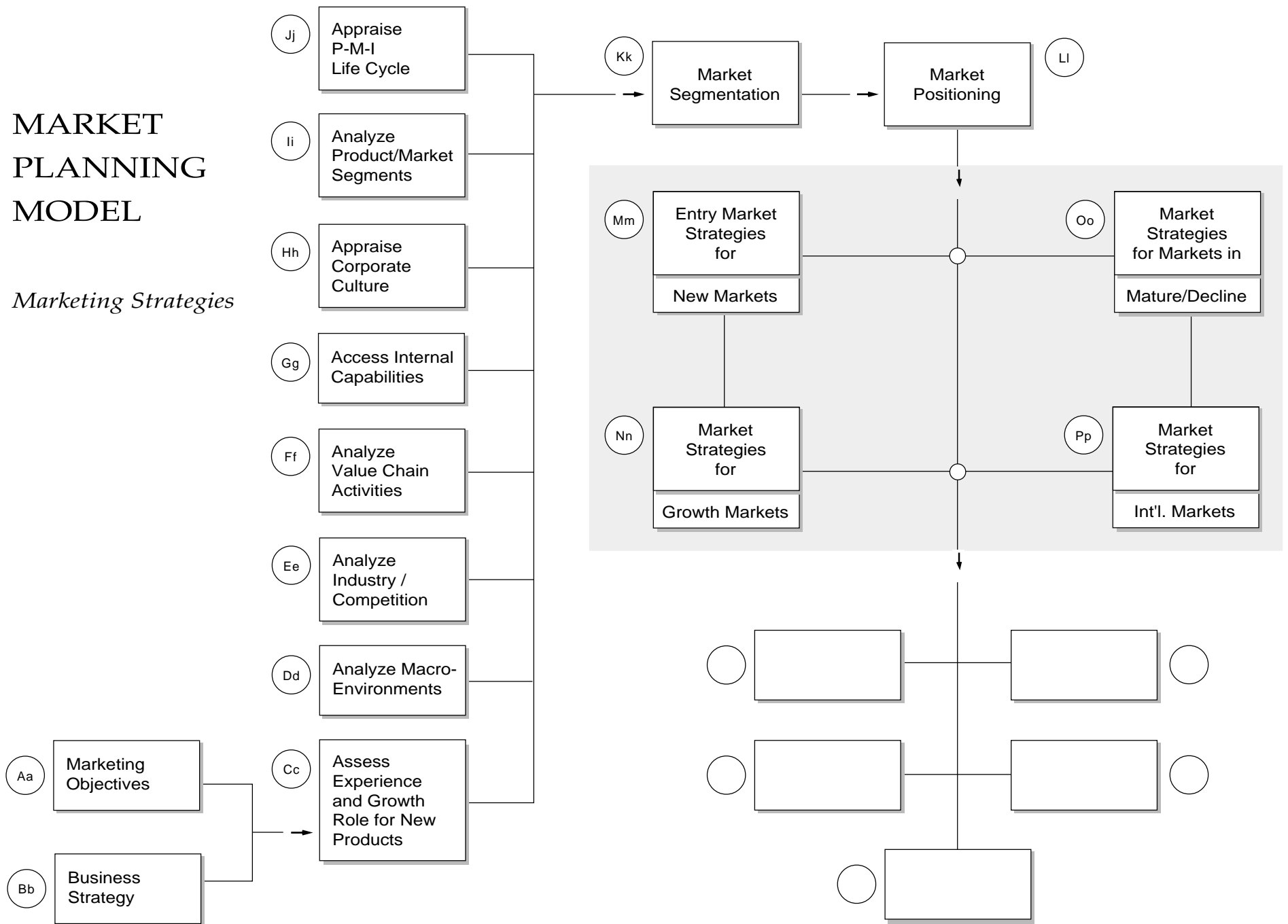


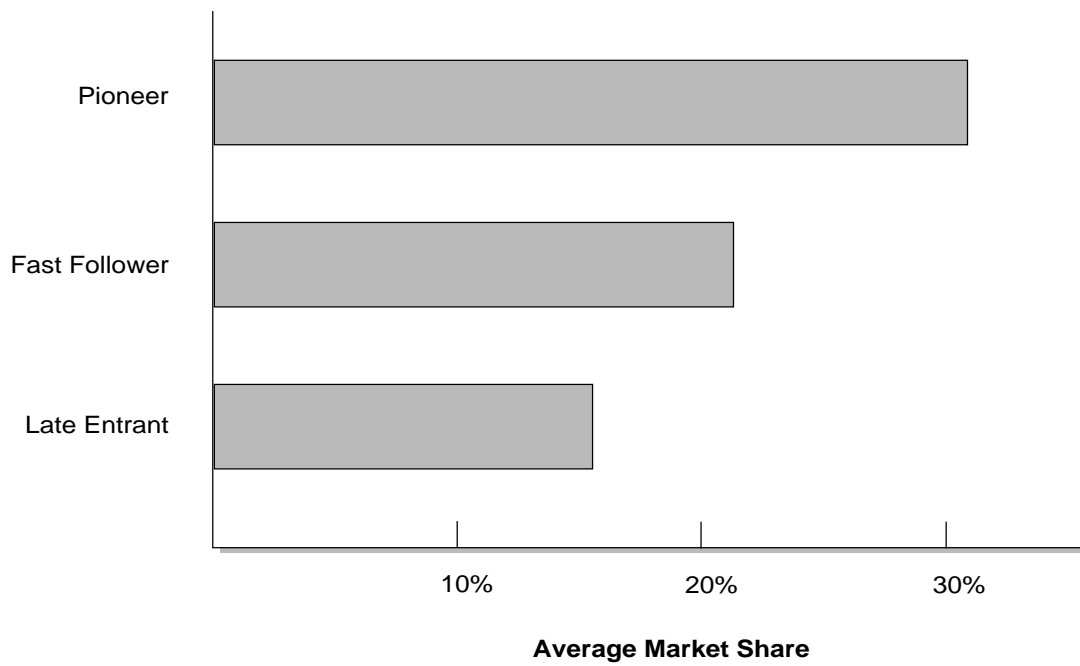
# MARKET PLANNING MODEL

*Marketing Strategies*





**Market Entry Strategy**



