Strategic Marketing - Contemporary Issues
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Lecture - 2

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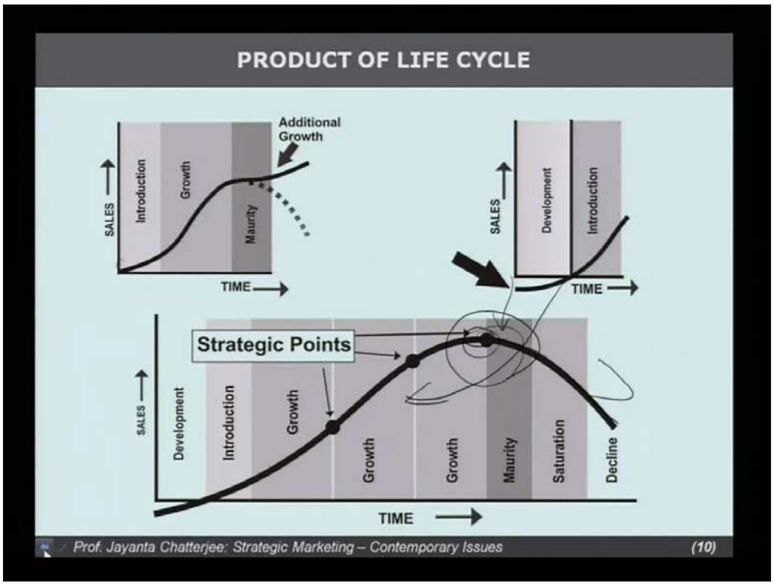

So, we will start today this session with a diagram that we had at the end of last session, when we were discussing the product life cycle issue; there is a typo here. So, it is a product life cycle. In this if I remember correctly I was talking about the strategic points, where marketers have very important roles to play and I drew your attention that we have this strategic points here, here, here, here; that means at the development stage or prelaunch stage, before the product is introduced to the marketer, marketers have strategic roles to play. Marketers have strategic role to play when the product is doing very well in the market place the growth phase.

It may appear that the growth phase is all rosy; that means that is when actually lots of revenues are coming in, but do not forget that because you are successful in the market place or that product is very successful in the market place, this will also be the period when there will be maximum competitive intensity. So, that is also a rosy period and also a very challenging period. So, challenge and opportunity go hand in hand during that period and your actions at that stage as a marketing professional will determine that whether your product will go to this phase; that means it will reach its full potential.

Then the marketing has a very important role to play when the product; that means before the decline happens and let us see what are these roles, what do the marketers do.

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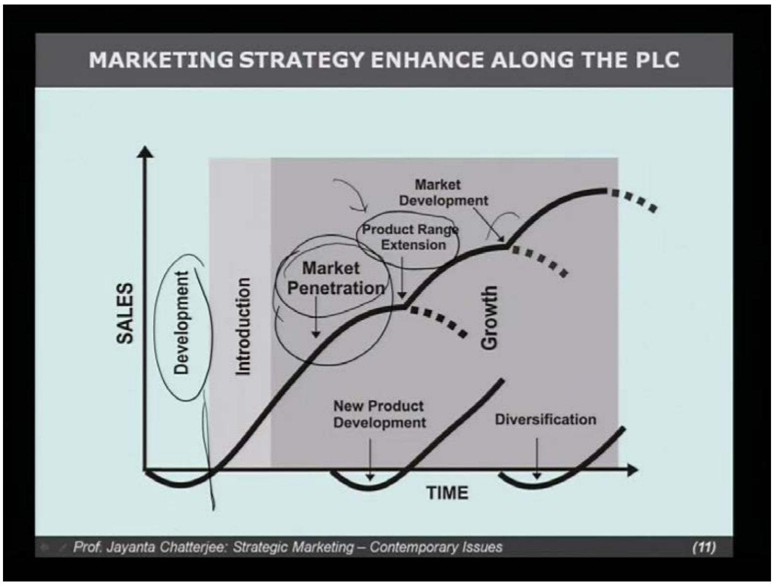

So, obviously before the introduction during the development stage the marketers we often say that this is the place where you have to start begin with the end in mind as Covey has said; that means what is going to happen at the end, how soon the product is going to reach maturity, whether you will be able to create extensions along the way that will lengthen the product life, whether you will be able to create e-curves out of your s-curves of the product lifecycle will all depend on how as marketing professional you have interacted and provided the right kind of intelligence market intelligence, market understanding to your R and D colleagues to your product design and development colleagues, to what extent as marketer you have participated in that product development process. This is the pre-introduction development processes that will determine what will happen later. There is a very important understanding here that what you do before the introduction during the development phase will often determine how the product will perform in the market place.

