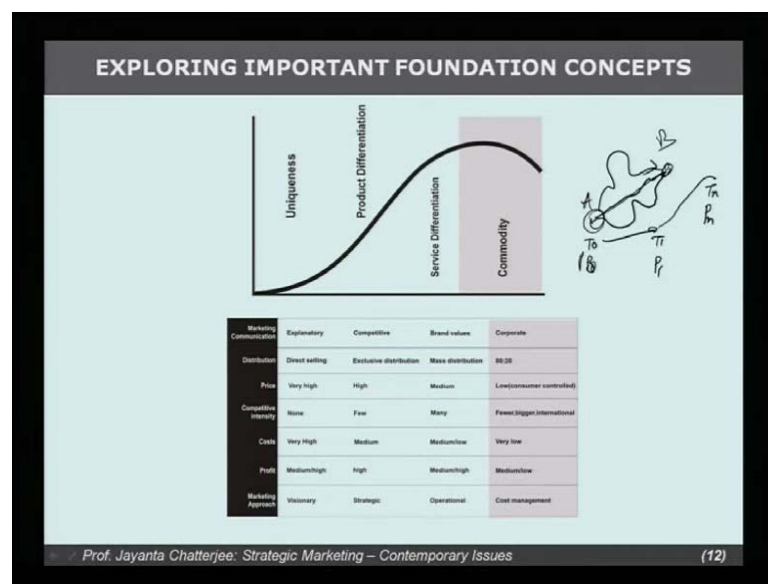


**Strategic Marketing - Contemporary Issues**  
**Prof. Jayanta Chatterjee**  
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**Lecture – 3**

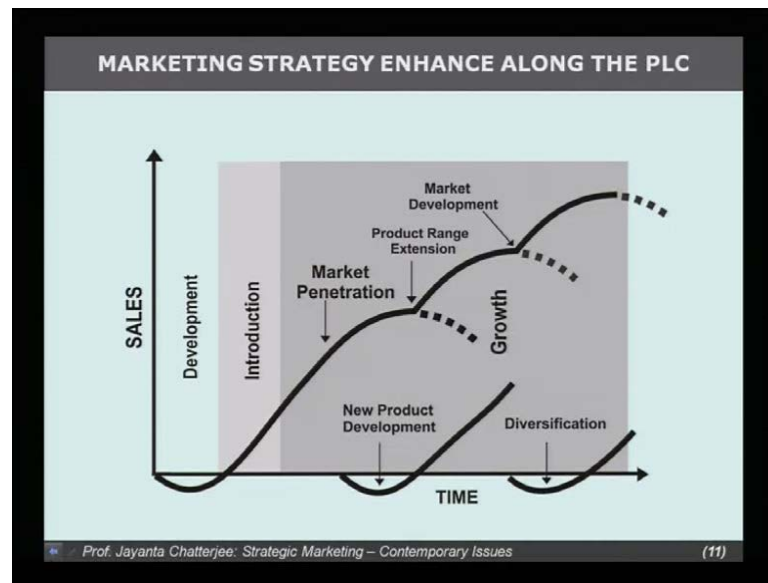
I have to start with few concepts, two of them that we tackled in the previous sessions, to get to our next level.

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The first one is on your screen as you can see it is about this entire range of stuff that we discussed about product life cycle. So, we discussed about how the product is introduced, it grows, approaches maturity and then there is a decline stage, we have already of course discussed that.

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If you, there are different things that need to be done across this life cycle, because companies just cannot stay idle as the product approaches maturity or it goes to decline because, the company has to know the products may come and the products may go, but the company in concept goes forever. Therefore, if a product is approaching its end of life in the cycle, it is approaching maturity or it is in decline already, then there are some corrective actions that need to be taken or there are supplementary, complimentary parallel actions that need to be taken.

We discussed briefly, that how the s curve that is the product life cycle, curve can be converted into an e curve as we discussed here. That means, you can extend the product range, introduce new developments, expand or enhance the product capabilities or create other associated possibilities and all these things, we have discussed in the previous sessions.

But, now I will use the last but one graph that we used in the previous session, which is that what are the different marketing actions, that are necessary or how the marketing actions evolve across the product life cycle. So, we have seen, how price changes from a very high at the introductory stage to almost low or consumer controlled and the commodity stage, we have discussed how costs must be. So, manage that they also that kind of track the path of the price cycle. We have discussed that at the companies may be able to reap higher profit in the initial stage but, they have to manage with lower profit

per unit, which means they have to manage with much higher volume. And therefore, the marketing approach changes from initial visionary, differentiation uniqueness focused approach to cost management approach. So, we approach from product innovation, to process innovation to business model innovation across the product life cycle. These are some strategic terms that we will understand in greater depth as we get along.