Strategic Exhibits Illustrating New Product Management

Mm.2

Mm.3

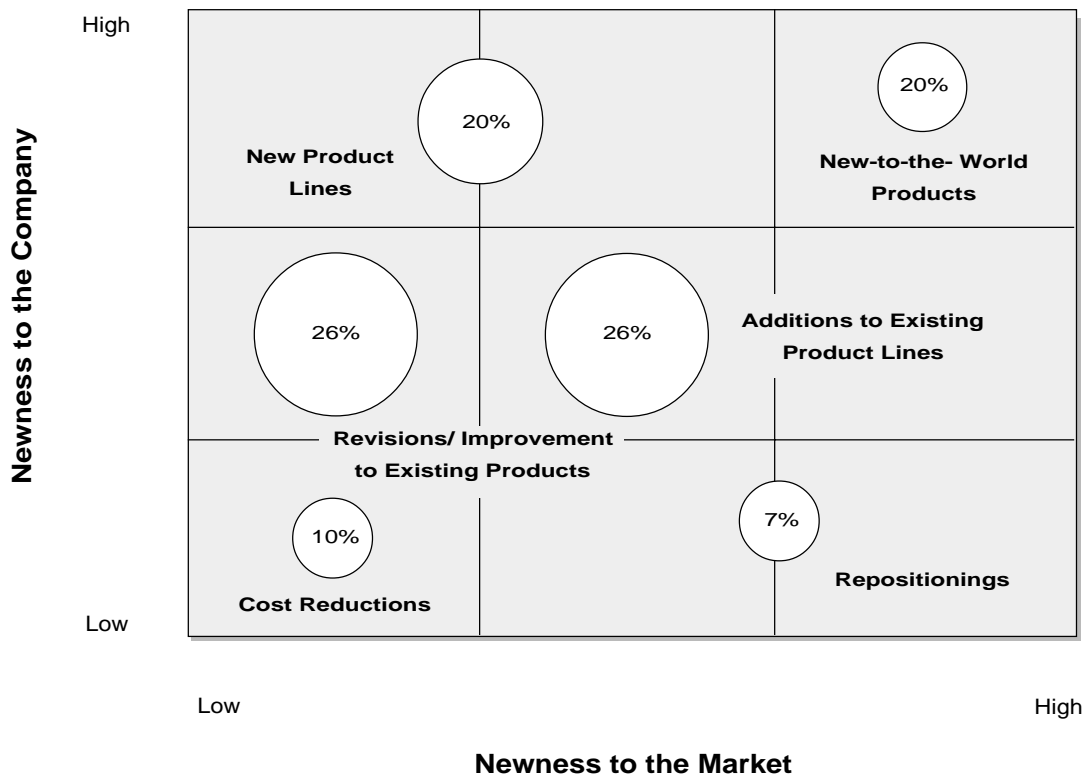
Potential Advantages of Pioneer and Follower Strategies

