

**Strategic Marketing-Contemporary Issues**  
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**Lecture - 6**

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We will now move to our next module in this course on Strategic Marketing and Contemporary Issues. We have discussed in module 1, in the first 5 lectures. We have discussed some foundational concepts on strategy and we are now have started looking at that how these two sets of concepts strategy and marketing gives us a new set of concepts on Strategic Marketing. Now, what is good strategy? You remember from the discussion that we had on Strength, Weakness, Opportunity and Threat that a good strategy utilizes the organization's strengths and matches those strengths to the opportunities that are available in the outside in the market place good strategy also.

So, we say here good strategies about matching the firm's strengths to the available opportunities and of course, it is not mentioned here but, you should also know that good strategy also in a way compensates for the weaknesses like we discussed about the Bata case that, if the weakness in the brand perception that, it is a brand for older people and there are many new customers who are coming from the younger set. Then, you can actually in our strategy incorporate some alliances from where you can get source products those are more attractive for the younger generation.

So, if you are current manufacturing set up, for you to set up a new line suppose, it is too expensive and it actually enhances your break-even point means it pushes up your break-even point then, this may be a good strategy. A good strategy looks at the market opportunities, matches the opportunities to the current strength and competencies inside the organization and compensates for the weaknesses that may be there by deriving alliances or alternatives and so on. And strength SO combination as we looked at in a previous discussion on SWOT is an important issue. WO combination is an important issue to drive a good strategy. A good strategy also must have some qualitative characteristics. By qualitative I mean that it must be very sharp, it should be focused. If you do your SWOT analysis and you may have number of issues that are coming up. A good strategy means that you have to conserve your resources and position your resources in such a way that you have the greatest return from that deployment of resources.

So, you should not diffuse your resources across all of the possibilities that are derived from your SWOT analysis. You have to choose, you have to prioritize. Now, how do you prioritize? You remember, we had that discussion where actually and we will have that discussion again, that means you go to the market find out that what are the most important decision-making criteria in the customers mind. You take all those different factors assign weights in terms of that means develop a hierarchy of the weights with respect to those factors which influence the buying decision. Then, you look at your own score with respect to your competitors and from that calculation that we have shown in a previous session you can actually find out that what are the key issues on which you must focus to improve your market share, to improve your market position.

So, these two sets of tools that we have discussed before the SWOT analysis and the market share analysis and the comparative market share analysis will give us an understanding that how can we make a sharp focused marketing strategy. It must also be distinctive because if your competitor a, competitor b, your competitor c, they are following certain strategies your strategies must find a uniqueness that will appeal to the customer that yes, there is something interesting in this offering and that again is very important.

And lastly, your strategy statement must be very compelling; it has to be very clear compelling message so that your customers, your colleagues inside the organization and

your channel partners, your vendors, your supply chain partners as well as your delivery chain partners all clearly crisply understand what is it that you are trying to achieve. So, if you are actually trying to play a game where you are trying to be distinctive, you are trying to focus on features, you are trying to focus on differentiation then, at the same time if you try to project that you actually are a price warrior then that is not very sharp focused consistent and compelling it gives a confused message to your channel partners and to your own colleagues.

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So, developing your marketing goals from the organizational goals so, we look at the attain ability, in that, if you remember we discussed that we have to look at the total addressed market today with respect to the total addressable market and we have to understand therefore, that whether a growth that we are trying to achieve through the new marketing strategy whether it is attainable, whether it is feasible. Consistency, it must be compatible with what you have done before and it cannot be a radical shift. So, if you are perceived today as a big bazaar, it is not easy for you tomorrow to certainly convert big bazaar into something like a more exotic or more boutique structure. And the kind of products that you offered through that channel cannot be actually your marketing strategy will be flogged, if you now bring very high-level or very expensive or very exclusive products and try to market them through a mass market strategy.

Then, you are spending good money and after something that is quite confusing to the market place. And therefore, of course, these kinds of risks analysis with respect to what is attainable, what is achievable, what is practical, whether it gives a clear message to the market or it confuses the market confuses the channel partners these are the ways we actually calculate our risks associated with each marketing strategy. We have to have different alternatives always and each one of these alternatives will have certain risk-reward associate. As this risks, it is very important that you need to develop some milestones that means, how will we measure our progress after 3 months, how will we measure our progress after 6 months, how will we progress.