So, strategy and in that context therefore, strategic marketing is not about status it is not about staying your course. It is actually managing to hold your dominant position, to protect your core position in the market place, to protect your core customers, to deepen, strengthen your relationship with your current customers. But, as well as marketing strategy, must deal with exploration not only with protection and defensive strategies. But, strategic marketing must also deal with exploratory strategies, creating new positions new possibilities.

So, therefore, we often say that it is all about it is about always going from position A to position B, now it is not always a very clear-cut understanding. So, strategy as we were discussing is never about remaining in one position, it means a simultaneous approach towards protecting your core as well as explore. And there in that respect therefore, since there is always a part which, continues to remain the same or should remain the same like your current customer base you must protect that.

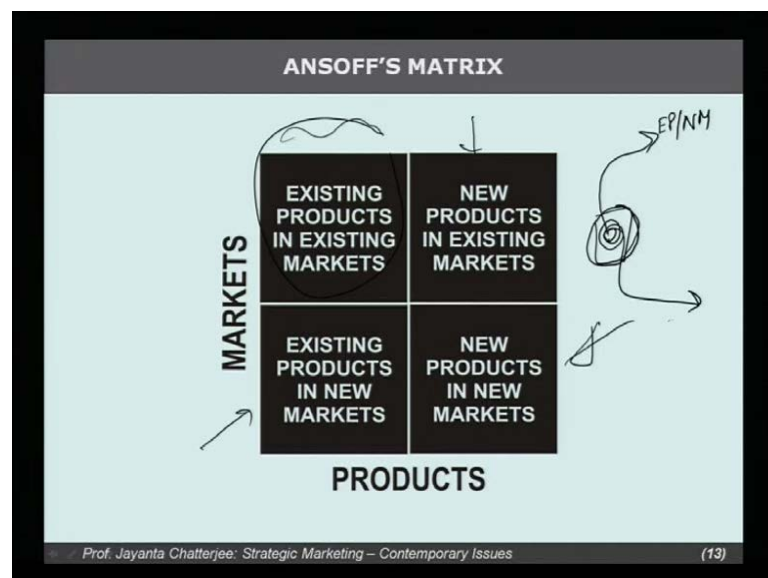
But, at the same time one has to explore new opportunities, new possibilities bring, new products to the same customers or take the same products to new customers as in the next diagram we will show and we have discussed it in the last session. So, strategy is always about this journey from point A to-point B an important thing to understand is that we exactly do not know, that what is the path to be followed to go what is the best path to be followed, we may have some estimate that, what is the best way to go from this position to that position.

But at one has to always remain flexible, that there could be obstructions on the way. So, one has to therefore... So, it is never linear, so one has to keep alternatives plan for at different approaches, if the different situations arise. So, it means that, we have to develop different kinds of scenarios. So, in a way strategic marketing is always to go from what we call  $t_0$   $p_0$  that means, at time as 0 from a position, which we can call  $p_0$

to a position, which is t 1 p 1 and to understand that how we will go across 2 different steps to different steps to T N P N.

So, it is about this particular journey from position A to position B to position C. So, it is a continuing journey as far as strategic marketing is concerned and as we also discuss just now. That it is not as simple linear predetermined path because, competitors change, customers preferences may change, technologies may change as we have discussed up in the previous sessions. So, as a result it will be a non-linear evolutionary approach, that will be most relevant for strategic marketing.

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Now, with that flexibility to improvise; however, we can get to the next one that we have discussed that strategic marketing. Therefore, is not so, much to do with this one that is existing products, in existing markets that is something, that is component of marketing, component of annual marketing plan.

But, that is something which your sales and distribution teamwork part of your marketing team must protect, do and excel in what is strategic marketing should be more concern with that is exactly, where strategic market marketing functions will find their own excellencies is how to the go to here to this quadrant. That means, how do I bring new products to my existing customers, how do I expand my product offerings service offerings to existing customers.

