in Korea. Why it is interesting for us in India or Pakistan or Bangladesh or

Sri Lanka or in other parts of the world because the players in this strategic game of marketing are global players; they are players in almost every market significant market today. So, this talks about in 1990s late 1990s when the Korean market opened to foreign direct investment in retailing which in many countries in our region is still to happen, we are going through a lot of debates.

So, sensing huge opportunities Walmart, Carrefour and Tesco all global players they entered the Korean market. Walmart attempted to penetrate the Korean market by building stores in distant areas where land prices were low replicating their very successful U.S strategy of smaller city store build-up. It had only sixteen stores in all of Korea with just one in the Seoul metropolitan area, but they could not achieve the economy of scale. The company expected this is important; the company expected the Korean consumers to drive to its stores for low price shopping as American consumers do; however, this location strategy did not match well with the Korean consumer's lifestyle and shopping habits. Koreans are very hard working people, they almost everybody works 12, 16 hours a day. Time whatever they have is dedicated to their profession; that is why that company that country has risen so fast so well.

In that extreme work oriented lifestyle, they do not have the time to go out and go shopping almost as a weekend family outing. So, this strategy of locating the Walmart stores away from the main city location where lot of merchandise was offered at highly attractive value because obviously the operational cost was lowered; one of the key operational cost in retailing is the real estate the rental cost, the overhead cost of maintaining a facility and that obviously comes gets lower and lower as you move away from the main city areas. So, this strategy worked in U.S, but it did not work in Korea. So, as the result Walmart faced serious challenge in implementing its core competence in South Korea; more over it could not enjoy its buyer power in the local vendor market and had no control over its Korean supply chain and procurement which they have in U.S.

This was again a key strategic misunderstanding because in Walmart in U.S they are able to offer very attractive pricing because they squeeze out the margin from their suppliers because of the huge volume they are able to offer to the manufacturers. Now this control, remember Porter's five forces so here they did not have that buyer power. You see how all the concept that we have been discussing are at play here, a real situation which is

happening today. Carrefour another global player from France had a similar story. Despite its experience elsewhere the company failed to localize its stores to a sufficient extent; instead it tried to introduce its global practices and strategies in the country. Its store layout, ambiance, products and location failed to attract customers. The company wanted to attract customers by providing them high quality products in bulk at low prices. Its stores were style like warehouses and were simple in appearance compared to the store of its competitors.

Initially, some customers were enthusiastic but most of them were not bulk purchasers. See here the concept that we had about chasm, the early innovators, the initial customers did not lead to the early majority which is the lifeblood of any new business that you are setting up in a new location. So, unlike other markets Korean customers prefer a clean and sophisticated atmosphere along with low prices at the time of its exit. So, after trying for almost 10, 15 years Carrefour finally exited the Korean market. At the time of exit in 2006, Carrefour was the fourth largest retailer in the country with 32 hypermarkets. The company had invested one and a half billion dollars, but it was not enough to guarantee success.

Now comes in interesting part. In contrast Tesco had an effective localization strategy for downstream activities. It entered the market by forming a joint venture with a major local partner Samsung. Leveraging Samsung's knowledge and expertise of the local market Tesco devoted considerable attention to transferring its core capabilities to this new market but did not attempt to copy the British version of its successful retail format. So, these simple things that do not get hooked to your earlier success models and assume that it will work everywhere. It gradually increased its stake in the company to 95 percent but continued to localize its 450 stores consisting of both large hypermarkets and small express stores and interestingly of 27000 people they employed in Korea only four were expatriates from Europe and as a result the Korean operation has become TESCO's biggest success story generating almost one-third of its overseas sales.

So, one key factor that contributed to Tesco success was its understanding of the Korean customers, its ability to create value that is suitable for the Korean taste and preference. So, it talks about then some of the interesting experiments they have done like then they understood that the time crunch that the Korean consumers have and therefore what they did was that many of them actually commute using the metro and the railway system

because it is very expensive to live in Seoul. So, most people travel from the suburban areas to Seoul work there. So, they leave their home usually at about 6.30, 7 o'clock in the morning, they travel on the railway system, arrive at their office. They work usually there till 9 p. m, go back home and reach there may be at 10 p. m and again next morning 6 a. m they are out. So, Korea actually the problem is not very different from what happened in Japan but in Korea, Tesco actually by understanding the customer their time crunch they created different formats.

They even created the so-called virtual stores at railway stations and at metro stations where you could actually browse on touch screen or through other visual interfaces you could see all different kind of products that were available at Tesco on that day which were on offer where some interesting deals were available and you could select; you could even actually select the groceries, vegetables or other stuff that you want to buy and you could specify I mean you can it is happening today and it will be delivered to your home at your specified time; wonderful understanding of the customer's e-constraints, the customers pain points that they do not have the time to go to store to browse around. So, instead of waiting for them to come to the store as Walmart thought they would, you take the store to the customer fascinating. Excellent learning lesson for the points about segmenting customers, understanding customers and packaging your offering creating that differentiating value bundle that we have been talking about.

