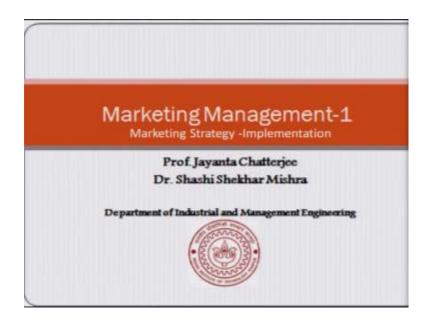
Indian Institute of Technology Kanpur National Programme on Technology Enhanced Learning (NPTEL) Course Title Marketing Management – 1

Lecture: W7.I.2 Generic Modeling Strategy

by
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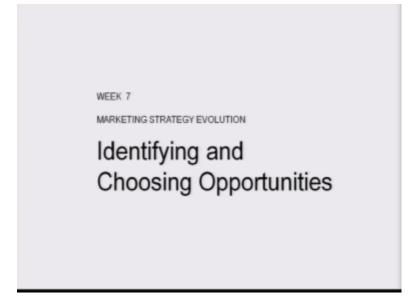
Prof. Jayanta Chatterjee: Hello, welcome to week seven of our course on marketing management fundamentals or marketing management one. And we are now discussing the different aspects relating to implementation of a marketing strategy.

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Prof. Jayanta Chatterjee: This is the second lecture of this week 7.

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Prof. Jayanta Chatterjee: And our key theme for this week is identifying and choosing market opportunities.

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- · Step 1: Determine and recommend which markets to address
- · Step 2: Identify and target market segments
- · Step 3: Set strategic direction and positioning

Prof. Jayanta Chatterjee: Obviously before we choose any market segment we need to know that what are our organizational imperatives, organizational goals, or often called our mission which is derived from the organization's overall vision. So to determine and recommend which markets the organization should address we will study these steps, the performance.

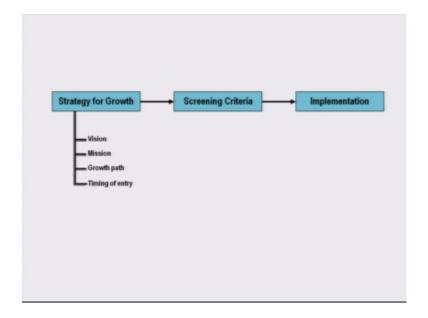
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Week Roadmap

- · Performance gaps
- · Strategy for growth
- · Screening criteria
- Implementation

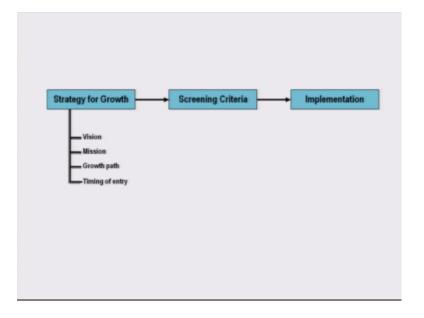
Prof. Jayanta Chatterjee: Gaps, the strategy for growth, screening criteria for opportunities, implementation etc.

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Prof. Jayanta Chatterjee: So as I was saying the strategy for growth, market growth, revenue growth, market share growth, customers mind share growth, all ideally should be driven by the organizational vision from which is derived the organization's mission and the mission will give us the growth path, the time, and the tactical parts of the market entry, market progress and so on. So let us now in this lecture look at these different aspects of selecting before selecting.

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Prof. Jayanta Chatterjee: The alternatives of growth path.

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Alternative Bases — Internal Resources

- Core ingredient or natural resource We are a forest products company.
- Product or service
 We are an automobile firm.
- Technology
 We are an electronics firm.

Alternative Bases — External Focus

- Customer needs
 We satisfy people's transportation needs.
- Market or market segment
 Our markets are families with young children.

