Lesson 10

STRATEGIC MARKETING PLANNING
(PART -II)

MARKET DOMINANCE STRATEGIES

Typically there are four types of market dominance strategies that a marketer will consider: There are

- Market leader,
- Market challenger,
- Market follower,
- Market nicher.

Market Leader

The market leader is dominant in its industry. It has substantial market share and often extensive distribution arrangements with retailers. It typically is the industry leader in developing innovative new business models and new products (although not always). It sometimes has some market power in determining either price or output. Of the four dominance strategies, it has the most flexibility in crafting strategy.

The main options available to market leaders are:

- **Expand the total market by finding**
  - o new users of the product
  - o new uses of the product
  - o more usage on each use occasion
- **Protect your existing market share by:**
  - o developing new product ideas
  - o improve customer service
  - o improve distribution effectiveness
  - o reduce costs
- **Expand your market share:**
  - o by targeting one or more competitor
  - o without being noticed by government regulators

Market Challenger

A market challenger is a firm in a strong, but not dominant position that is following an aggressive strategy of trying to gain market share. It typically targets the industry leader (for example, Pepsi targets Coke), but it could also target smaller, more CElnerable competitors. The fundamental principles involved are:

- Assess the strength of the target competitor. Consider the amount of support that the target might muster from allies.
- Choose only one target at a time.
- Find a weakness in the target?? Position. Attack at this point. Consider how long it will take for the target to realign their resources so as to reinforce this weak spot.
- Launch the attack on as narrow a front as possible. Whereas a defender must defend all their borders, an attacker has the advantage of being able to concentrate their forces at one place.

- Launch the attack quickly, and then consolidate.

Some of the options open to a market challenger are:

- price discounts or price cutting
- line extensions
- introduce new products
- reduce product quality
- increase product quality
- improve service
- change distribution
- cost reductions
- intensify promotional activity

Market Follower

A market follower is a firm in a strong, but not dominant position that is content to stay at that position.

The advantages of this strategy are:

- No expensive R&D failures
- No risk of bad business model
- Best practices? are already established
- Able to capitalize on the promotional activities of the market leader
- Minimal risk of competitive attacks
- Don't waste money in a head-on battle with the market leader

Market Nicher

In this niche strategy the firm concentrates on a select few target markets. It is also called a focus strategy. It is hoped that by focusing ones marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The niche should be large enough to be profitable, but small enough to be ignored by the major industry players.

Profit margins are emphasized rather than revenue or market share. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms and has much in common with . The most successful nichers tend to have the following characteristics:

- They tend to be in high value added industries and are able to obtain high margins.
- They tend to be highly focused on a specific market segment.
- They tend to market high end products or services, and are able to use a premium pricing strategy.
- They tend to keep their operating expenses down by spending less on R&D, advertising, and personal selling.

COST LEADERSHIP STRATEGY

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base.

Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. Successful implementation also benefits from:

- process engineering skills
- products designed for ease of manufacture
- sustained access to inexpensive capital
- close supervision of labour
- tight cost control
- incentives based on quantitative targets

DIFFERENTIATION STRATEGY

Differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.

To maintain this strategy the firm should have:

- strong research and development skills
- strong product engineering skills
- strong creativity skills
- good cooperation with distribution channels
- strong marketing skills
- incentives based largely on subjective measures be able to communicate the importance of the differentiating product characteristics stress continuous improvement and innovation attract highly skilled, creative people

MARKET SEGMENTATION STRATEGIES

In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms and has much in common with guerrilla marketing warfare strategies. It is also considered an important strategy by others.

SCENARIO PLANNING

Scenario planning is a strategic planning method that some organizations use to make flexible long-term plans.

These combinations of fact and possible social changes are called "scenarios." The scenarios usually include plausible, but unexpectedly important situations and problems that exist in some small form in the present day.

Strategic military intelligence organizations also construct scenarios. The methods and organizations are almost identical, except that scenario planning is applied to a wider variety of problems than merely military and political problems.

The chief value of scenario planning is that it allows policy-makers to make and learn from mistakes without risking important failures in real life. Further, policymakers can make these mistakes in a pleasant, unthreatening, game-like environment, while responding to a wide variety of concretely-presented situations based on facts.

How scenario planning is done

1. Decide on the key question to be answered by the analysis. By doing this, it is possible to assess whether scenario planning is preferred over the other methods. If the question is based on small changes or a very few number of elements, other more formalized methods may be more useful
2. Set the time and scope of the analysis. Take into consideration how quickly changes have happened in the past, and try to assess to what degree it is possible to predict common trends in demographics, product life cycles. A usual timeframe can be 5 to 10 years.
3. Identify major stakeholders. Decide who will be affected and have an interest in the possible outcomes. Identify their current interests, whether and why these interests have changed over time in the past.
4. Map basic trends and driving forces. This includes industry, economic, political, technological, legal and societal trends. Assess to what degree these trends will affect your research question.

   Describe each trend, how and why it will affect the organization. In this step of the process, brainstorming is commonly used, where all trends that can be thought of are presented before they are assessed, to capture possible group thinking and tunnel vision.
5. Find key uncertainties. Map the driving forces on two axes, assessing each force on an uncertain/(relatively) predictable and important/unimportant scale. All driving forces that are considered unimportant are discarded. Important driving forces that are relatively predictable (for exp. demographics) can be included in any scenario, so the scenarios should not be based on these.

   This leaves you with a number of important and unpredictable driving forces. At this point, it is also useful to assess whether any linkages between driving forces exist, and rule out any "impossible" scenarios (for exp. full employment and zero inflation).
6. Check for the possibility to group the linked forces and if possible, reduce the forces to the two most important.
7. Define the scenarios: plotting them on a grid if possible. Usually, 2 to 4 scenarios are constructed.

   The current situation does not need to be in the middle of the diagram (inflation may already be low), and possible scenarios may keep one (or more) of the forces relatively constant, especially if using three or more driving forces. One approach can be to create all positive elements into one scenario and all negative elements (relative to the current situation) in another scenario, then refining these. In the end, try to avoid pure best-case and worst-case scenarios.
8. Write out the scenarios. Narrate what has happened and what the reasons can be for the proposed situation. Try to include good reasons why the changes have occurred as this helps the further analysis. Finally, give each scenario a descriptive (and catchy) name to ease later reference.
9. Assess the scenarios. Are they relevant for the goal? Are the internally consistent? Are they archetypical? Do they represent relatively stable outcome situations?
10. Identify research needs. Based on the scenarios, assess where more information is needed. Where needed, obtain more information on the motivations of stakeholders, possible innovations that may occur in the industry and so on.
11. Develop quantitative methods. If possible, develop models to help quantify consequences of the various scenarios, such as growth rate, cash flow etc. This step does of course require a significant amount of work compared to the others, and may be left out in back-of-the-

envelope-analyses.

12. Converge towards decision scenarios. Retrace the steps above in an iterative process until you reach scenarios which address the fundamental issues facing the organization. Try to assess upsides and downsides of the possible scenarios.