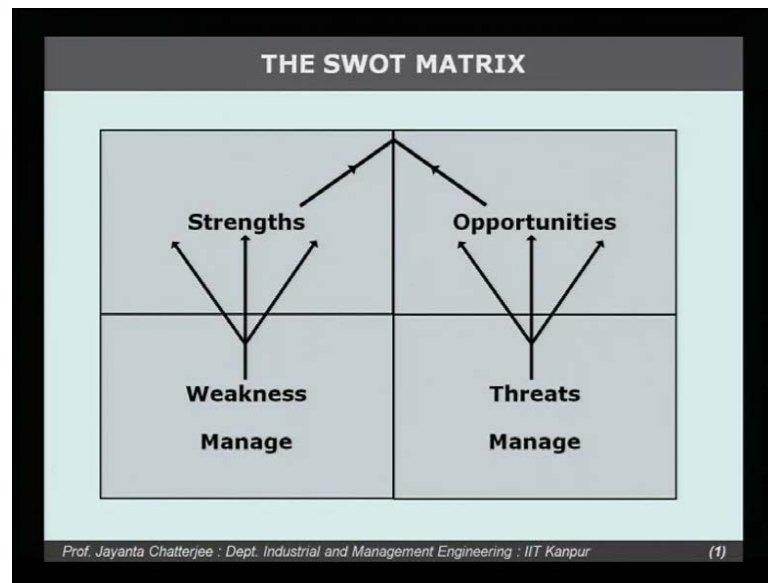
And at the same time or possibly parallel actions may be necessary to take your existing products into new markets. So, in many cases strategic marketing will be looking at both of these opportunities that means, expanding your what we call customer share, which means that bring newer products to the same customers, our way we often also call it at getting a higher wallet share.

That means, from the customer spending, whether you can get today did and you can see it all around, you the companies who make tooth pastes. They also market toothbrushes they may not be making it, they may be brand labelling it, for all you know they may be and not making even the tooth pastes. Because, as we later on see marketing is not today always related to what exactly, what you manufacture. Manufacturing and marketing can often have a related but, different strategies. But as I was saying that therefore, as you will see often that the companies, who market toothbrush, a and companies who market toothpaste or maybe one and the same. Similarly the same company may bring tooth powder to the market and the same company may make bring mouth wash products, freshness products and the same company me actually, be part of a bigger game plan, which deals with all kinds of personal care products and so on.

So, expanding your product port folio to the existing customers getting a higher share of their spending at is always a good and important strategy that marketers continue to plan for. In the same way they need to often go to markets, where the competitors have not yet gone to it these are all the opportunities. But, they also have risks associated and we will just now be discussing in the next few minutes about this whole balancing of opportunities and risks and so on.

Also market are often engaged in doing this, the third path, which is the objective, which is new products in new markets. As you see that today we are at certain situation, which is existing products, in it existing markets, strategic marketing has to protect this core. But, it also has to find ways of what we can call them e P N M combination. That is existing products to the new markets, they have to find a way to take new products to new markets. We ended our last discussion with the this particular view, we talked about swot.

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So, continuing from that discussion of the last session, on swot strength, weakness, opportunity, threat. We often actually, developed what we called the swot metrics as you see here. And as these some of these markings show on this diagram, that strengths strengths and opportunities need to be matched they are interactive. So, for example, if you have opportunities arising from and expanding market using say shampoo, which means that shampoo as a product was earlier more used in cities or metros and now there is an expanding market in smaller towns and villages and so on right.

So, this is an opportunity for some company, which has the strength to make shampoos which will be relevant, preferred by this new market for shampoo that is emerging. So, if you are able to therefore, match your ability, your strength, your competencies with opportunities then obviously, you have a very winning combination. But, at the same time you know, no companies is perfect like just like no person is perfect.

So, there are also weakness for example, you may be a very successful company marketing shampoos in southern India. You might have developed interesting new herbal formulations very much liked by the customers in south of India. However, you may not have distributors in northern India. So, there may be new opportunities arising from smaller towns tier 2, tier 3 towns cities in northern India, villages in northern India. But, because you do not have the reach, you do not have that economic way to reach those

far-flung areas, where your new customer are emerging, it is a weakness right so, there is an opportunity.

But, that is you do not have the strength to utilize that opportunity. In such a case what we say is that you have to market, have to find a way to manage this weakness right. And this managing that means, finding your weakness to go to some strength at the there is not one single way that is why it is. In fact, it is not even a straight-line bit maybe because, the maybe it is some kind of an interactive adaptive evolving strategy. Now for example, as we were discussing about this shampoo case, to manage your weakness of distribution not then distribution chain, you might like to form an alliance with another company, which is not in the shampoo business. But, may be in the business of some other staples are it something that is used across.

So, maybe you will tie up with the company, which has an excellent rural distribution chain for pesticides or for other chemicals that are used in agricultural practice or may be you will tie up with the company, which is currently quite strong in marketing edible oil. And they may be procuring as well as marketing a procuring edible oil seeds from the rural areas and marketing edible oil across the country.