Prof. Jayanta Chatterjee: So alternative of growth opportunities are primarily influenced by two sets of factors, one set of factors are internal so they are what we call competencies or resources of the organization based. This is expressed in the mission statement of the company by declaring that we are a forest product company that means here we are emphasizing the resources or natural endowments that are our key assets or it could be based on our technology, our design, our human knowledge, expression, competency expression when we will say we are an automobile company.

So the natural endowment or resources at, at our control or in our control versus the derived competencies create a different kind of mission or it could be based on technology strength that gives us opportunities to look at different product.

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Prof. Jayanta Chatterjee: Changes, in that case our mission will be mission statement will contain somewhere the expression that we are an electronics or industrial electronics or a component or a semi conductor company. Now it can also be or ideally speaking a good mission statement should also integrate into the first set which is based on internal resources, competencies, knowledge, design, etcetera. To that we would like to integrate the external aspects like customer need fulfillment so in that mission expression.

We will say that we satisfy customers need for transportation, customers need for mobility, customers need for freedom of movement and so on or it could also be integrated with expressions like an age group that means were we are doing a demographic choice or it could be based on certain festive occasion, so in such expressions we will say that we market to families with young children, so it signifies a particular group of customers at a particular life stage and so on.

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- · Core ingredient or natural resource (IR)
- · Product or service (IR)
- · Technology (IR)
- · Customer needs (EF)
- · Market or market segment (EF)

Mission directs search for market opportunities

So as you see mission direct search for market opportunities because that is the first stage of choice we make or framework we create to make the choice where we look at natural resources, product service competencies, technology, customer needs and a particular type of market.

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Mission: Illustration - Ginger or Pride

- To provide economy- and quality-minded frequent business travelers with a premier lodging facility, which is consistently perceived as clean, comfortable, well-maintained, and attractive, staffed by friendly, attentive, and efficient people.
- Combines product/service and market/market segment.

Based on this we can illustrate a mission for example this could be the mission of Ginger Hotels or Pride Hotels, you know some mid range hotels and their mission statement may typically read like to provide economy and quality minded frequent business travelers with a premier lodging facility which is consistently perceived as clean, comfortable, well maintained, and attractive staffed by friendly attentive and efficient people. So as you see here this mission statement combines both internal and external issues or aspects or attractions and if you can configure a good mission statement like this, your choice making for the market that you want to address and what you want to offer to that market segment.

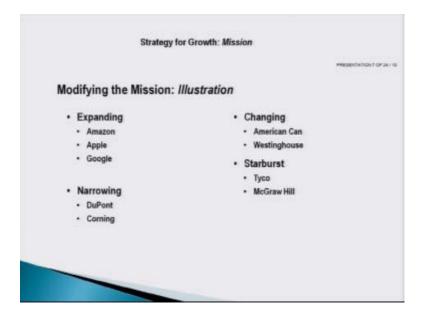
Will be will become a lot clearer to you internally as well as to the customers externally the market at large, so as you see this mission statement therefore embodies a sort of market segmentation, the targeting strategy for that market segmentation and therefore a certain kind of positioning that the business wants to cultivate.

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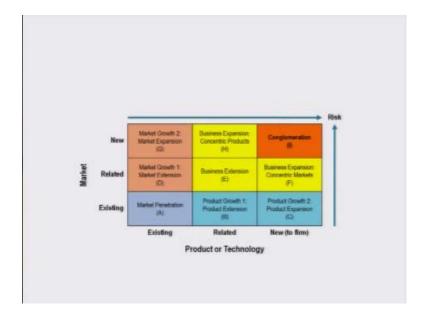
Prof. Jayanta Chatterjee: So the mission statements can further include aspects like expansion, change, dynamics, based on that we have different characteristics like for example companies like.

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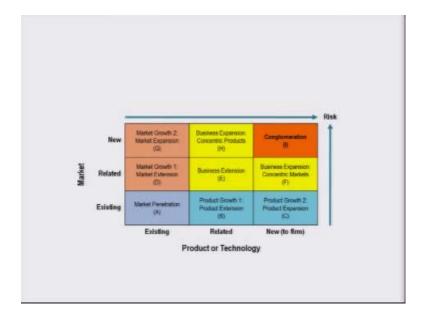
Prof. Jayanta Chatterjee: Amazon, Apple, Google they are expanding or companies like Dupont or Corning they are narrowing and so on. Later on when we discuss different examples.

