

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

**Lecture: W2.I.1**  
**Introduction to Marketing**

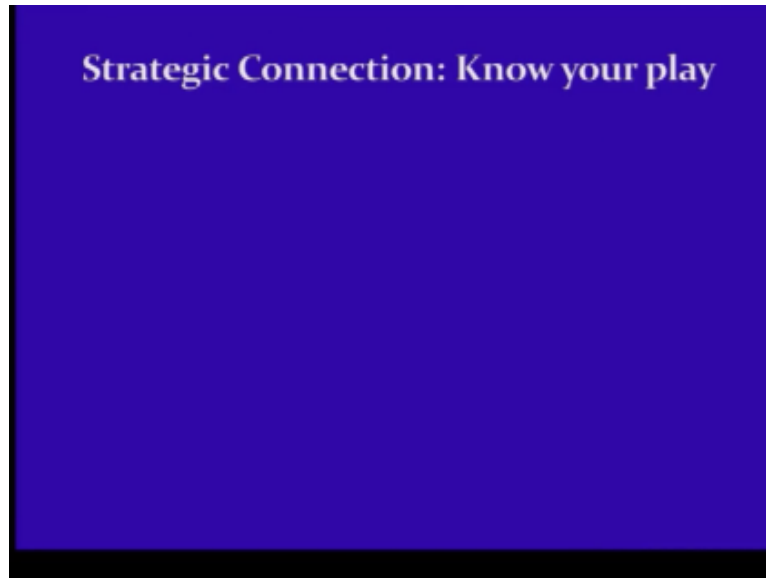
**by**  
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Prof. Jayanta Chatterjee: Welcome to our course on marketing strategy part 1, last week we have discussed the fundamentals of marketing concepts and how those concepts have evolved, today's concepts as opposed to earlier concepts and how we will see future concepts emerging and the application part, the tactical part of marketing as well as some aspects of the strategic part of marketing we have discussed. This week our main theme will be business environment and marketing strategy, that means the aspects of marketing going beyond the organization and the customer.

Previous week we have discussed a lot about the interaction between organizations and customers in the context of marketing, now we are going to look at other factors, all that come into the play to create this concept of holistic marketing that we introduced to you. In this session I am going to focus on a very important part of marketing, some people say just like we have introduced to you four P's, in the same way.

There is another acronym in marketing quite popular called 3 C's so in 3 C's you have the customer, you have the company, and the third C is competition and we are going to discuss about competition now. We have a professor S. S. Mishra and we are both from IIT Kanpur as we have talked about so we are discussing this week.

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Prof. Jayanta Chatterjee: This session, ways of competing. The first important model that I am going to present to you is a very simple model developed by Professor Igor Ansoff and it is a very powerful model because it will give, it will give a guidance to organizations for years how to start and how to evolve, so in a way it is a model to, for you to decide that where you want to start your play and where you want to go

So as you know strategy is all about a journey, going from A to B, so A is your current position and B is your future intended position. Now in this going from A to B you have to first know where you are and you have to know where you want to go and in this process of course it is not a linear journey, there will be obstacles, there will be new happenings, the competition will have responses and so while your overall direction will remain you may have to go in an evolutionary way.

So the first is therefore the two concepts which we have already introduced to you, market and product

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Prof. Jayanta Chatterjee: Now both sides can have two variants, existing market and new market, an existing product, a new product

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Prof. Jayanta Chatterjee: If we put this together in a two-by-two matrix and we are very fond of this two-by-two matrices in management particularly marketing, so you see immediately it shows us that what is the strategic task of the organization with respect to product and market, so if you, if you are taking an existing product to

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Prof. Jayanta Chatterjee: A new market so your current market is South of India you have developed a shampoo very successful in South of India and you are now wanting to launch that shampoo in Eastern part of India, this activity we will call market development, so it is taking an existing product to a new market. Similarly if you are taking an existing product and existing market that means you might not have covered that entire.

So South of India maybe you have not you are very strong in Tamil Nadu, you are very strong in Andhra, but maybe you are not that strong in Karnataka or in Kerala, so it can be a geographical penetration or maybe your product is doing very well with the young customers but you may need to actually also address the needs of the senior citizens, that is another kind of market penetration.

So market penetration can be geographic, market penetration can be demographic or market segment, market penetration can also be sometimes psychographic, and all these concepts we will discuss in greater detail later but at this moment the four important point is that existing products can be taken to existing market that will be penetration, existing product

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Prof. Jayanta Chatterjee: To new market that will be market development, similarly there can be new products taken to new market, this is the most challenging part of marketing, this is where actually your marketing and innovation, the product is new and the market is new that means you are playing with both unknown factors, you do not know that market, you do not know that product so obviously this is where you have the highest risk.