If your market understanding is wrong then even though the product may be brilliant it may be too early; we have many examples of products which were launched. You know the very famous example of Apple, which is a very, very successful company and is one of the most valuable companies in the world. They introduced Newton a product which failed because it was too early and its form was not well researched, understanding how the customer will like to use that product and in certain sense even the technology was not fully available for different components at that stage and as a result of that what we had was a failed product which however, Newton was by the way an early version of what we call PDA personal digital assistant. But later on those same almost same packages of core value came back through another company called Palm or the product brand was Palm and was phenomenally successful; that was the first personal digital assistant which had handwriting recognition and it replaced digital diaries and so on and it was hugely successful.

Today the so called Palm, Palm pilot and other different products of that type they are all integrated into your mobile phone and therefore, those products are never no longer bought separately. So, what I am trying to say is therefore the marketing’s role hand in hand with the role of the R and D people with the product design people can make or break a product after it is launched in the market place. So, if the marketers if the marketing professionals have not provided the right understanding of the consumers preparedness, consumers’ willingness for that product or service for that offering, then the product life cycle will not progress in the desired fashion. So, this is the marketers role in the before the introductions and then we have this whole thing about market penetration. What is this market penetration role of, what does marketers do at this stage and that is as the product become successful. So, as the flowers bloom more bees more competitors will come in search of honey, the nectar from the flower.

So, as the market is growing it is also when lot of new competitors coming, competitive intensity will be going up and that is when the marketer’s role is very important with respect to rapid coverage of the immediate market, markets in other geographies, markets which are adjacent and so on and so forth. So, this is what we call the role played by marketing at this stage or market penetration. Then as we said that the s-curve needs to be converted into e-curve to lengthen. So, which means that this product range extension this is to be planned, this is where actually again marketing plays very key role. A great example is this Intel's whole family offered we call x 86, you know we had 386, 486, 586 or Pentium and Pentium 1, Pentium 2, Pentium 3. These are great examples of how market penetration and product range extensions happened and how market development; that means if it was originally developed for microprocessors to be used in personal computers, there were many others I mean we do not know that.

Normally we may not know that while Pentiums were introduced, but 486 was still doing very well in special purpose products in certain types of machine controllers or in certain types of aeronautical applications, cockpit electronic applications and many other professional applications. So, these are examples of how the product range can be extended into another market and how new markets can be developed. These are all roles to be played by the marketing department during the growth phase. So, along with that while the one product range is very successful the marketer have all immediately they have to get engaged; they cannot actually rest on their laurels or be happy and do not worry. They have to worry at that stage that what is going to happen if there is a process of decline process of maturity.

So, they have to engage at that stage in new product development at the same time. So, in this field therefore, you cannot say, do not worry be happy; you have to continuously worry about the product life cycle, about the competitive intensity, about the new technology development, about the changing shifting customer choices and therefore you have to continuously be engaged in maintaining your market penetration activities hand in hand at the same time with your new product development and exploring new possibilities, also looking at this product range extensions and new market development diversification.

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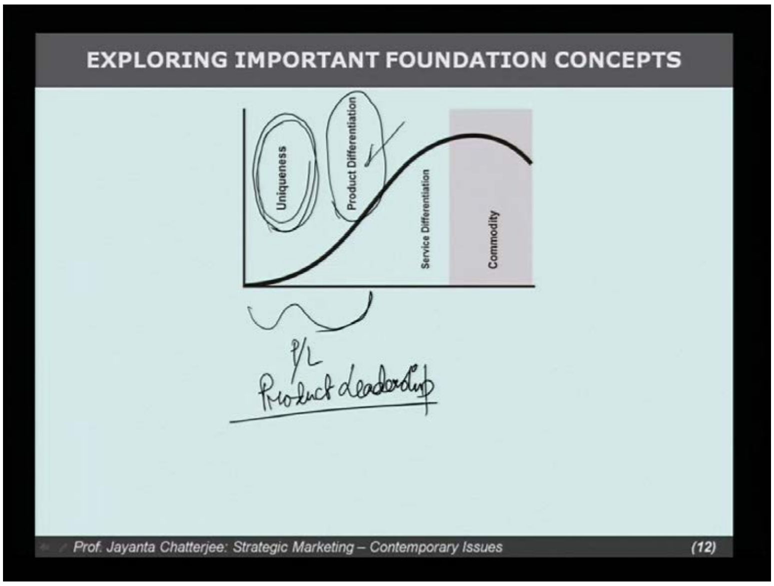