So, when it is read out to you it appears so simple, but to execute simple things simple strategies is not always easy because of this paradigm that you have in your mind created by your past success. So, you see here in this excellent small example how you can learn that having all the strategic knowledge is not enough unless you apply, apply, experiment, experiment and have the flexibility, adaptability in your strategy to be able to change based on real-time feedback that you are getting from the marketplace. So, implementation is the key; less than 10 percent of strategies formulated are successfully implemented. So, that is why this great saying from Drucker that at best strategies is approximations. You need that flexibility, able to handle the risk as the risk arises, make yourself capable of taking real-time feedback and repositioning. So this segmentation, targeting, positioning must have the repositioning capability based on real-time feedback understanding from the customer to be successful in your strategic marketing.

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MARKETING ISSUES

- **Marketing variables affect success or failure of strategy implementation**
 - Market Segmentation
 - Positioning

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So, if want to explain this example of success of Tesco in Korea and failure of Walmart or Carrefour. Now all of them are great companies; all of them are very capable. They have been studied by management students for last several decades because of their strategic success. If you want to study retail marketing understand the different strategies to be deployed you cannot but study Walmart, but it did not work in Korea. So, if I want to explain to you the success formula of Tesco I will still have to talk to you about the same points which are there on your screen market segmentation and positioning with respect to the target, but the variables remain the same those concepts that we have discussed market penetration or diversification all that are still applicable.

If I read further from this Tesco story it says that it leveraged Koreans love for hi-tech and they are talking about these are talking about innovative virtual stores they launched and it also actually talks about at how they mixed multiple channels to reach the customer. So, they had these stores as we were discussing the e-stores in the railway on the railway platform or key travel locations. They also created small stores in congested areas where you could browse and get stuff delivered from that main warehouse, you could also travel do that hypermarket warehouse format.

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MARKET SEGMENTATION

Market Segmentation Important Variable:

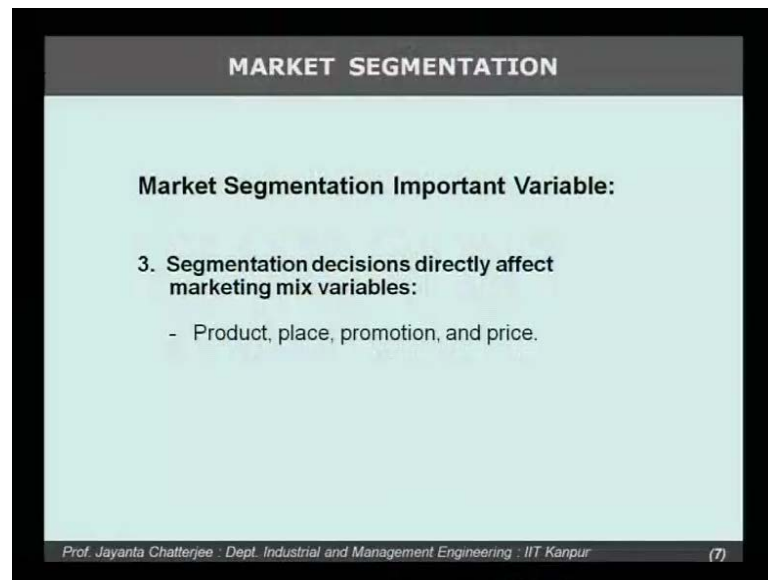
2. Firm can operate with limited resources.
Enables a small firm by maximizing per-unit profits and per-segment sales.

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So, location is a key strategic issue in services marketing in retail marketing, but instead of following an either or approach that either create low-cost large stores away from the main metro locations or like Seven-Eleven famous for its success in Japan where they actually they do not have very many large stores at all; they have many these local stores small formats offering. So, they are like the Kirana stores or grocery stores around the corner in your locality in your country here, but the Seven-Eleven actually took that format but converted that to a high capability by deep understanding and analytics of movement of goods from their shelves.

So, their shelves always had the right product at the right time. If you walk around Tokyo you will find and go through many Seven-Eleven stores while some of the key products will be there at every store, you can find milk at every store or even though actually it is a new product earlier they hardly had any milk product there, but now yogurt and others are available in almost all the seven eleven stores, but not all of them will have for example, alcohol and the brand's change. So, that is another story but again that story of their success in Japan or in china came from deep understanding of the customer and their ability to flexibly deploy alternatives.