Mm.4

Mm.5

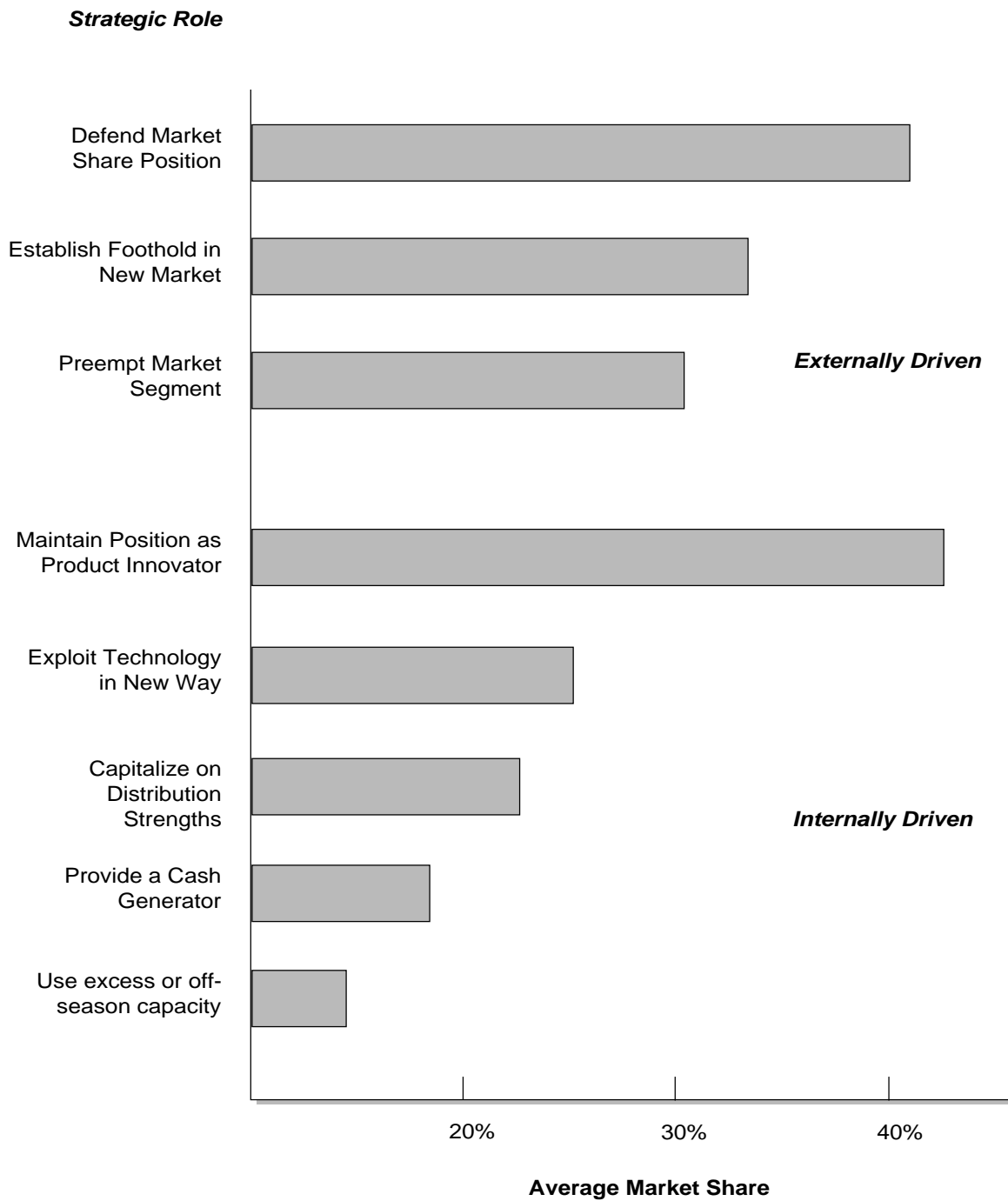


**Categories of New Products Defined According to Their Degree of Newness**





Strategic Objectives Attained by Successful New-Market Entries





**Potential Advantages of Pioneer and Follower Strategies**

**Pioneer**

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- First Choice of market segments and positions
- Pioneer defines the "rule of the game"
- Distribution advantages
- Economics of scale and experience
- High switching costs for early adopters
- Possibility of preempting scarce resources

**Follower**

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- Ability to take advantage of pioneer's positioning mistakes
- Ability to take advantage of pioneer's product mistakes
- Ability to take advantage of pioneer's marketing mistakes
- Ability to take advantage of pioneer's limited resources
- Ability to take advantage of the latest technology



**Potential Advantages of Pioneer and Follower Strategies**

<b>These marketers . . .</b>	<b>are characterized by one or more of these strategy elements:</b>
Successful Pioneers	<ul style="list-style-type: none"><li>• Large entry scale</li><li>• Broad product line</li><li>• High product quality</li><li>• Heavy promotional expenditures</li></ul>
Successful Fast Followers	<ul style="list-style-type: none"><li>• Larger entry scale than the pioneer</li><li>• "Leapfrogging" the pioneer with superior:<ul style="list-style-type: none"><li>— product technology</li><li>— product quality</li><li>— customer service</li></ul></li></ul>
Successful Late Entrants	<ul style="list-style-type: none"><li>• Focus on peripheral target markets or niches</li></ul>

Marketing Strategies for New-Product Pioneers

Mm.6

Components of Strategic Marketing Programs

Mm.8



**Marketing Strategies for New-Product Pioneers**

<b>Situational Variables</b>	<b>Mass-market Penetration</b>	<b>Niche Penetration</b>	<b>Skimming; Early Withdrawal</b>