Now let us look at the next issue that what exactly the marketers will be doing at every stage of the life cycle. Understanding the product life cycle as a concept and understanding the evolving role of the marketing department, marketing professional as the product evolves along the life cycle, in-depth understanding of this is one of the pillars of strategic marketing. Let us understand why. As you see here we have now put on this same known graph our s-curve some new terms. First, this is the introductory phase. At this stage the marketing message the marketing communication is about the uniqueness of the product or the service; remember it is a new product. So, nobody knows what it is good for. So, if you are going to introduce electronic toothbrush for the first time in the Indian market, you have to establish why all these years I have been using manual toothbrush why should I buy, what is the uniqueness and that you have to bring out by way of you know it becomes more interesting, gets rid of the drudgery of brushing.

It actually goes into your know hidden parts of your teeth and gum, it cleans better and it does this and that, it sinks to you and gives some analysis of your oral health; all of this can be packaged but somehow you have to establish the uniqueness of the new product that you have introduced. So, this is the key function of the marketing department at that stage to establish this uniqueness. Look at all the features that are being offered to you by your design colleagues by your R and D colleagues and see how it is to be positioned in and how it is to be put in front of the customer, how it is to be positioned in the mind of the customer, what will be the hierarchy of uniqueness that you will establish; obviously, during the growth phase there will be many more competitors, there will be many more products. So, your key strategy will be to say how you are different; this is what we call product differentiation.

So, this is the phase the early phase where your success comes through what we call product leadership. So, you are winning by establishing in the minds of the customer, superiority of your offering through its uniqueness and differentiation. Then what happens? The product has now grown, it is kind of approaching maturity; at that stage you have to offer more and more services like as you can see in television today, nobody talked about it ten years back, the television sales people, the marketing people but today most televisions talk about three years warranty, five years warranty, free service complete replacement of if malfunctions and so on you see. So, therefore as this product is approaching its maturity phase service becomes a key differentiator and to be good in service to provide service more efficiently we have to have good operational skills your operations.

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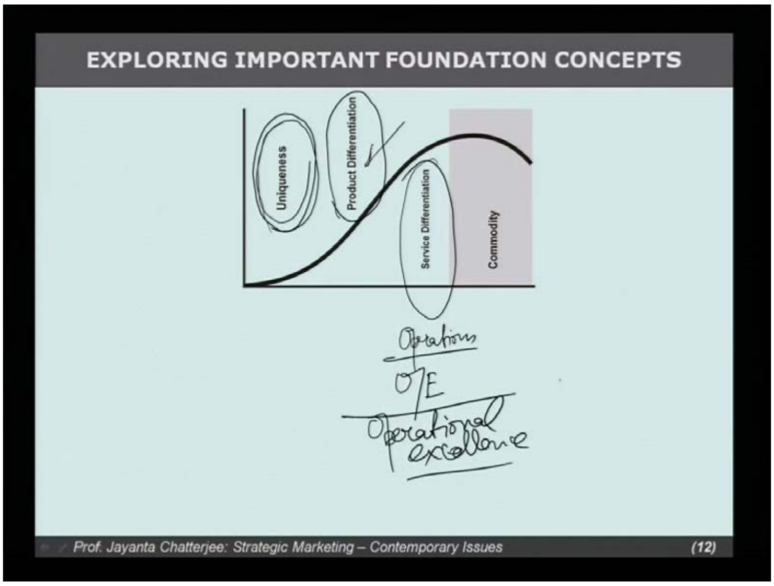

So, we often call this phase as operational excellence and that is. So, at this stage marketing is often synonymous with your ability to provide. Earlier we used to call it as a cost you know after-sales service and today we understand that it is at this stage it is actually playing your service excellence is playing the role of marketing excellence. So, service and marketing they become synonymous at this stage. Look at cars for example, automobiles; today automobiles are marketed on the basis of this service reliance. Its ability to offer many different other possibilities beyond the simple core value about low-cost transportation from point A to point B and afterwards it becomes kind of commodity and then the marketing's role will change and let us look that how it is going to change.