And that particular chain distribution network may be quite good and if therefore, you can form an alliance with you that is a way for you to manage your weakness and convert that into your strength, with your partners strength and there by avail of this opportunity. At the same time you know, there are opportunities therefore, as we just now saw, that opportunities are associated also with threats. Because, if you have your northern Indian competitors.

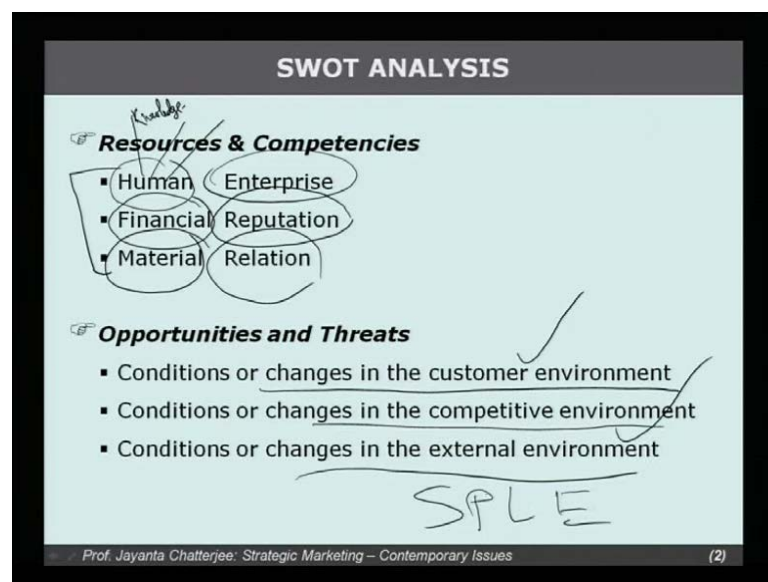
Now taking advantage of this rapidly-growing shampoo market in northern India and towns and villages they become stronger. That actually can threaten your market position in the southern market, because these people will now have its competitors will now have more resources. Because, of they are growing revenue and profit in the northern Indian market to invade into your market place.

So, as you see as opportunities emerge they can be opportunity for A. But, it can become A threat for B, similarly your own opportunity may have underlined risks for example, you know this alliance that, we talked about to take care of your distribution chain. Now at your alliance partner may be today taking your shampoo products to the interior

villages in the process, they become there distribution chain understands the dynamics of this whole range of products. And nothing stops your alliance partner tomorrow to terminate, the relation with you and get to a model where, they make their own shampoos or outsource the shampoo from somebody else with cheaper alternative and so on.

So, you can see therefore, this strength, opportunity, weakness, threat in combination. That means, when we combine strength with opportunity or when we try to manage weakness and get to avail new opportunities. These various combinations can create various kinds of strategic alternatives strategic possibilities.

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Now, let us understand a little bit more about what are these strengths, so resources and competences. Resources are your human resources, financial resources, material resources. Even your human resource actually also has in that concept your knowledge of your people. So, we can call it knowledge resources and it can be technological resources which can be a combination of your that the knowledge embedded in your people as well as certain developments that might have taken place in the field of material in your r and lab.

So, you can see here that resources, human resources, financial resources, material resources, technological resources, knowledge resources. These are all part of your strength portfolio as well as the enterprise the kind of entrepreneurial innovative zeal



among your people. The reputation the brand image of your company, these are all building blocks of your strength and the very important point that, we discussed yesterday in today in this world a very key strength is your relationship with your customers enduring relationship, with your customers, with your vendors, with your partners alliance networks and so on.

So, relationship is another very major competency strength, that we normally look at. And opportunities and threats, they usually arise from external happenings. But, they also of course, arise from internal developments like your design department your research and development group might have come up with a new material. You know that can make umbrellas not only effective for during rains. But, this material may be very good for say to protect the person from heat and so, it is it is an umbrella, which will be or a new device can be designed with this new material which will be quite effective and more portable, and more personal to be used to protect the person, to protect the customer from heat as well as from rains right. So, this is a development, which is the internal and can therefore, create new market opportunities. But, there are continuously opportunities and threats arising due to changes in the customer environment. That may be you know new customers just like we discussed that new customers are coming into the market, for new consumer products are for your existing consumer products. There can be changes in the competitive environment, your north Indian competitors may now they are strengthen and then they may decide to invade into your strength area. Your core market, which is the southern Indian market or they may be competitors from other countries, who may be coming into your market place.