So, these are quarterly benchmarks that must be there to evaluate that whether you are on track, what correction you need to make, what kinds of new supplementary activities need to be incorporated. Continuity, as I have mentioned that it has to have some sort of relationship with what you have done in the past in terms of your marketing effort, how you are perceived in the market place, what is your position in the consumers mind and so on. Time frame, as I said that this measurement has to be based on certain time scale. Now, it always need not be quarterly, some of them may be actually annual objectives; some of them may be weekly objectives. So, each objective has to be properly positioned in terms of time frame.

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**MARKET-ORIENTED STRATEGIC CHALLENGES**

**What Do Marketing Managers Need To Know about strategy?**

Customers ↔ Markets

- ⇒ Understanding the PLC-ILC dynamics
- ⇒ Focus on customer value -continuity-change paradox
- ⇒ Positioning based on Discipline of Market Leaders
- ⇒ Implementation based on capabilities-Primary Concern.

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And of course, like all plans all good strategies that must be clearly defined accountability, clearly-defined responsibility. Marketing managers have very important position within the overall strategy game plan of the organization because they are the people who should be the real interpreter of this dynamics between the product life cycle and the industry life cycle. For example, if you are in new entrant today, in the South Asian that is India, Pakistan, Bangladesh and Sri Lanka in this market where the mobile telephony growth has been phenomenal over the last 10 years.

If you come into this market now, product life cycle wise mobile phones have already moved across the developed world or if you take the whole world together maybe the mobile phone has now evolved into a new category where phone function and entertainment functions and many other functions have now been combined and therefore, in many countries the user interface requirement might have changed. But the industry life cycle may be different in different countries, different locations. So, the mobile telephony services or the mobile phone as an industry its life cycle in South Asian market may be different from its life cycle position in Norway.

For example, Orion Finland, where each person may be having already 3 high-end phones, where as in India, looking at the industry life cycle your product life cycle focus maybe or should be on a product which is intermediate. Therefore, your focus in the Finland market as a marketing strategy perhaps should be on smart phones, where as in a market like India or in the market like Bangladesh it might be on feature phones that means, the phone is still primarily a voice tool, a voice based transmission telecommunication tool with some added features. And so, the dual SIM for example, maybe of higher importance in a market like at South Asia with respect to and that maybe a totally unnecessary feature in a in a market like Finland or Germany.

So, this understanding of the product life cycle position and the industry life cycle position and the market characteristics in the geography in which you are making your strategic plan is the key responsibility of the marketing team to bring this knowledge, to bring the interpretation to the overall strategies of the organization. Also it is another interesting point is this continuity and change paradox, certain value that the customer wants to derive that means however high end camera, however powerful entertainment tools you might like to integrate in your mobile phone if you cannot provide the basic continuing value proposition that it must be a good phone providing good voice

communication. If that characteristic is violated so, however attractive maybe the changes it actually disturbs the continuity in the value proposition.

So, in some respect therefore, certain aspect you need to continuously focused, those are continuing values. On the other hand, there maybe lot of new possibilities that you must explore so, continuity and change need to be managed at the same time so, that is why we call it a paradox within the marketing strategy and this is to be very clearly understood. The positioning based on discipline of market leaders we have discussed this discipline of market leaders that depending on the life cycle position your marketing strategy may have to change from product leadership to operational excellence, to customer intimacy and combinations. These are the discipline of the market leaders and these disciplines again need to be clearly understood.

So, if you are actually in the middle stage in the growth stage and you are still too focused on product features and differentiation and you neglect the demand of coming up with continuous cost reduction, improving your operational excellence and thereby able to then you will your margins will get the eroded because there will be higher and higher competitive pressure during the growth stage and if you are not able to continuously manage your costs then, you will be forced to manage to be a price-competitive and that overall shrink your margin your profits will come down and again you can land up in a vicious cycle there. And of course, implementation based on capabilities. Implementation is a key to any good strategy, as they often say a bad strategy may still work if you have powerful good implementation, but a good strategy a very brilliant strategy will always fail if the implementation is not critically monitored and if the implementation is not powerful enough. So, this is an important point that we need to understand.