So you have the lowest risk here because you are operating, you know the market, you know the product, and you have the highest risk here, so most of the time companies actually instead of going there usually go either via this route, that means you are taking a new product to the existing market so that is what we call product development or the company may actually go this way that means they from the existing product in the existing market they may come to a new market and from that experience they can actually develop a new type of product, for example many of the car manufacturers.

When they came to India the big ones like Ford, General Motors, or Toyota, they first came with their existing models and then basically it was almost like an export, there was some local

assembly but they took that existing product and offered it to the Indian market, but they soon saw that there are some exciting segments in Indian market which may not be that popular, for example small cars with diesel engine or the cars in general with diesel engine or a sedan which is a four-door car but with certain features which are particular to India like because of road condition you need a higher level for the platform and so you need maybe bigger tires.

So they understood that there is a need of developing cars which are meant for the Indian condition designed in India for India and that therefore the company's originally came through this route but they soon actually started developing new types of cars for this new market and that became a diversification. So as you see here this is a very good diagram for you to decide, do you start here, do you start here, and where you are wanting to go so every product that you are introducing in the marketplace can be positioned somewhere on these, on this model in one of the quadrants.

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Prof. Jayanta Chatterjee: Now I will come in terms of competition and in the interaction with the three-prong interaction, that means the organization, the customer, and the product or service or the offering as we call it if you put all these three things



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Prof. Jayanta Chatterjee: Together a very interesting concept was introduced by Michael Tracy and this is the concept of discipline of market leaders in facing competition and bringing products to markets. At the value disciplines this is called value discipline there are three

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Prof. Jayanta Chatterjee: Value disciplines, one is operational excellence, the second is a product leadership and the third is customer intimacy. Actually in a previous session professor Mishra introduced to you that how in the very beginning we started with the production emphasis where actually we wanted to be most efficient and we wanted to be optimal, and in those days therefore the focus was here and then you know we moved to the product era and then today we are moving to the customer era.

Of course we will discuss when we discuss product life cycle then we will see that in the early stage of the product actually this is the place where we start because this is where we are competing on product features or differentiation, so differentiation is in another name is product leadership, low-cost another generic strategy is another name of operational excellence and focus the third generic strategy is in a way nothing but the customer intimacy strategy. And as you see our move is from best total cost, reliability, quality, efficiency of productivity, economy of scale, from there in the second stage we move to the best product and then we move to the best total solution so if we

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**The Discipline of Market Leaders**  
Michael Treacy and Fred Wiersema

- “Value disciplines” . . . Based not on industry, but on what type of value proposition (VP) is pursued.
  - Operational Excellence (VP: best total cost – reliability, competitive price, minimal difficulty or inconvenience)
  - Product Leadership (VP: best product)
  - Customer Intimacy (VP: best total solution)
- Good-to-Great :

Prof. Jayanta Chatterjee: Put in the strategic frame our aim is to go from good to great, there are some interesting literature on this very theme, strategic literature good to great, here very interesting

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Prof. Jayanta Chatterjee: Metaphor for us where we can combine the strategic framework from the organizational context and marketing subset of that strategy is what we can call strategic marketing is use this metaphor of bus, that means a bus is a journey and you have to decide which bus you want to take, are you going from Kanpur to Kolkata or you are going from Kanpur to Delhi, and you have to decide that if you are getting into the bus then maybe you know in this metaphor we were if we take the fixed the number of passengers there was nobody standing.

So which means that if you are getting on then some people have to get out, so that means that you have to push out some competition, all these are part of the competition dynamics which we will continue to discuss today and tomorrow. So the different aspects of strategy in this interaction between, interaction among product organization and competition or the 3 C's, the interaction of three C's produces this sort of detail metrics where we have on one side we have those three

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	OPERATIONAL EXCELLENCE	PRODUCT LEADERSHIP	CUSTOMER INTIMACY
<u>Core Business</u>	Efficient distribution		
<u>Structure</u>	Central authority		
<u>Marketing Systems</u>	Standard Products and procedures		
<u>Culture</u>	One size fits all		

Prof. Jayanta Chatterjee: Value proposition, that is the y-axis which is the operational, sorry the x-axis the operational excellence, product leadership, and customer intimacy, and on the vertical we have core business structure, marketing system, and culture. So you see initially our focus will be on efficiency, efficient distribution, efficient production, and organizations even the marketing organization usually will be quite centrally dominated and standard products, standard procedures and the approach is one-size-fits-all.