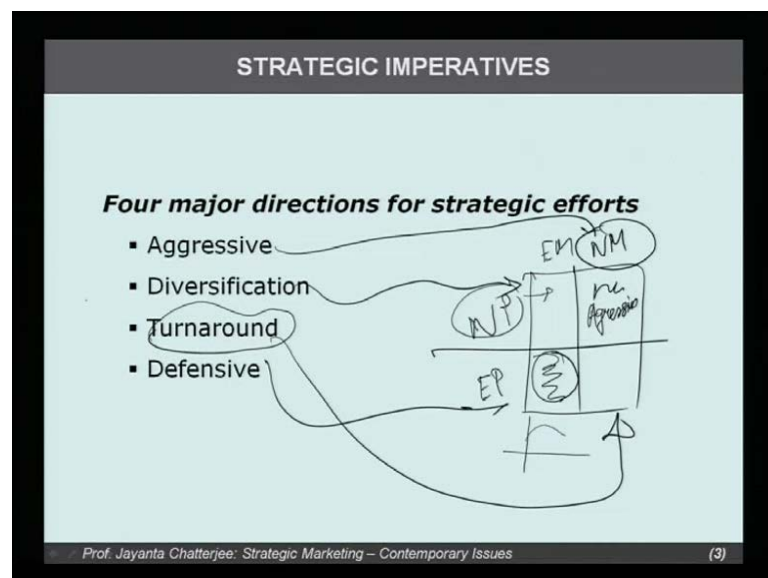
Because, as we discuss all over the world all companies are always looking at these opportunities of E P N P. That means, existing products take them to new markets, which means there are people, who are manufacturing products in Finland or in Scandinavian countries or in Estonia or in Tajikistan. And they may be interested to bring that product to your market in India or Srilanka or Bangladesh. Similarly, there are Indian companies in Srilanka or companies in Thailand who may be taking their products to Finland. So, this existing products taking them to the new markets continues to create opportunities for some and threats for the others. And in the same way, there are changes in the external environment, which we discussed if you remember in the previous discussion, which can be social changes political changes legal or environmental changes.

For example, at some point of time there are certain products substances, which were socially quite accepted. For example, smoking it was quite acceptable as the people had ashtrays in their drawing rooms, people had ashtrays in hotel room or in offices. But, a smoking in public is no longer socially encouraged it is in fact, in many countries in most countries it is no longer socially accepted as well as legally, it is no longer permitted.

And in this situation therefore, if you are in the business of satisfying the smokers then you have to it is it is a threat to you and therefore, you have to find new ways or you have to find new business models. May be have to go away from that use of tobacco and may be have to develop and expand your business. But, chemicals are extracted from a tobacco, which are useful for other purposes, may be medicinal purposes, have may be other industrial usage and so on.

So, opportunities and threats therefore, arise out of changes in the customer in environment, changes in the competitive environment, changes in the social political legal environment. And also opportunities and threats are instigated or provoked or innovated with in the organization, through it is own developments as a result of this sort of A.

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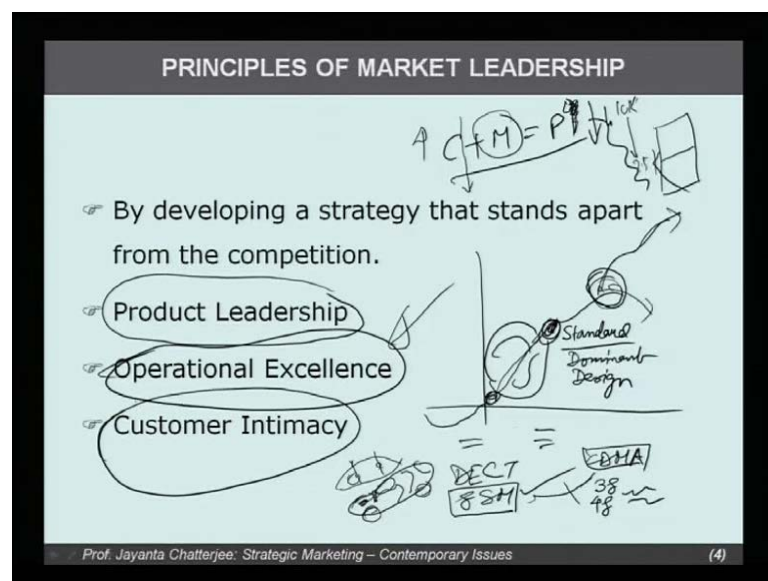
You know the combination that, we have already looked at this E P N P and EM NM. So, existing product in existing market this is where we are mostly in their defensive strategy, were trying to protect this position and at the same time, we are trying to look at

possibilities like taking a new product to the existing market. So, that could be something that may be associated with your turnaround. That means, because this market may be already reaching a decline.