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KEY COMPONENTS OF CORPORATE, BUSINESS, AND MARKETING STRATEGIES			
Business scope	Corporate Strategy	Business Strategy	Marketing strategy
	<ul style="list-style-type: none"> <li>What is our business?</li> <li>Avoid Myopia</li> </ul>	<ul style="list-style-type: none"> <li>Which product-market should we be in?</li> </ul>	<ul style="list-style-type: none"> <li>Target market definition</li> <li>Product Portfolio</li> <li>Marketshare</li> <li>Product-market Development plan</li> <li>Platform and Pricing</li> </ul>
<ul style="list-style-type: none"> <li>Organizational Objectives</li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth</li> <li>Profitability</li> <li>ROI (return on investment)</li> </ul>	<ul style="list-style-type: none"> <li>Sales growth- New product or market growth</li> <li>Profitability - Cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Tuned to corporate And business goals</li> <li>Objectives for a specific product-market entry</li> <li>Sales</li> <li>Market Share</li> <li>Contribution Margin</li> <li>Customer Satisfaction</li> </ul>
<ul style="list-style-type: none"> <li>Allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>Allocation among business Units</li> </ul>	<ul style="list-style-type: none"> <li>Allocation among product market entries in the Business unit</li> <li>Allocation across functional departments within the business unit</li> </ul>	<ul style="list-style-type: none"> <li>Allocation across Components of the marketing plan for a specific product-market entry</li> </ul>

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Now, we will look into the relationships key components of corporate business and marketing strategies so, as you see in corporate strategy we need to answer very clearly what is our business, remember, we always want to understand where are we today and where do you want to go, what is the position a p 0 at this point t 0 and what is the intended position p 1 at the time t 1 and in this always very important to understand that what is our business and remember the famous concept of marketing myopia at this stage. The examples are plenty and that for example, in Ted Levitt's famous article, talked about how people who were heavily investing in railways and developing new products and enhancing all facilities on railway service were two myopic and they ignored the market move towards more air travel and as a result many of those railway companies went defunct.

Now, important of course, that it may not be same the situation in India or in Pakistan or in some parts of Russia. The train, railways may still be very important if and very successful service proposition, service business there. So, but however we have to be always understood that we have to define our business not in terms of that, we are in the railway business. We have to define our business in terms of that we are in the transportation business. We have to look at what is that the customer is deriving a core value. You have to have in your marketing strategy from the core to different enhancements that you need to make. But when we look at our business definition, we should not get sometimes for example, that is why you will see many FMCG business do

not see there in the soap business, they say they are in personal care business or they are in the cleanness business and not detergent business or they are in entertainment business or not necessarily they will not say that we are in the movie distribution business.

So, there are different ways of looking at and these definitions often get expanded as sometimes industries converge, new industries emerge and technologies change but, this simple thing what is our business often needs good strategic analysis. Obviously, once we have this, then we need to define which product markets we need to be in that means, which products in which market which combination and we will of course, study in greater depth as we get along in the subsequent ones that how do we target, what is the definition of a market target, how do we position a certain product portfolio over a certain market segment, how do we actually develop mind share in the customers mind, how do we expand our brand position in the customer's mind, how do we consolidate, how do we strengthen the perception that are associated with our product our offerings and accordingly we have to plans for strategic plans for product market development and then, I have put this last point as platform and pruning.

Pruning in the sense that the marketing strategy not only should look at how to grow business but, because the product life cycle also has the decline phase, the maturity phase, we also must understand not only how to feed the market but, we also must have reading plan, we must know how to prove our product offering, what are that products we need to take out for our range today because, that may not be giving us the kind of return that we had from it before and therefore, we must or it is necessary often to reincarnate the product or repositioned the product. So, a product which was a high-end PC sold only through specialized stores today maybe can be sold as entertainment tool for children and can be sold through the mass market channels, it can be even sold through supermarkets and so on.

So, these changes with respect to the portfolio, the platform, the adding and deleting are all parts of the marketing strategy within the overall habit of the corporate strategy. So, we can look at this organizational objectives if they are all organizations want to improve their revenue to enhance their profitability return on investment that actually will lead to the need of sales growth and that can then lead to different types of marketing actions with respect to market share, contribution margin, customer satisfaction and so on. As you see here some issues are relating to market share means



this is the product where leadership is the key element introductory phase. Contribution margin, where operational excellence is the key point it is the middle stage of the life cycle and customer satisfaction and renewed focus, acute focus on that for developing customer delight this may be the later phase or what we call the customer intermissive phase. An allocation of resources meets to change across the different aspects of the marketing plan for each of the product market segment according to these analyses. So, for a good market focused market-driven, market oriented organization, we have to understand that the primary focus has to be on market opportunities.

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DIFFERENCES BETWEEN PRODUCTION-ORIENTED AND MARKET ORIENTED ORGANIZATIONS	
Business Activity or Function	Marketing Orientation
Product offering	Company makes what it can sell; primary focus on customer's needs and market opportunities.
Product line	Flexible.
Pricing	Based on perceived benefits provided-Market sensitive.
Research	Market research; focus on identifying new opportunities and applying new technology to satisfy customer needs.