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Prof. Jayanta Chatterjee: We will be able to see how companies take different positions and develop different marketing objectives on this 3 by 3 model.

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Prof. Jayanta Chatterjee: Matrix model and this 3 by 3 matrix is a sort of a modified version of or adapted version of the so-called and soft metrics, where on one axis on the on the vertical we have market and on the horizontal axis we have product or technology, so at any moment of time a company is in this segment, that is existing market being served by existing product or technology right, and then it can have a related market, related market means that if you are in the automobile market it could mean automobile accessories.

If you are in the computer market or mobile phone market a related market could be mobile accessories, sometimes it can be products which are independent products in their own right, but in relation to your original product line it can create some new sets of values, that is also kind of related market with existing product or related market with a related product opportunity. So you see now as you see many mobile phone companies are introducing smart watches, the smart watch and the mobile phone or the smart phone together offer an expanded range of alternatives which taken individually goes beyond the functions of a watch, goes beyond the functions of a smart phone, together they create a new set of, so that is something where from this position of a more smart phone maker like Samsung.

We are going into, we are covering this whole block of 2/2. So similarly there can be different other positions taken in terms of objectives, so for example we can therefore go from this existing product in existing market. Now incidentally marketing has to always pay attention to this, it is not that we abandon this because this is our main income source this is what gives us the strength to progress this in any of these directions, so fundamentally therefore from this position this block has to be continuously strengthened and that activity we call market penetration.

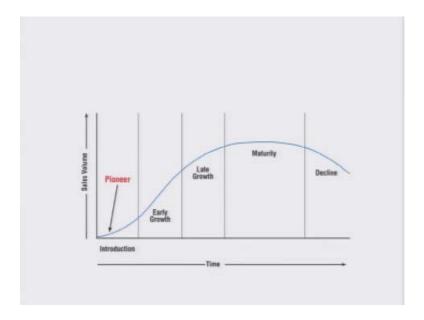
That means we have to not only retain our existing market share but we have to continuously try to expand our market share, keep our existing customers happy with the increasing performance of our existing products or technology, but then we can go in this direction that means we can go with our existing products and technologies in search of new markets. The new markets could be related, the new markets could be actually totally new, also this relation and you could be with respect to geographical adjacency or the use adjacency, so it could be by going from India to USA or it could be going from smart phone market.

To a more cluster oriented phone + +market and if we are going to go for this variety oriented + + marketing strategy then of course we are getting more into on this line which is from market penetration this has to be always done, we are adding this business extension which may finally lead to conglomeration, so we are seeing already that a major watch company like Titan is working together with a smart phone companies and we may see in future certain kind of conglomeration in that direction or some companies who straddle different markets like Sony they can actually create therefore simultaneously within their company these different activities.

I also need to highlight that the more you move in this direction that means you are going to new to the company, new to the farm technology or product and new to the completely new market, you are also increasing your risk, market risk, technology risk, so usually growth in this direction is safer, incremental, growth even within these will be relatively easier because you are looking at adjacent market or you are looking at related or adjacent technologies.

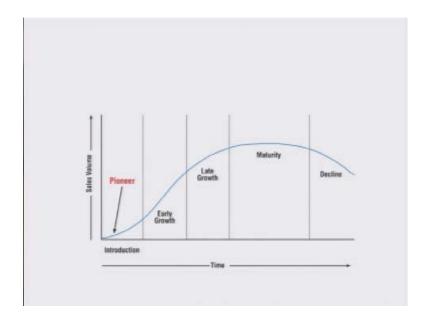
But this part is a much higher level of risk, so we see here therefore there are incremental growth opportunities and radical new growth opportunities. And one will have to evaluate where to go based on where the company is or the product is or the technology is on this what we call the lifecycle graph.