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MARKET SEGMENTATION

Market Segmentation Important Variable:

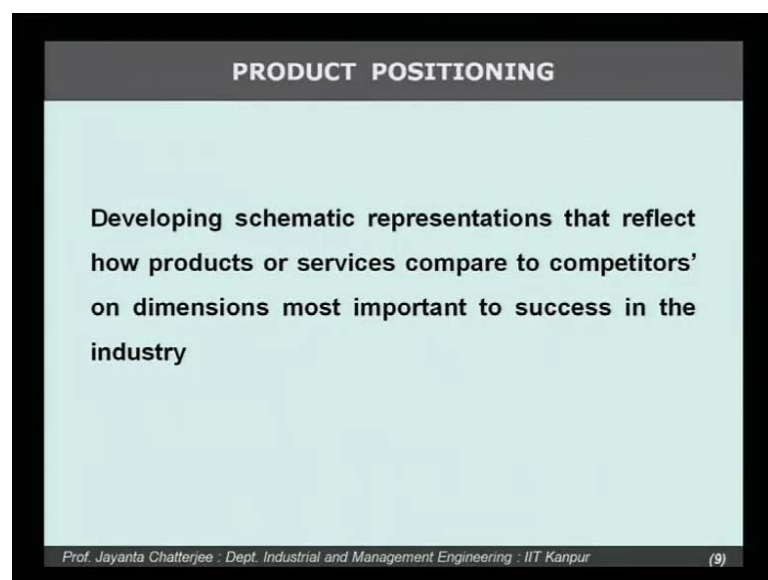
3. Segmentation decisions directly affect marketing mix variables:

- Product, place, promotion, and price.

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So, the key points remain the same product, place, promotion price, but how you implement depends on your practice. You would not get to practice with real-life situation till you are really an expert but to develop that expertise you can simulate in your mind try to interpret the signals that you get from these real-life happenings if you expose yourself to them.

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PRODUCT POSITIONING

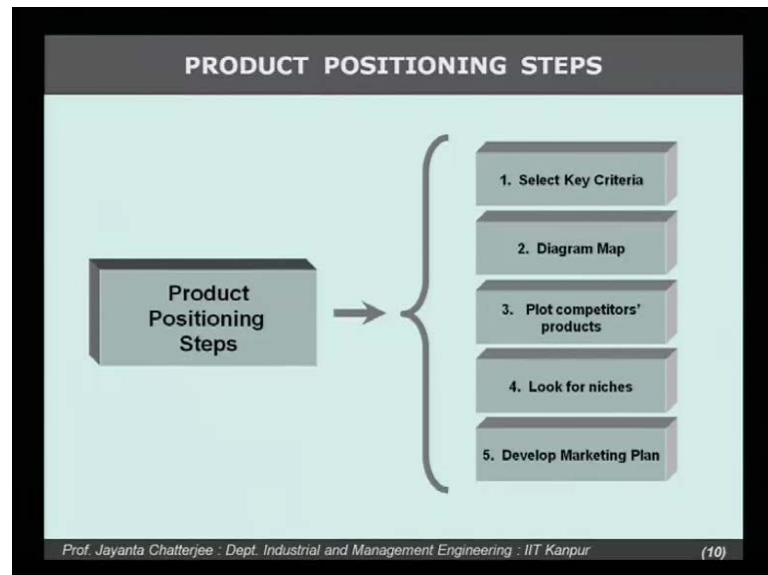
Developing schematic representations that reflect how products or services compare to competitors' on dimensions most important to success in the industry

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I will again repeat with respect to this simple story or rather the report that I read out to you. So, what you should try to do is as you read these stories takeout a blank large sheet

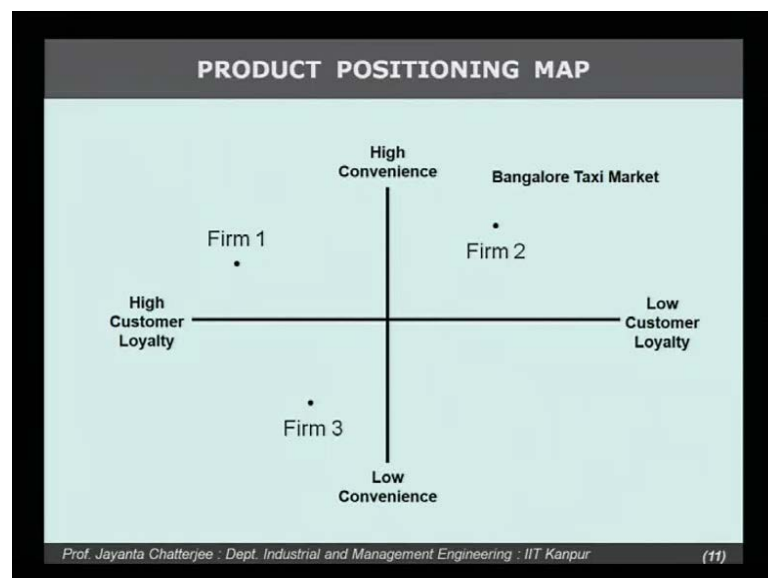
of chart paper and try to visualize, apply some of these two by two, three by three matrices that we have introduced to you.

