

Management of New Products and Services (MNPS)
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Lecture – 06
NPNSM Theoretical Foundations V Product Platforms and Portfolios

So, we were discussing yesterday, how market leaders are challenged and we took two examples the mobile, telephone instrument, the mobile phone instrument. And how a new challenger like; Apple change the market structure and the framework, and all companies like Nokia or Samsung or Panasonic or LG. They had to come up with several features and as a result of which, this whole new generation of smartphones evolved a new operating system android came up.

And therefore, now the battle that is going on is between one kinds of platform the android has created a network; there are a number of manufacturers. Who use android? And that's competing with another network, which is the IOS the apple operating system, and you see now it's like a kind of a battle a between two sets of networks, because the phone par se the instrument has now become sort of less important compared to all the different kinds of applications that can write on the phone.

Because the phone is now trying to compete we do not know tomorrow actually it maybe place even computers. In fact, many of the functions that you did with your laptop can now be done on your smartphone, but you see how a challenger who comes with a new technology, which is high risk, but as in case of apple can actually produce very high gain. If that risky strategy is offering to customers superior value and can alter the competition on both sides.

And so today it is happening is that there is one setup network, networked companies; companies who are cooperating as well as competing, because you see in the mobile phone they all use the same operating system and therefore, many features they all offer together and they are trying to operate in a with a little bit better way.

And then on the other side we have a whole ecosystem around the apple IOS. So, the android ecosystem or network of companies are now competing with the IOS operating

systems and the that operating system based app producing companies, and now some of the app producers have started producing apps with both versions.

So, somebody actually wrote an interesting article saying that the competition in future will not be product versus product, but network versus network they called it I think that particular author called it spider versus spider you know the spiders network.

But in general the market challenges track strategy classically has been have a high risk, high gain strategy and a search for a sustainable competitive advantage compared to the market leader. So, this is the difference between the market leader strategy, which is retention protection holding onto market share oriented versus the market challenger who is coming from a 0 state in perhaps, and he is playing a high stick game.

Today many different markets the frontal attack of the market leaders as has been done in case of mobile services in India by reliance Jio. Or in the phone industry by apple the frontal attack can be executed only by companies with deep pockets, meaning companies with very high level of resources because it will be quite expensive to persuade the customers to move away of course, if you are genuine the offering something better, than once the customers start moving it can becomes a wave and it can change the industry all together, but market challenges strategy often is executed by companies who try to look at their immediate vicinity.

So, in you are in their own geography or you know companies which are smaller size. So, that happens the market challenger then uses techniques like mergers and acquisitions and they try to basically compete and destroy the weaker.

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Competitors and expand the market share, now remember this is a the market challenger strategy can often be a good strategy, in the market is in a high growth mod this may not be a very good strategy when actually the market has matured.

So, in the market when it has matured, we have another type of competitive strategy which we call the market follower, what the market followers do and you can see it how the Japanese did it so well. When the Japanese started manufacturing cars they were following a long list of dominant US car manufacturers, but these Japanese companies primarily focused on operational excellence they made their operations, so efficient.

So, effective they come up this fantastic combination which earlier people thought was not possible, which is high quality usually be associated high quality with high price, but they came up with high quality cars with low price they initially focused on the smaller size cars and that give them reputation. So, people found them small Japanese cars excellent value for money.

So, you see this value for money then becomes a mantra, and once you build your reputation and you become as famous as Toyota in one that small car segment then you started spending you start offering bigger cars, and that's how the Japanese manufacturers almost destroyed the US auto industry and today all the Japanese companies put together a far ahead of most of the other western car companies put

together, they did the same thing in two wheelers motorbikes the motorbike manufacturers of Europe almost disappeared.

But how they have come back some of those two wheeler manufacturers of Europe is a strategy that we will look at in the next set of customers or how US motorcycle manufacturer, came back and created a cult will be our next topic and this is the strategy of a market knish operator. So, look at for example, Harley Davidson in US in spite of all the challenges offered by the Yamaha's and Kawasaki is of this world the Japanese manufacturers, who are extremely successful in destroying the entire European two wheeler industry.

Now, not only retained their customers, but actually created a weep people often called it a call it a cult. So, Harley Davidson became a cult product; that means, owners of Harley Davidson take pride not only in the performance of that particular product or features they actually focus on the lifestyle the values represented by Harley Davidson. So, they have Harley Davidson club they have not only the motorcycle.

But they have all kinds of dresses and other merchandise that are used by Harley Davidson fans, they have annual festivals of Harley Davidson motor race motorcycle race or often they are called professions they club their Harley Davidson in. So, many different ways and they decorate their own device it's like it actually almost mentally in the mind of owners become their personal horse and it of course, offers certain features high power extremely rugged performance.

So, there are people who own Harley Davidson, they may be a accountant maybe a manager in a highly placed position in a large company. But at weekends the don they are leather jackets and leather pants and go out with their buddies, and go on a trip, weekend trip somewhere distant with the Harley Davidson. So, this they have created something what we call the biker cult. So, this is the strategy which is the strategy of the next stage which is the market Nicher

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COMPETITIVE STRATEGIES	
➤ Competitive Positions	➤ Serving market niches means targeting sub segments
❖ <i>Market Leader</i>	➤ Good strategy for small firms with limited resources
❖ <i>Market Challenger</i>	➤ Offers high margins
❖ <i>Market Follower</i>	➤ Specialization is key <ul style="list-style-type: none">▪ By market, customer, product, or marketing mix lines
❖ <i>Market Nicher</i>	

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So, here you become focused on a particular type of market this is, the market as in case of Harley Davidson, the market of high power high performance bikes which are for hobby riders or Harley Davidson has an excellent market segment where they actually offer it to police forces, and armed forces who need actually very high performance insert for certain situations I have.