So, that same product, that same existing product may find new growth opportunities and therefore, can cause a turnaround by taking therefore, at that existing product to the new market right. So, for example, if your southern Indian market is saturating with respect to product A, that same product may be at finding a new growth opportunity by taking it to certain market segments in the northern India.

So, this is geographical approach to your market expansion. But, it could be also taking new product to your existing market and therefore, it could be kind of diversification, it could be a very aggressive approach to take a new product altogether to a new market. So, this is the most aggressive strategy right. So, there are different variations that can arise out of these combinations that you can develop.

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But, the point is that you cannot actually developed this out of these combinations what you would like to do that means, whether you are going to primarily be defensive or whether you are primarily expansionist or you are primarily focused an aggressive new product a new market strategy. This is not you just cannot pluck it out of thin air, it is actually it has to be derived out of your overall company position. One of the approach that we have already discussed is that if you are already at the threshold.

That means, some development has taken place and there is a good interesting possibility of a product range that can be introduced right or most companies, when they start their life and at entrepreneurial stage this is where they start. And this means they have introduced and they are trying to grow. This is the stage where, we say that your strategy marketing strategies primarily focused on product leadership. For a new type of product based on some kind of a new technology. Take for example, mobile phones when mobile phones were introduced in the market there were different kinds of technological alternatives on which, different models were based. Companies put their bet on different type of. So, they were comp company technologies like digitally enhanced cordless telephony or a known as DECT. There was technology now, we know which is ubiquitous, which became the winner which is G S M. There are also other types of technologies like C D M A, which also is doing quite well and strong. And there are new opportunities are coming up where, these two can be combined.

But, there were many other technologies at that stage in the initial stage. But, what happens is after some time due to various factors, which we will discuss later on that technological factors due to economy of scale. In fact, in the next few sessions, we will be looking at all these financial factors, technological factors, which all interacting with each other create a particular company, a particular technology, a particular type of design to emerge as the winner.

And then that becomes kind of d factors standard once the standard has emerged then these large number of competitors trying with different types of technologies, at that stage the kind of converge into it is standard. We often also called it that dominant design. Once this dominant design emerges then that is not much of opportunity to be very distinctive. I mean again take for mobile phones, now the dominant technologies are G S M and C D M A and their combinations in various 3 G and 4 G and other new terminologies that are there let us not get there.

But, the point is that once a dominant design has emerged and the technology has become the standard then, you can do some cosmetic changes. You can make red coloured phone or you can have a bigger screen or you can make lighter phone or you can have more memory and so on. But, more or less it will remain the same and therefore, at that stage your strategy marketing strategy has to move from product leadership to operational excellence.

So, what does what is the meaning of operational excellence at this stage, as I was saying that once you have a dominant design dominant technology like G S M or C D M A. And the phones they have already acquired a certain like say a phone with camera, a phone with some ability to have, some musical capability, a phone with storage capability, memory capability for storing. Your contact particular phone numbers, addresses, email addresses of people, you are in communication with once b is combinations have become more or less standard.

That means, every phone has to offer these, features in some combination somebody may have some model may have more memories, some model may have better music capability, some model may have higher capability camera etcetera. But, these are all permutations and combinations. The basic phone remains the same you may be able to fold it, you may make it at that stage therefore, the game is creating variance based on that same dominant design.

And this capability to create variance lighter, brighter or in different colours at the phones of with higher memory or different types of memory capability at changeable memory capability all of these need manufacturing excellence operational excellence operational excellence is a better terminology. Because, it is not only manufacturing excellence, it will also mean your ability to source efficiently and effectively new material. So, your supply chain management capability, your manufacturing capability, your quality and design capability your productivity of of the operation. So, the entire operational excellence will be a key for your marketing success.

So, at that stage the marketing's initial focus on explaining the differentiation in the product explaining the uniqueness in the product. At that stage has to move not. So, much from the to the uniqueness that know-how now I have a phone, which you can carry with you, because now all phones can be carried by people. So, they are all mobile and they are all using more or less the same technology. Now your whole strategy has to be on what are the different options you can offer, how you can reduce the price continuously. Now obviously, you cannot reduce the price continuously, if you are not able to reduce your cost continuously. So, there was a time, when you know in this equation that you have cost plus some kind of a margin is equal to price. So, at there was some you know in the past when there were few of our suppliers and more buyers. And the world market was expanding and in different categories like say take mobile phone

that might have been at that time only 4 or 6 major manufacturer seen mostly in western countries.