<b>Market Characteristics</b>	<ul style="list-style-type: none"> <li>• Large potential demand</li> <li>• Relatively homogeneous customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Large potential demand</li> <li>• Fragmented market; many different applications and benefit segments</li> </ul>	<ul style="list-style-type: none"> <li>• Limited potential demand</li> <li>• Customers likely to adopt product relatively slowly; long adoption process</li> </ul>
<b>Product Characteristics</b>	<ul style="list-style-type: none"> <li>• Customers likely to adopt product relatively quickly; short diffusion process</li> <li>• Product technology patentable or difficult to copy.</li> <li>• Components or materials difficult to obtain; limited sources of supply</li> <li>• Complex production process; substantial development and/or investment required.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers likely to adopt product relatively quickly; short adoption process</li> <li>• Product technology offers little patent protection; easily copied or adapted.</li> <li>• Components or materials easy to obtain; many sources of supply.</li> <li>• Relatively simple production process; little development or additional investment required.</li> </ul>	<ul style="list-style-type: none"> <li>• Early adopters willing to pay high price; demand is price inelastic</li> <li>• Product technology offers little patent protection; easily copied or adapted</li> <li>• Components or materials easy to obtain; many sources of supply.</li> <li>• Relatively simple production process; little development or additional investment required</li> </ul>
<b>Competitor Characteristics</b>	<ul style="list-style-type: none"> <li>• Few potential competitors</li> <li>• Most potential competitors have limited resources and competencies; few sources of differential advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Many potential competitors</li> <li>• Some potential competitors have substantial resources and competencies; possible sources of differential advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Many potential competitors</li> <li>• Some potential competitors have substantial resources and competencies; possible sources of differential advantage</li> </ul>