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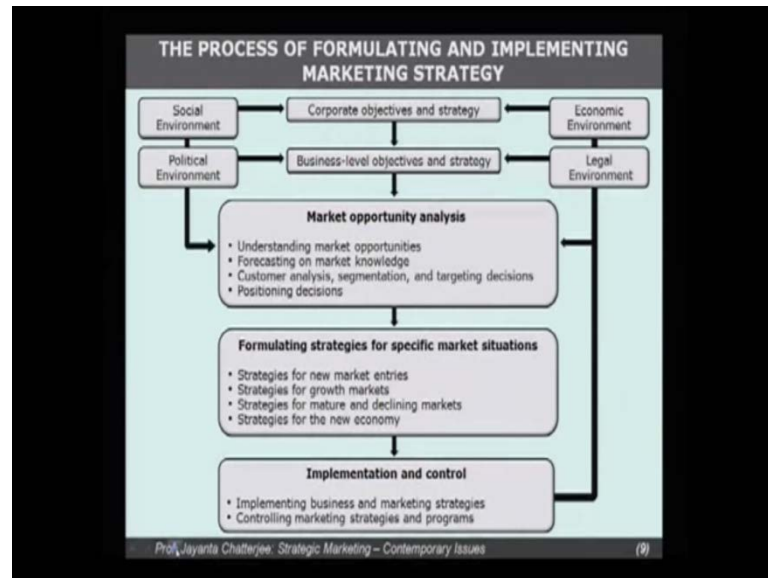
In the earlier traditional sales dominated concept our product offering was based on what we made. So, as we discussed yesterday or in the previous section when we were looking at the case of Bata, if Bata has an excellent distribution chain and if the market wants the same market, the same people who are walking into those stores there also possible good customers for school bags or for ruck sacks or for trucking products then it makes sense that you actually not remains stuck to what you make but, you also offer what the customer wants sometimes you need to make new products what the customer wants so, you need to make shoes not with leather sole but, with PU soles because that is what the customer wants and sometimes you need to not necessarily market products or school bags but, you can source it from elsewhere. So, the whole point is that be focused on customer needs and market opportunities, be flexible and therefore, your product line

definition need not be shoes but it could be actually expanded to lifestyle products or active lifestyle products.

So, you can now also sell t-shirts, you can also sell stuff that are associated with sports because you have all already introduced sports shoes and you are a strong player there. We can actually look at research, your research can be it must focus on new opportunities, applying new technology to satisfy customer needs and therefore, you can develop. So, the point is always focus on the customer focus on the market. Even on prices, we were discussing yesterday that for when we had the traditional sales mind set so, then we look at cost plus margin is equal to price and we say if costs went up then price was pushed up this was possible when the market was dominated by sellers, by marketers but, today's market is dominated by the customer by the buyer, the customer is the king today. So, if your cost goes up, then price is not going to go up, price is continuously going to come down. Look at calculators, look at computers what you bought or look at your mobile phones what you bought. In a mobile phone for 10,000 rupees two years back even a year back, you will be buying that today for may be 4,000 rupees or 5,000 rupees.

So, price is continuously the more attractive, the more compelling, the more complex the product, the faster will be its price decline in the market, very interesting that means, more attractive the market, more competition comes in, more feverish is the technology development effort across the world and because of the globalization we will rapidly see prices decline and as a result, if you are not able to manage your costs the prices declining, if you are not able to continuously also manage your costs downwards then otherwise your margin will fall. So, the only ways today you can be there protect your margin, grow your profit, is by continuously able to reduce your cost. So, which means that your pricing has to be markets sensitive, has to always bring more for per unit of cost in the hands of the customers. So, the benefits must exceed the cost as perceived by the customer for that to be a good marketing strategy.

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So, I will now put it all together, this is you can say map of our subsequent and all the discussions that we will have and that is how the marketing strategy fix into the organizational so, we start with this cooperative objective and strategy. And then, that leads to business unit level, because a particular company may have different what we called strategic business units, says as you can take any company like for example, say you Hindustan Unilever they will be in soaps and detergents for household washes, they will be in cosmetic soaps and personal care personal wash business, they will be indifferent type of beauty products and so on whatever way they define. So, there will be SBU1, SBU2 and so on strategic business unit.