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And try to position and try to understand positioning through these visual steps.

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Many of these diagrams we have introduced to you before, like this is a product positioning map but yesterday last session we discussed about using the same position strategy for locating a hotel taking moderate-cost to high-cost on one axis and location convenience on another axis or feature on an another axis. So, we saw that you can

create one bundle of value for a hotel which is near the airport but people only come in for a short period and go out. So, they are only looking at efficiency at that stage whereas you have another bundle of value created for frequent business travelers the business traveler's budget hotel where you must also create certain facilities certain add-ons which will be appreciated by a tired executive after long days of hard business negotiation or many meetings.

So, focus on a good night sleep, focus on availability of wholesome food, focus on in room entertainment and package all of that at a price with incentives to build loyalty. So, two different positions on the map that you saw yesterday create two different sets of bundles of values attracting segments. It is possible to create a hotel which attracts multiple segments, but very seldom same in case of a product, so like this is a positioning map for another service, say, the radio taxi or other kinds of taxis available in the Bangalore market. So, as you know in the Bangalore now the new airport is far away from the main city. So, there is one kind of taxi market for people arriving at the Bangalore airport wanting to travel immediately to the city for attending meetings or getting to their hotel and in the same way there is a service needed to arrive at the airport in the early morning late evening.

So, if you want to cater to this market then you will have to go for high convenience and you can take the position which is taken by firm company two. So, they are not so bothered about customer loyalty people coming in going to the city coming from the city to the airport. So, they are only in the airport city segment of the market. They make it very convenient; there you can get to the taxi just as you come out of the exit, but you can create an alternative position which is taken by the company one where you have the same position with respect to convenience, but you are focusing on customer loyalty. So, here you see your segmentation has changed. It is no longer all people coming arriving at the airport or all people travelling to the airport, but you are now looking at people who frequently travel to Bangalore or frequently travel out of Bangalore and you might actually try to bring them some frequent user incentives like and this is already being deployed.

So, every time you use their service you get earn some points and you can then build those points. So, the customer would like to usually play with you, use your services because just as in the airline frequent flyer card, points are building up which the

customer can later on use for other redeeming other benefits. Again using the same customer loyalty as one dimension you can actually create a taxi service which need not be located at the airport. So, if the convenience is not that much they need to be called, but if there is a customer loyalty you can actually create that they will inform over email or they will SMS that I am arriving at such-and-such time and they need they need not incur the high cost of creating a garage at the or storage location at the airport.

So, they will come to you matching your time of arrival. So, the convenience is not that high, but the company three can also be successful if their focus is well-executed in terms of customer loyalty. So, the main point again here is that there is no single route to success. Just as we saw in the Korean retailing story as we are seeing on this map any one of these three strategies might succeed if you are able to implement with flexibility and adaptability with your ability to act on real-time feedback from the market. So, if you have started with your position as firm number three you should be able to get to the position of number one if you have that flexibility built into their.

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PRODUCT POSITIONING

➤ **Product Positioning Map as Strategy-Implementation Tool —**

- Look for vacant niche.
- Create distinct propositions for segments.
- The middle of the map is risky.

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So, use this maps but be prepared to take an alternative route to reach your point of success and it is better to be at this location or at this location or at this location. This is of course of no use low customer loyalty and low convenience. This will not work, this segment can be ignored. This quadrant can be ignored, but what you can do here is create success here because you are here creating a specific bundle of values with good

understanding of segmentation and targeting, the bundle of values will be positioned accordingly. So, the middle of the map is usually a dangerous area because each one of these offers an uniqueness, but you have to be prepared that this position may not be paying till you experiment till you get into the water till you swim you will not know, but if you swim and you find that this is not working you should be able to move and that is what is important.

So, this session was devoted to three key messages. Message number one open yourself to the signals coming from the real marketplace because these signals are all around you; watch the television ads, read the newspaper reports, read about companies, look at the print advertisements and try to analyze what strategy, what marketing concept created this. Why Tesco succeeded, why Walmart failed in Korea, but why WalMart succeeded so well in U.S and then try to think if this is what happened to three very successful strategic companies famous for their marketing capability coming from France, Britain and U.S into the Korean market, what should be their marketing strategy when they are able to operate in India?

Apply your mind to this problem, look at all the tools that you are having from the previous session's that we have had with all those visual tools, all those matrices, all those concepts of products life cycle or the ANSOFF matrix all those that have been discussed. Read more about success of Walmart in U.S versus their failure in Korea or success of Carrefour in Thailand versus their problems in Korea and so on and then apply the theoretical understanding that we have tried to transmit to you and put that together to develop the India strategy on behalf of anyone of these companies.

Thank you.