**Marketing Strategies for New-Product Pioneers**

<b>Situational Variables</b>	<b>Mass-market Penetration</b>	<b>Niche Penetration</b>	<b>Skimming; Early Withdrawal</b>
Firm Characteristics	<ul style="list-style-type: none"><li>• Strong product engineering skills; able to quickly develop product modifications and line extensions for multiple market segments.</li><li>• Strong marketing skills and resources; ability to identify and develop marketing programs for multiple segments; ability to shift from stimulation of primary demand to stimulation of selective demand as competitors enter</li><li>• Sufficient financial and organizational resources to build capacity in advance of growth in demand</li></ul>	<ul style="list-style-type: none"><li>• Limited product engineering skills and resources</li><li>• Limited marketing skills and resources</li><li>• Insufficient financial or organizational resources to build capacity in advance of growing demand</li></ul>	<ul style="list-style-type: none"><li>• Strong basic R&amp;D and new-product development skills; a prospector with good capability for continued new-product innovation.</li><li>• Good sales and promotional skills; able to quickly build primary demand in target market; perhaps has limited marketing resources for long-term market maintenance</li><li>• Limited financial or organizational resources to commit to building capacity in advance of growth in demand</li></ul>





## Marketing Programs for New-Product Pioneers

<b>Strategic Objectives and Tasks</b>	<b>Mass-market Penetration</b>	<b>Niche Penetration</b>	<b>Skimming; Early Withdrawal</b>
Increase customers' awareness and willingness to buy.	<ul style="list-style-type: none"><li>• Heavy advertising to generate awareness among customers in mass market; broad use of mass media.</li><li>• Extensive sales force efforts to win new adopters; possible use of incentives to encourage new-product sales.</li><li>• Advertising and sales appeals stress generic benefits of new-product type.</li><li>• Extensive introductory sales promotions to induce trial (sampling, couponing, quantity discounts).</li><li>• Move relatively quickly to expand offerings (line extensions, multiple package sizes) to appeal to multiple segments.</li></ul>	<ul style="list-style-type: none"><li>• Heavy advertising directed at target segment to generate awareness; use selective media relevant to target.</li><li>• Extensive sales force efforts focused on potential customers in target segment; possible use of incentives to encourage new-product sales to target accounts.</li><li>• Advertising and sales appeals stress generic benefits of new-product type.</li><li>• Extensive introductory sales promotions to induce trial, but focused on target segment.</li><li>• Additional product development limited to improvements or modifications to increase appeal to target segment.</li></ul>	<ul style="list-style-type: none"><li>• Limited advertising to generate awareness, particularly among least price sensitive early adopters.</li><li>• Extensive sales force efforts, particularly focused on largest potential adopters; possible use of volume-based incentives to encourage new-product sales.</li><li>• Advertising and sales appeals stress generic benefits of new-product type.</li><li>• Limited use, if any, introductory sales promotions; if used, they should be volume-based quantity discounts.</li><li>• Little, if any, additional development within the product category.</li></ul>