So, first they will have an overall objective which will lead to a set of objective for each business unit. This is constantly interacting with what we have called the SPLE, the Social, Political, Legal and Economic Environmentally issues. In this from this dynamics we have two derive the market opportunity, we have to be able to forecast the growth rate, forecast what is achievable for the company based on its current strengths, weaknesses. From that we have to develop the customer analysis segmentation and targeting. This is a topic that we will discussion in far greater depth in the coming few sessions, this whole issue of what we call STP that is, Segmentation Targeting and Positioning key part of our marketing strategy.

And then, from that we will have to develop our specific market situation wise so, in some cases it may be in a new market entry so, a very high and phone. In India the strategy maybe for new market entry strategy whereas, in some other market where this has already been introduced two years back the market is already now looking for different new technologies and different new possibilities. So, that is actually a strategy for growth market, strategy for mature and declining market, strategy for new economy like the emerging countries, emerging markets like South Asia or Africa or Latin America. In all these places therefore, the marketing strategy will be different for even for the same product portfolio.

So, you can see therefore, that how corporate objective leads to, business develop objective leads to, certain marketing understanding and properly segmenting targeting positioning relating that to the different product life cycle stages, different characteristics indifferent geographies and based on that we have to. So, marketing strategy for most companies even if it is not a global company even within India, the marketing strategy can have several components A, B, C. So, if you are with the as we discuss if you are a South Indian dominant player for shampoo, then your strategy in Southern India will be to protect your market share. Whereas, your strategy when you are launching your product newly tier to tier, 3 cities in villages, in Northern India, that will be a market growth strategy, market penetration strategy.

So, the answer of metrics that we have discussed before remember that EP, NP, EM, NM we are always in this quadrant and we are trying to get into these three quadrants and therefore, for each one of those there will be a different approach, different set of marketing strategy.

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CONTENTS OF A MARKETING PLAN	
Section	Content
I. Executive summary	Presents a short overview of the issues, objectives, strategy and actions incorporated in the plan and their expected outcomes for quick management review.
II. Current situation and trends	Summarizes relevant background information on the market, competition and the macro environment, and trends therein, including size and growth rates for the overall market and key segments.
III. Performance review (for an existing product or service only)	Examines the past performance of the product and the elements of its marketing program (e.g., distribution, promotions, etc.)
IV. Key issues	Identifies the main opportunities and threats to the product that the plan must deal with in the coming year, and the relative strengths and weaknesses of the product and business unit that must be taken into account in facing those issues.
V. Objectives	Specifies the goals to be accomplished in terms of sales volume, market share, and profit.

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So, to summarize therefore, we have to go back to our original concepts and of that we have discussed so far product life cycle, the hands of metrics, the SWOT analysis, the key financial tools and we have to put it all together to create a marketing plan. So, typically in a marketing plan these are the major parts: An executive summary, current situation and trends, performance review for an existing product or service, key issues and objectives. So, usually the marketing plan has these sections and it is not is not voluminous for a marketing plan to succeed. As we have discussed, it must be crisp, it must be clearly spelt out and must be consistent and must have some continuity even if you are proposing some major changes. So, executive summary, current situation analysis, performance review for what has happened in the past for products that you have launched or product that have been there, the strategies is that you had proposed in the previous plan and from that you derived the key issues and the current objectives.

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CONTENTS OF A MARKETING PLAN	
Section	Content
VI. Marketing Strategy	Summarizes the overall strategic approach that will be used to meet the plan's objectives.
VII. Action plans	This is the most critical section of the annual plan for helping to ensure effective implementation and coordination of activities across functional departments. It specifies <ul style="list-style-type: none"><li>• The target market to be pursued</li><li>• What specific actions are to be taken with respect to each of the 4 Ps.</li><li>• Who is responsible for each action.</li><li>• When the action will be engaged in.</li><li>• How much will be budgeted for each action.</li></ul>
VIII. Projected profit -and-loss statement	Presents the expected financial payoff from the plan.
IX. Controls	Discusses how the plan's progress will be monitored; may present contingency plans to be used if performance falls below expectations or the situation changes.
X. Contingency plans	Describes actions to be taken if specific threats or opportunities materialize during the planning period.

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Then, you go into your marketing strategy which summarizes the overall strategic approach that will be used, action plan and then project profit and loss statement control contingency plan; and we will discuss in better depth. To some extent we discuss the important aspects of this, how to look at the break-even point, profit and loss account and so on; and control contingency plan these are issues that we will discuss in greater depth the marketing strategy key building blocks of S, T and P, and how to put it all together in an action plan, these will be our topics as we go forward now.

Thank You.