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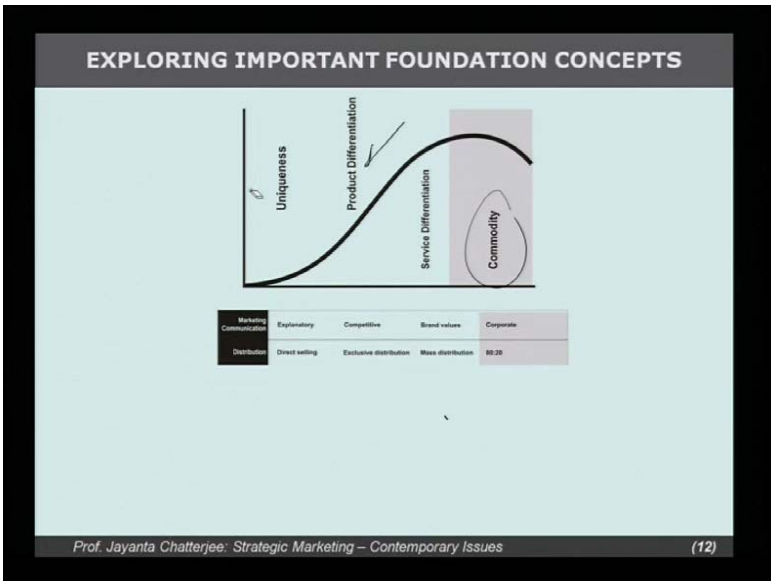

So you see at the entry point, let us look at each one of these marketing communication. Marketing communication when you are trying to establish the uniqueness of your product or service is explanatory; good brochures, good explanatory material becomes very important at that stage because your distribution at that stage is more through direct sales. So, some of you I think most of you would not even know about the early nineties or mid-nineties when mobile phones were introduced in India. Mobile phones were at that stage expensive as we will see why it happens and they were mostly sold through specialists and they were approaching only the corporate business executives could afford to have a mobile phone at that stage. And so, they were actually experts went direct sale experts went and explained all the features and why it is necessary, why the busy executives should have a mobile phone in addition to the phone which was on his or her desktop.

At that stage we soon had more and more people. So, first might have been Motorola, then we had Nokia, then we had Ericson and so on and other vendors who came into the market place and so we entered into this new phase which is the growth phase. It became market became more competitive and at that stage we had exclusive distribution. So, we had people who were only selling brand A or company A’s product, there were people who were only selling company B’s product and C’s product and so on. It soon very rapidly after some political and legal changes in our system, how the mobile traffic was calculated and how the license value was calculated then because of that suddenly there was a time when the market just took off.

We are not discussing that is not exactly part of this course that what policy changes and what legal and environmental changes caused that but when the market took off at that stage rapidly from exclusive distribution get to mass distribution. So, at this stage today if we look at the simple phone I am not talking about the specialized Smartphone’s or and the feature phones high feature phones, but if you take an ordinary mobile phone which function is mainly to talk and send some short messages and so on. Then they are available today in even your neighborhood store which sells daily groceries. So, they are available in grocery shops, they are available in book shops, they are available along with some music DVD’s and videos CD’s. So, this is the stage where the mass distribution is happening and 80 percent of the stuff is sold through this kind of. So, the product has now become a commodity.

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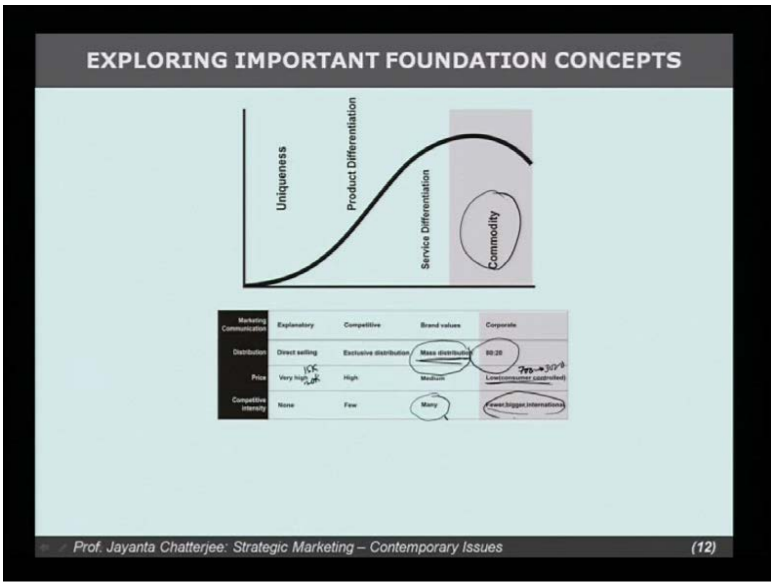

What happens then? If we look at price, the price was very high at this introductory stage when uniqueness was getting established and so today it is very low and it is consumer controlled. So, it is possible if we again stick to the mobile phone example at the uniqueness stage at the introductory stage I think this was available at 15000 to 20000. Today when this is a commodity product it is available I think at thousand to sub-thousand level. So, I think it may be even possible to buy today at 700 rupees a mobile phone and at the max for a simple phone you will pay today may be 7000; maybe not even that maybe 1500, 1800 rupees soon.