This gives way to the next stage where product innovation becomes the main theme, obviously therefore your structure has to become more flexible and there will be more focus on value innovation, and experimentation will be the nature of your culture

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	OPERATIONAL EXCELLENCE	PRODUCT LEADERSHIP	CUSTOMER INTIMACY
Core Business			Provide solutions
Structure			Empower close to customer
Marketing Systems			Measure and Return Feed and
Culture			"Have it your way"

Prof. Jayanta Chatterjee: And the last one is this customer intimacy where the focus will be on total solution, obviously at this stage empowerment of the people who are in the direct contact with customer that means the front line that empowerment becomes very important to succeed in this kind of at this stage of the development, and the marketing system will be focusing on cost

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	OPERATIONAL EXCELLENCE	PRODUCT LEADERSHIP	CUSTOMER INTIMACY
<u>Core Business</u>			Provide solutions
<u>Structure</u>			Empowerment close to customer
<u>Marketing Systems</u>			Measure: Cost and Return Feed and Weed
<u>Culture</u>			"Have it your way"

Prof. Jayanta Chatterjee: And return but also it will be focusing on feed and read, that means you have to see that which products and which customers and some will have to be left out. These we will discuss a lot more when we discuss about the strategies of marketing at the mature stage or maturing stage we will discuss it in detail, but most important here is that it is have it your way that means power is very much in the hands of the customer.

So with this we come to sort of a conclusion on the first aspect of competition dynamics and how customer and organization or company and competition the 3 C's create different types of models or conceptual framework to approach the market in a strategic fashion.

Dr. Shashi Shekhar Mishra: Very well explained Professor Chatterjee, I would just like to add on like all this pursuit of strategy also depend on the kind of industry you are that at a particular point of time even today you can find out there are companies which are doing really well in terms of their financial things, like it depends on the type of industry they are in probably the competition and the other environmental aspect, like if we talk about this operational excellence.

So we talked about this Indigo Airlines which is probably in spite of being in this overall Airlines industry not doing so well but it has still made some little bit of profit showing are probably based on its this operational excellence things where they have implemented so many initiative so that their turnaround time is very less, their cost of managing the customers and their, the flight maintenance all those things are probably very less and then we talk about this product concept, we were already talking about this Honda success in India with their models.

Prof. Jayanta Chatterjee: So Indigo will be an example of operation excellence, operational excellence like Southwest Airlines of U. S.

Dr. Shashi Shekhar Mishra: Absolutely and then talking about this Honda Activa in India we talked about yeah

Prof. Jayanta Chatterjee: The example which you discuss

Dr. Shashi Shekhar Mishra: The product was basically so well designed and this was coming out from the engineer's persuade of

Prof. Jayanta Chatterjee: Of product excellence

Dr. Shashi Shekhar Mishra: Product excellence, so another probably an example where the company has pursued this product concept and then we have this customer intimacy where probably we can talk about Café Coffee Day, this kind of company which probably have done really well on the customer intimacy side, they have very royal customer base, so you see this

Prof. Jayanta Chatterjee: And we were discussing about have it your way, you know in a Coffee Café Day you can just go and have a 1, order 1 cup of coffee and you can chat with your friends maybe for two hours, you can, there is free Wi-Fi, you can do your office work, I have like Coffee Café Day they have their model is based on the Starbucks model, there are start-up companies that Silicon Valley I have read their office addresses is at Starbucks, that means they



do everything sitting there because you know these days everything is on the net and using the free Wi-Fi at Starbucks and Starbucks is very proud.

That some great companies were born through discussions at Starbucks and so this is you know this is connecting with the customer from that emotional level and connecting with the customer with sort of non-monetary aspect and non-product aspect or the, or the that means what we call that what we discuss more in detail about the product, then you know we have the core product and we have the augmented product

Dr. Shashi Shekhar Mishra: Yeah so like in the case of Starbucks if I talk about then the overall value proposition if you look at there is something like the product which is excellent coffee but beyond that they go that, the ambience and the customer service excellence they add up to that value proposition so they go beyond the product, so we have three examples from different industry and basically one has to look into the kind of industry, the kind of competition and then probably other aspect.

And then decide probably what starting to pursue in their business environment.

Prof. Jayanta Chatterjee: So to wrap up what we are saying is that in the first week we discussed more about products and about companies and the needs of the companies and which guides the products and we also discussed about customers and their needs, and how that those needs guide development of products and services, we are now expanding.

Our angle of view and we are therefore now looking at the environment in which we operate and we are looking at competition that was the first thing that we looked at in environment, of course we will have to look also at the political environment, the social environment, and all those issues, the change of technology, the pace of technology, that will be other important aspects of environment which will guide the marketing strategy of a company and we will take that up in following sessions. We have still some aspects of competition aspects left and we will discuss that perhaps after we discuss the other parts of the environmental aspects, thank you.

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