Today we have may be 50 manufacturers or may be even 150 manufacturers, who can be counted across the world and they are phones are now giving manufactured in a may be 30, 35 countries right. And with this kind of expansion, with this kind of competitive intensity we are all relying on the same standard. And therefore, they are all having the same technological proposition. This equation has changed in the past, when they was competitive intensity was less the market was dominated by few suppliers and the buyer are to go to them. So, if costs went up then, because there were a few suppliers, you know they could actually afford to a increase the price. In mobile phones it happened, in mobile phones as new capabilities came up in the past not very long back even in the early 90's and mid 90's the prices, were actually going up and up.

But, today this scenario is just the different, today prices just do not go up they have to there continuously coming down as you know, the same phone which you might have purchased for 10,000 rupees 5 years back with the same package of features. At that phone a lighter version, a smarter version may be available for two-and half, 1000 rupees right. So, 10000 rupees has come to 2.2 1500 rupees.

So, as prices are coming down if you want to protect our margin per unit you have to continuously able to continuously manage, the downwards spiral of your cost right. And that comes from your operational excellence. Now this game in marketing strategy again has a limiting situation, the limiting because after certain time, when the market is approaching this stage. That means, it is kind of getting saturated, it is either going to take a new form.

So, therefore, there is going to be a new cycle starting or it may be going to decline. So, like for example, cordless telephones at one time you know, which they still exist. But in many places, in many countries, today you hardly can sell a cordless phone, because the mobile phone at price point and technology packaging and feature packaging are set.

So, much a better proposition that up people, do not buy that anymore, the cordless telephones, so it is kind of new thing has happened. But obviously, at this stage, if your product still has an enduring proposition that means, there are still customers who would like to buy it and a very good example is say automobiles. And automobiles have you

know more or less retain the same form, I mean you have either a so-called single box car or you have a 2 boxcar and you have a little bigger car.

But, they are more or less all have the same design right in the you have you can you may have the engine in the front, in some cases rare cases you may actually put it at the back there. But, there will be windows, there would be doors, you may actually have 2 doors, 4 doors different combinations. But, more or less a car will be the it has remained more or less the same, there is no major discontinued discontinuous radical change in the way the car is driven the car is manufactured.

The car is used and therefore, the marketing strategy for most car makers, you would observe now. The way they are promoted they focus on features they still focus on features. They will talk about higher mileage, they will talk about fuel efficiency, they will talk about brighter colours, they will talk about better cooling, better music system. But, you see as soon as we are talking about cooling, music system we are getting into functions, which we discussed in a previous session, that we are no longer talking about the core function of the car, which is to take you from point A to point B. We are now looking at many other peripheral or add-on or what we call intangibles associated with the tangible proposition of going from point A to point B and these intangibles cannot be the equally attractive for all and therefore, different customers have different preferences.

So, the cooling, efficient cooling, fuel efficient cooling, better cooling may be very important in a in a in a tropical country in a in a environment like India or south Asia or Africa. But, it that capability may not be very important in a Scandinavia, it may be not cooling. But, heating efficient heating that will become more important in that sort of a market right.

So, at this stage we are it becomes very important to understand your customer in greater depth. To develop a certain package of features, you can no longer be a everything to everybody, you have to become now create packages, which are of importance to a certain set of customers. So, customer set n must have therefore, a whole set of package a value that will be important to them and based on that you have to develop a intimate relationship with that group of customers.

So, the as you see therefore, along the product life cycle and based on what the company is trying to do with respect to it is hands of metrics. The different types of or at out at the

same time, you may have to have a portfolio that for certain new products, your current marketing strategy will be focused on product leadership. But, another part of the portfolio, which deals with already an existing product. But, now it is in the stage where a dominant standard has emerged, your marketing strategy may be focused on operational excellence. And for another group or may be for the same group you may also have customer intimacy as a major strategic requirement.

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**Develop Scenarios**

- 4

▪ Which factors that the industry takes for granted should be *eliminated* ? (-) (+)

• These factors may no longer have value for buyers.
- Which factors should be reduced well below the industry's standard?

• Have products been over designed in a race to beat competition?
- Which factors should be raised well above the industry's standard?

• Has the industry forced customers to make compromises?
- Which factors should be created that the industry has never offered?

• What are the potential new sources of value for buyers?

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So, therefore, what we are looking at is, we have to develop different kinds of scenarios right. These scenarios are what can you eliminate, what factors that the industry takes for granted should be eliminated. This is the way you can innovate right. So, for example, there was a time when, we felt that all cars must have 4 doors. But, then somebody said that you know, why do we have to, why cannot we do with 2 doors.