So, competitive intensity at the entry point was practically nothing. There was only one company few competitors and now just about we are at a stage when there are many, but we will soon see that many of the local; we are already seeing those moves many successful locals small companies are getting acquired by the multinationals or global companies. Some of the global companies are collapsing; some other global companies are getting merged with another. So, like that we had Sony Ericson combining and maybe tomorrow they will again combine with somebody else. So, we get fewer bigger more global players come in.

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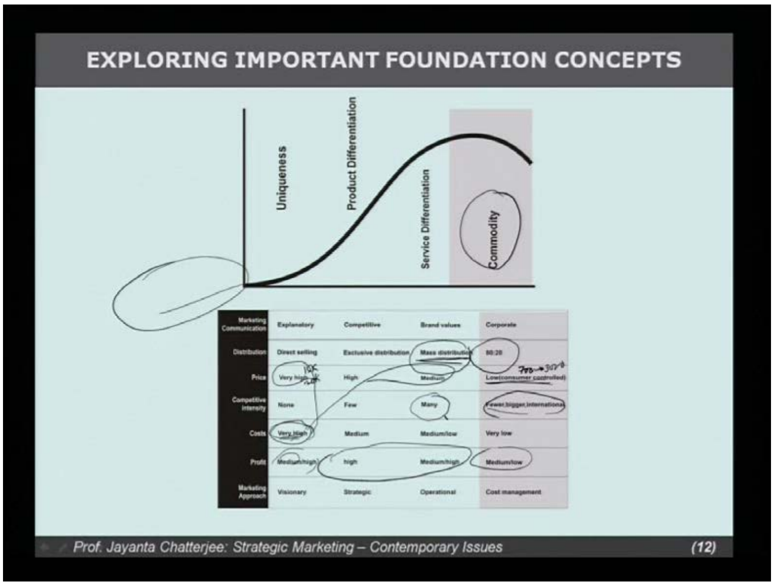

Marketing also has to look at how costs profit and marketing overall strategy change as the product progresses along with the life cycle and that is that costs just like prices are high, they go up to low. Similarly costs also travel from very high because this is you have to recover all your developmental costs and therefore you try to get as high as possible in the introductory stage, but this is actually changing and we will discuss more the amount of developmental cost, the more sophisticated the product today, the amount of developmental cost is becoming a very steep tough proposition today, the more complex the product and so different strategies are adopted at that stage maybe sometimes you will be working with. So, competitors often act as collaborators at that stage but the point therefore is that because you cannot stay with very high cost, but for some time your very high cost and very high prices can be interlinked.

But sometimes even your costs initial costs may be very high, but your introductory prices maybe medium and all of these actually represent different marketing challenges. And we have to understand in terms of finance, accounting and money flow terms and we will discuss that in the following session or maybe there after. So, similarly profit at this stage your costs are high, prices may not be that high. So, your profit may be medium; good profit opportunities are actually at this stage, but they again start declining at this stage. So, now comes the important point that the overall marketing strategies will evolve along the product life cycle from visionary to strategic to operational to cost management. What does it mean at this transformation from visionary to strategic to operational to cost management is something that we will have to understand a little bit more depth.

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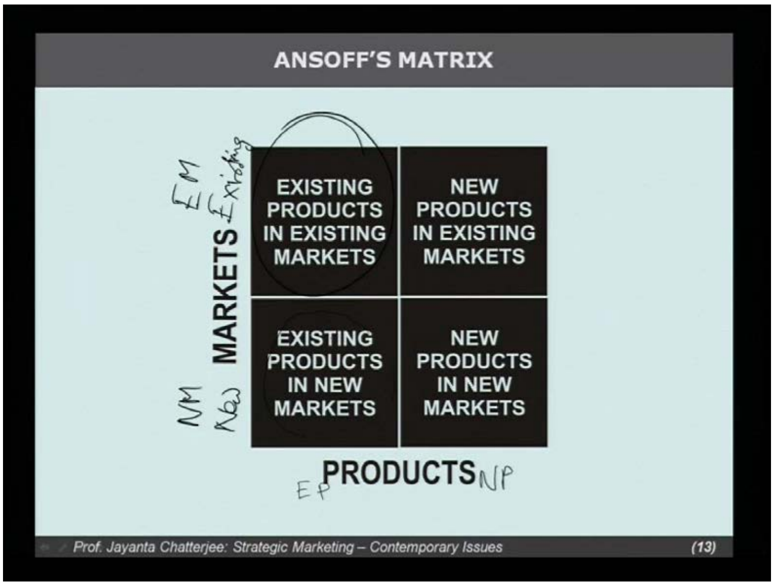