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Prof. Jayanta Chatterjee: This is the standard model, we often call it the s-curve this because of the S shape that you see here, and this divides the market in these major parts.

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Prof. Jayanta Chatterjee: The first part is introduction where we have customers who are pioneers we call them innovators and early adapters. So there are two parts to this actually innovator and early adapter, then we have this early growth part of the market, so they here the customers are what we call the early majority, coming from this early adoption. And then we have the late growth or we can also call it the late majority, then the market sort of matures and then it declines, most products, most technologies, most companies, they follow this trajectory.

Now obviously for a company or for a product for a technology which is here right, your major strategies for marketing will be towards market penetration, market growth, product growth, business extension, that is how you want to capture all the possible opportunities that arise at this stage where the market is growing, the product demand is increasing, the technology is getting appreciated more and more. So in a country like India the smart phone business is a booming business and compared to the total population maybe 15, 20% people have smart phones, I mean real smart phones so we have 80% of the market still available so this is their growth stage, so growth stage means our

Strategies will be here but on the other hand if you have reached this stage, so in Europe for example a company say in a country like Sweden or Finland everybody has smart phone almost everybody so the penetration level is more than eighty, ninety percent, so there is no more opportunity there to only sell a smart phone, then comes the reason why we actually then start venturing into these areas. So we actually try to see what other products related products can be added to create a new revenue stream or how to take those products very successful in America, Europe to a relatively underdeveloped market like India or other parts of Asia or Latin America. So you are growing trying to find new growth opportunity, you are trying to find a new graph of growth here and on that basis your strategy position on this metrics will change. So these two concepts are very closely interrelated in the way we want to create our objectives for marketing, so in different segments in different parts of this the organizational internal competencies will also have to change, different expertise will be needed so if you are in the pioneer stage you need to give consistent R&D investment, willingness to take risk because at this early stage at this early stage these all these adopters and innovators are to be attracted, they are a small part of the total market, so your marketing effort will have to be all very much focused so just general promotion binge will not work.

So very finely targeted direct marketing strategies will have to evolve, so a lot of internal requirements are there with respect to how to take, manage how to manage this risk and of course you need this entrepreneurial pioneering skill. On the other hand during this early growth stage where set standards dominant designs have already emerged a different sets of skills are needed where you need to do not R&D but D&D, strong development a new design derivative designs skills, speed of action, creative competitive intelligence what others are doings what the pioneers are doing and try to not only follow but beat the leader.

Then when you reach here in the late growth stage you need high level of segmentation skills and that is where actually many of the disciplines of marketing they flourish, the marketing research, business intelligence, market intelligence, developing inside, doing statistical analysis, building different kinds of if-then scenarios marketing models etcetera.

So here will be normally the stage where the market will be not homogeneous the market will need very narrow focus, the segments will become much more clearer. So now you see for example laptops are approaching this stage so you are seeing promotions for laptops only meant

for fashionable young professional women will be then promoted using a celebrity image which will evoke that particular set, so in there in that market therefore your marketing strategy and targeting and your positioning will follow a different set of logic.

And modular design flexible operation systems will be the kind of internal competencies which will have to match that sort of situation, in case of mature market you know there are a lot of

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Success Requirements - Me-Too

- · Value Engineering
- · Efficient, high-volume production
- · Low overhead
- Aggressive purchasing

Prof. Jayanta Chatterjee: Me-Too products and they are the lowest cost will be lowest cost provider will be the winner and there are actually lot of internal factors competency factors come into play because the market is an already kind of your position is already there you know so value engineering, operational excellence, high-volume production

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Success Requirements - Me-Too

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- · Efficient, high-volume production
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- Aggressive purchasing

Prof. Jayanta Chatterjee: Very low over head, all these aggressive purchasing, superior supply chain management, these will be the fuel that will drive your marketing strategy both in terms of internal activities as well as external activities. So with that we lay the foundation for marketing strategy for segmentation targeting and positioning, more tomorrow, thank you.

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