So, new models came up more compact models came up with 2 doors and in the same way. So, these are factors that can be taken for granted today. But, you can question and so, this is actually market innovation, that you can do through elimination similarly, you can also create a whole set of new opportunities by adding. So, you add camera to the phone and you create new category, you add personal music capability to the phone and you create a music delivery service along with your telephone service. And thereby you create a whole new market opportunity or what factors can be raised well above the industries current standard and there by create new market possibilities ok.



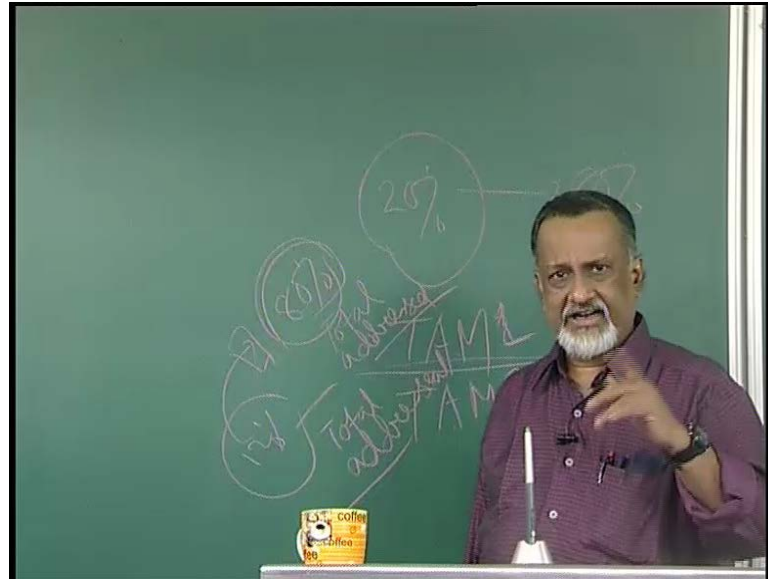
So, a in case of automobiles in a in all these emerging markets like India, Brazil, China Africa all over the new markets. And of course even today because of that crunch worldwide for petrochemical sources, fuel efficiency well beyond the current standard is something that every automobile companies working on. Or multi fuel capability that means, engines which can use bio-fuels as well as normal gasoline.

So, alcohol and gasoline combination engines or engines, which can switch, assemble cars, which can be driven through electrical system rechargeable battery based system. As well as, parallely having capability to have a normal petrol engine or diesel engine. These are all different types of standards that are getting created by you create going well beyond current form factor or current combination of value offerings.

Of course, there are always completely radical things that marketers often come up with in conjunction, in cooperation, in collaboration with their research and development partners and colleagues. These are completely, new package of value, values, that have never been offered right. So, we never thought of reaching from India, Europe in few hours it always used to take few weeks and then people came up with new technology which created the aircraft and then service using those aircrafts business models that made it possible for common persons for the public at large to be able to fly and bridge that distance with in a few hours and therefore in a whole industry whole series of marketing possibilities. So, therefore, this the way airlines market themselves the way air seats are marketed are quite different from the way in the past ships are this marine journey used to be market.

So, the propositions are different. So, the question is at this point to develop these scenarios what do we do, we ask basically strategic questions. So, at this stage to be able to ask the right question is perhaps more important than looking for the right answer. So, this questions can arise from self-analysis like a market share and at each one of these stages. It is a important to understand that your consistent in asking the right questions. To take a simple example market share, what questions we should ask to understand our current market share and where can we go.

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So, market share this is a question it is strategic question that, what is your current market share than what can be your market share what is a valid ambition that you can have. Because, if today your market share is 20 percent can you really go to an 80 percent market share. This is actually a strategic question as a as a simple marketers ambition you may like to do it, but is it feasible.

Now, even this 20 percent sometimes is to be understood in greater depth. And today I will just simply point out to you two important concepts, which I call tam 1 and tam 2 often, we actually when we talk about market share, we ignore that there is a difference between the total addressed market right.

So, you suppose you are on addressing the shampoo market in southern India. So, this is your total addressed market and you may be having 80 percent market share in that market. But, he does not mean you are actually market share is 80 percent, because there is no reason why you cannot address, the market in Northern India or other parts of in India, Western India or Eastern India and therefore that the second concept which is total addressable market that means, your product bites current composition, current feature package, current value offering can address the entire Indian market.

So, your total addressed market your market share their may be just 12 percent right. So, market share is to be understood in terms of the market that, you are addressing today this is important. But, also important is to understand that, what is the market that you

could address with your current offering and that is the total addressable market then what is your share in that market. From this we would like to go to that how to expand our share, I maybe 80 percent in addressed market only 12 percent in addressable market and how do I convert this 12 percent do something that is in between, that will be our next session.