And for that I will have to introduce to you a new concept; again a fundamental construct very simple but very profound, very useful, we often call it ANSOFF matrix to honor the Igor Ansoff, one of the very important thinkers in this domain and this is about developing a very simple two by two matrix where we can say we put market, new market, existing market. So, we often call it NM, EM, existing market, new market. Similarly we take products and we say existing products and new products. Now you see we have therefore different strategies that are emerging. So, one is existing product in a new market. Now this new market can be geography. For example, the new ipad it is an existing product in U.S; it has not yet been formally launched in India. So, it said the marketing issues relating to that launch in India will be marketing strategies to be taken up for an existing product in a new market. Now we of course here we have already familiarity in the market with ipad and ipad 2 and so on.

But even a more interesting example can be that, say, new forms of hybrid engines used in motorcars for using as far as possible cleaner technologies; many of these have not yet been launched outside, some very restricted markets like Japan or some parts of U.S. So, global launch of those products will be the product which already exists in another market, but geographically in a new market. It could actually also take a new form which is an existing product; take for example the mobile phone but that could be now embedded in your washing machine. So, that you could actually use your mobile phone to turn your washing machine on or off remotely using the technologies of mobile phone signal transmission. So, that will be another type of example of an existing product used in a different kind of market. So, that therefore the new market could be geographically a new market or it could be in terms of application or in terms of domain a new market.

So, companies usually are in this domain existing product in existing market and it can go in these three new different directions strategically. One is that they can take that existing market and go to a new geography or go to a new application that will be existing product in a new market or they could actually take the existing market which they know say for example, say, mobile phone makers they know the existing market where they are selling their mobile phones. Now they can actually embed high-level camera function, high-level music function or high-level personal music function or high-level high-definition screens on your mobile phone which will allow you to see a movie quite clearly. Now that will mean it is a new product. So, it is not exactly a phone phone, but it is now a more personal entertainment device.

So, it is a redefinition, reincarnation or repackaging of different existing products together creating a completely new product. So phone, a camera, a tv, dvd player and so on all put together creating a new entertainment personal mobile device. The buyers may still be the same; the executives busy people on the go, the mobile customer in a mobile in a bigger sense you know the customer who is mobile and now you bring to that mobile customer different functionalities of telecommunication of entertainment of information are what we nowadays called infotainment, all package together in a new kind of device. So, it becomes a new product to an existing market right.

And now we can think of and these days actually you think of it and within a few months it will be a product because the technology is now able to create fusions and convergences as we call them of different domains, just as we were discussing about information appliance, entertainment appliance, telecommunication appliance, household equipment control appliance; all of that can be combined together and a new device can be created, but it could soon be that we now come up with another format where may be all these functions can be integrated into simple thing which is your pair of spectacles or maybe it can be part of your dress. So, all of you can actually see it that today I can have a glass and it can actually project in front of my eyes a whole screen which is only visible to me. So, therefore the phone has a so-called rectangular device which you need to carry separately is now gone and it is gone to the next level of integration and it has been integrated into something that is even more ubiquitous.

So, there are already possibilities that are being explored in the military context that there could be a computer which is integrated with your bag pack and all the screen and everything is actually part of your glasses and together it provides you all the functionalities of infotainment, entertainment, telecommunication, rapid deployment of information analysis at the time of warfare and so on. Now we were discussing about new products, this projected new device which combines the phone functions and the entertainment functions and the infotainment functions with your pair of glasses new product in an existing market of mobile professionals who already used today glasses and mobile phones and mobile entertainment devices, but the most challenging and usually whenever we talk about new products, we always think about this fourth quadrant which is the new product in new market.