So, there a Harley Davidson meant for them which is kind of a professional use and then Harley Davidson for private owners, which is more for a like a hobby weekend use and for almost like a group of a fan club following a film star. So, that's how the whole market development takes.

So, in the market if you are able to develop a market niche and you are able to dominated by your focus strategy, then you can actually it will be a narrow it will not be a volume oriented game. So, the number of Harley Davidson sold will be fewer then the number of other normal motor cycles old, but Harley Davidson margins will always be very good, you can see in India the same thing happening with ishar and this royal enfield.

So, royal enfield bullet, actually had was a dying brand and with excellent strategy almost emulating a the Harley Davidson in the Indian context the royal enfield bullet has made a very strong come back and is one of the best performances in the two wheeler industry in India, in terms of mountains to the point is a the market nicher strategy, you have to be more focused on your customers deep likes and dislikes you have to make the

product almost personal and if you are able to do that then you can dominate that small segment and make excellent margin. So, you can be a very efficient producer, profit oriented, but profit coming from offering highly superior trailer set of values for the customers, so specialization is the key at this kind of strategy level.

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BALANCING CUSTOMER AND COMPETITOR ORIENTATION

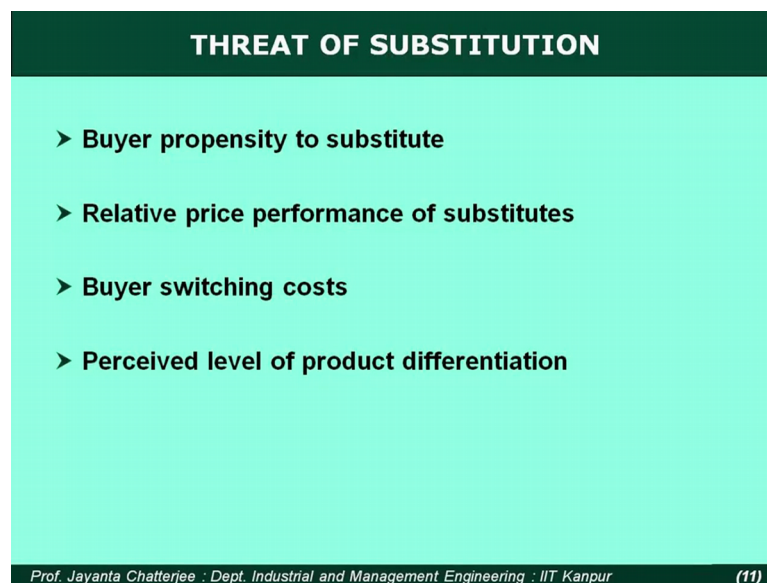
- **Companies can become so competitor centered that they lose their customer focus.**
- **Types of companies:**
 - Competitor-centered companies
 - Customer-centered companies
 - Market-centered companies

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So, we need to therefore, balance the strategy often. So, you have to be on one hand focused on the competition, in the early stage or on the other strategies like we discuss the strategy of the market leader, or strategy of the market challenger that's a competition oriented strategy, but the market nichers is a customer centered strategy and companies need to make a balance depending on the life cycle of the industry, depending on the overall competition map and also superimposing on that emerging technology maps and emerging customer values and lifestyle maps.

So, all these the competition map the technology map and the values and lifestyle map this three sets of evolutions need to be balanced in a dynamic fashion to create a winning product strategy, the strategy of combining features and services.

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THREAT OF SUBSTITUTION

- **Buyer propensity to substitute**
- **Relative price performance of substitutes**
- **Buyer switching costs**
- **Perceived level of product differentiation**

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Hardware and software, tangible and intangible, now I need this idea about disruption which we discussed earlier you can also be seen in terms of another interesting strategic terminology call the threat of substitution.

So, remember therefore, the threat of substitution can come from a close competitor; the threat of substitution can come from a distant peripheral customer. So, apple who was a computer manufacturer was not considered as a really true competition by phone manufacturers, they did not see the popularity wave of i pot which was considered as a computer peripheral at that stage that growth, they were blind to that growth in many ways and they did not see the i phone coming with that strength. And one big win for i phone happened because of i tune the exceptional service, which was perfect it on the i pod.

And now created a value bundle of product features and services of tangible and intangible that was way ahead of many other competitors and created its own carlton created its own followers fans. So, an i phone user will find it very hard to move away from i phone and go to other of options. So, therefore, substitution is can sometimes happened at the growth stage if you are come up with a exceptionally low cost as happened in case of the Japanese cars or motorcycles.

Usually this cost based substitution comes from the lower side of the market, but then it can rapidly expand towards the highest level, but the substitution can also come through

a completely new type of technological evolution has happened in case of the cameras that we discussed.

So, we will now in the following session take up there for understanding deeply customers, because ultimately all product development strategies research and development design and development must come from not your laboratory not your designers or product managers imagination, but from deeper and wider understanding of where your customers are going that is the key source of true competitive advantage. So, our next session will be on understanding customers.

Thank you.