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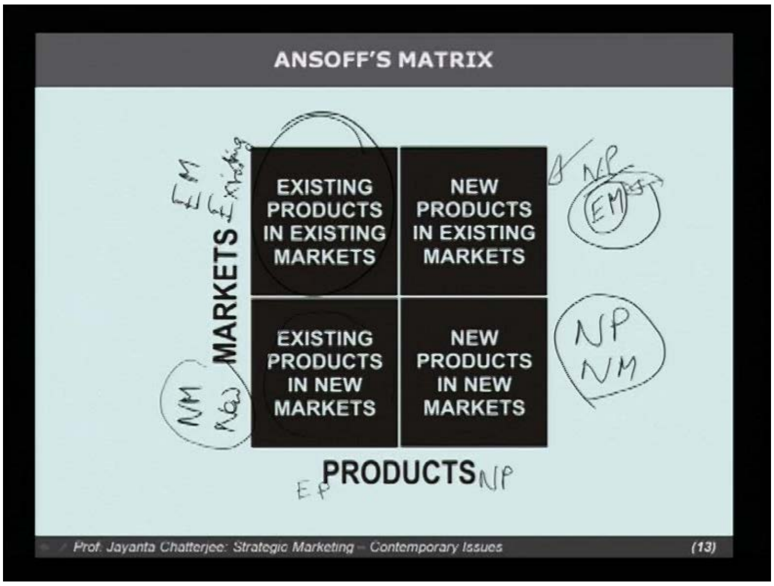

If you look at this quadrant it is a new product but in existing market. So, we know the consumers, the buyers and their behavior and their preferences and how they are evolving in their consumption process, how they are evolving or in their mind the values they want to be packaged, how in their mind that is evolving; these all should be known to a good marketer because it is an existing market, we know these people. Remember we were talking about that is why this is more important today to have a relational approach to marketing rather than transactional approach. So, when we have long-term relations with customers we are in constant dialogue with their customers with their part of our social media network, they tell us what they want and we talk to them about what are the possibilities, when this dialogue, this conversation, this relationship building is a continuous process. Then we know that what kind of new products in that existing market will perhaps succeed.

In the same way, if we are taking we are coming here t where we are looking at existing market and taking it to a new market existing product, again at least we know the product; at least we know what are different possibilities and limitations that that are embedded into that product, what are that kind of services that can be added to that product to make it more interesting. How you can actually sell a phone along with a music delivery service which will make your phone more attractive and how it will actually, you can package parts of new songs from new Bollywood movies as the ringtone download service along with your phone or along with your mobile telephone service, you provide this additional entertainment service and that makes it much more endearing to the customers. So, you see here we have at least on one side here we know the market. So, the unknown entity is the product and what it can do and cannot do, how it is packaged, what promises it has, what possibilities it will offer and so on, but we know the market.

In this case we are going into a new market; maybe we are going to bring in a product existing product which has been successful in Japan into India. It has been very successful in Scandinavia market and we are introducing it to there. So, maybe it is mountaineering and a trekking product like a compass and wrist watch and various other monitoring functions like blood pressure and pulse and so on all combined into one device, quite useful for tough mountaineering situations, very successful in maybe in Scandinavian market. Now we introduce it for the Himalayan mountaineering products market in the Indian context. So, we know the product we know that how to explain the value of the product to the customer; unknown is the consuming habits the culture and so on of the market here.

But here you see again it is easy on one part known on one part difficult challenging on the other part but when it comes to new product in a new market both sides are unknown and that is why we know that only 5 percent amazing; that means out of 100 new products launched in new markets only 3 to 5 succeed. So, you see how tough and challenging are marketers role here. If it succeeds it will be glorious, but remember that the chance of success in a new product in a new market is only 3 to 5 percent; therefore as a marketing professional this is where you have to be the really exceptional. So, this is actually a whole new area of strategic marketing, the entrepreneurial marketing which we will discuss later.

But in most of these two cases which is the 90 percent of the time in an large company where you will be working or you are now working as a marketing professional, 90 percent of the time you will be dealing with either a existing product, the challenge of taking an existing product to a new market or challenging of taking a new product to an existing market. So, we will take this particular segment new product to a new market as a different class and we will now focus for the next several sessions on issues relating to these two quadrants which are new product in existing market and existing product in new market. In this will be our introduction for the next session and it will also kind of act as a wrap off of the last two lectures.

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Last two sessions on what do we mean by marketing strategy and strategic marketing. So, the genesis of marketing strategy is to understand the relationship of marketing function, marketing activities, marketing goals in the context of the organizational objective, organization situation analysis and organizations SWOT analysis. What is SWOT? Strength, weakness, opportunity, threat that is SWOT. So, organizational objectives normally the domain used to be the domain of the top management. So, organizational objectives today are also a frame; organizational objectives creative a frame, create a canvas on which the marketers the marketing professionals have to develop their plans. So, it cannot be done in isolation. This is the whole purpose explaining; this systemic understanding of marketing strategy is very important that marketing is not a stand-alone function.

Marketing has to develop its game plan on the canvas of the organizational objectives and organizations priorities. To some extent the organizational objectives can be understood by the ANSOFF matrix; maybe the organization has a need of getting into a new market, geographical expansion, global network, establishment of distribution or the organization may have a need of introducing a new product in an existing market. The reason being that it maybe already getting into the saturation zone and therefore it needs to introduce this is what we have explained earlier. So, therefore the organization's objectives are created by the different stages of the product life cycle, the different quadrants of the ANSOFF matrix. This is one way of understanding why the organization wants the marketing department to get to a new geography or why the organization wants the marketing department to rapidly deploy a new product through the current marketing channel to the existing market to the existing customers.

But there are many other reasons why the organization may give a new charter to the marketing department and that will come out of this what we call situation analysis. This situation analysis has what we call an outside-in and inside-out prospective; that means there may be things happening outside the organization by way of technology developments, by way of new market regulations, by way of new competitors coming from elsewhere into our market place. So, there may be many outside developments which are creating imperatives for the organization, new objectives for the organization which creates a new charter for the marketing department and we also have inside-out reasons. So, in situation analysis we do this outside-in as well as the inside-out; maybe the organizational costs are going up, maybe the our customers are faced with the problem of increasing costs, due to increasing people costs, due to increasing operational overheads, increasing electricity costs fuel costs and so on.

So, we as maybe telecom equipment supplier we see our customers and we therefore the customers internal needs of bringing down their costs create opportunities for new devices, new business processes to be supported through new types of telecom devices to create this whole global new business of outsourcing remote operations, dispersed operations, different functions being performed at different centers to achieve the most optimal cost combination. So, today we have cars where some parts are made in France, some parts may be made in Australia and some parts may be made in India; they may be all combined together in Thailand to produce a new car and all of these may be actually creating new types of demands for new types of telecommunication equipment to make this remote dispersed operations globally possible.

And that is the relationship between situation analysis and marketing objective and strategy development and underlying this development of organizational objectives with respect to or in the context of the situation analysis, underlying this activity will be this whole issue of SWOT analysis strength weakness opportunity threats analysis. So, these are the four blocks; they are interactive blocks, one situation analysis leads to development of organizational objectives. Sometimes organizational objectives may actually impact on the situation itself; organizational objectives will lead to marketing objectives, marketing strategies. Situation analysis will lead to marketing objectives and strategies and sometimes what you do as a marketing activity may actually create new situation.

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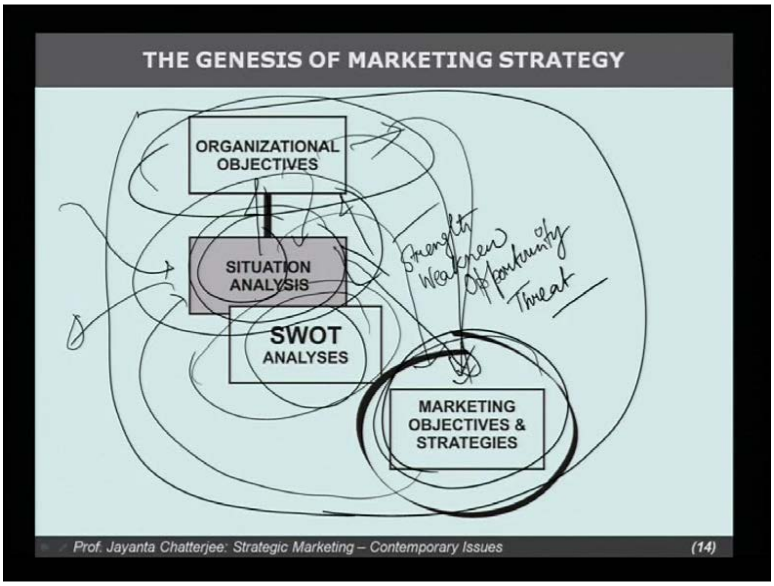

If you start a price cut because of some new process improvements which you have been able to achieve and the organization wants to improve its margin, and so you actually or organization needs to expand its revenue, you do a price cut, creates a new situation of competitive response by a way of another price cut. So, all these factors are interactive, but there is a very underlying concept of SWOT and that will be our next topic that is where we will start our next session. But in the mean time as a task at the end of this session will be for you to go back to the two original questions that I raised in the last session that you as a consumer or you as a buyer what have you experienced during last 6 months, during last 1 year or 5 years about these interacting forces, about these marketing objectives evolving due to situation analysis, due to new objectives being set, why the objectives have changed in an organization, how objectives have changed for, say, Nokia today because of the development of Smartphone's, feature phones and so on, how are they responding, what is your opinion about their new marketing strategy, what should they do? Let us tackle that in the next session starting with SWOT analysis.

Thanks.