## Marketing Programs for New-Product Pioneers

Strategic Objectives and Tasks	Mass-market Penetration	Niche Penetration	Skimming; Early Withdrawal
Increase customers' ability to buy.	<ul style="list-style-type: none"><li>• Offer free trial, liberal return, or extended warranty policies to reduce customers' perceived risk of adopting the new product.</li><li>• Penetration pricing; or start with high price but bring out lower-priced versions in anticipation of competitive entries.</li><li>• Extended credit terms to encourage initial purchases.</li><li>• Heavy use of trade promotions aimed at gaining extensive distribution.</li><li>• Offer engineering, installation, and training services to increase new product's compatibility with customers' current operations to reduce "switching costs."</li></ul>	<ul style="list-style-type: none"><li>• Offer free trial, liberal return, or extended warranty policies to reduce target customers' perceived risk of adopting the new product.</li><li>• Penetration pricing; or start with high price but bring out lower-priced versions in anticipation of competitive entries.</li><li>• Extended credit terms to encourage initial purchases.</li><li>• Trade promotions aimed at gaining solid distribution among retailers or distributors pertinent for reaching target segment.</li><li>• Offer engineering, installation, and training services to increase new product's compatibility with customers' current operations to reduce "switching costs."</li></ul>	<ul style="list-style-type: none"><li>• Offer free trial, liberal return, or extended warranty policies to reduce target customers' perceived risk of adopting the new product.</li><li>• Skimming pricing; attempt to maintain margins at level consistent with value of product to early adopters.</li><li>• Extended credit terms to encourage initial purchases.</li><li>• Limited use of trade promotions; only as necessary to gain adequate distribution.</li><li>• Offer limited engineering, installation, and services necessary to overcome customers' objections.</li></ul>



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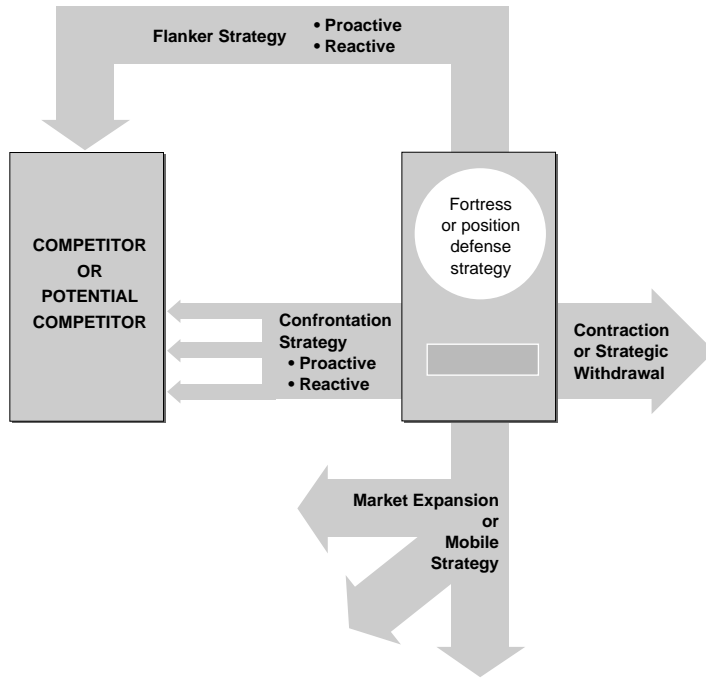
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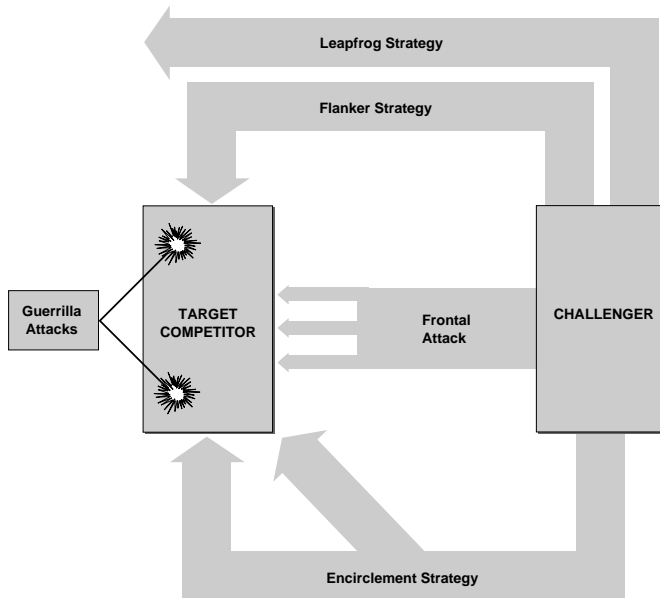
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Share Leaders

Nn.2

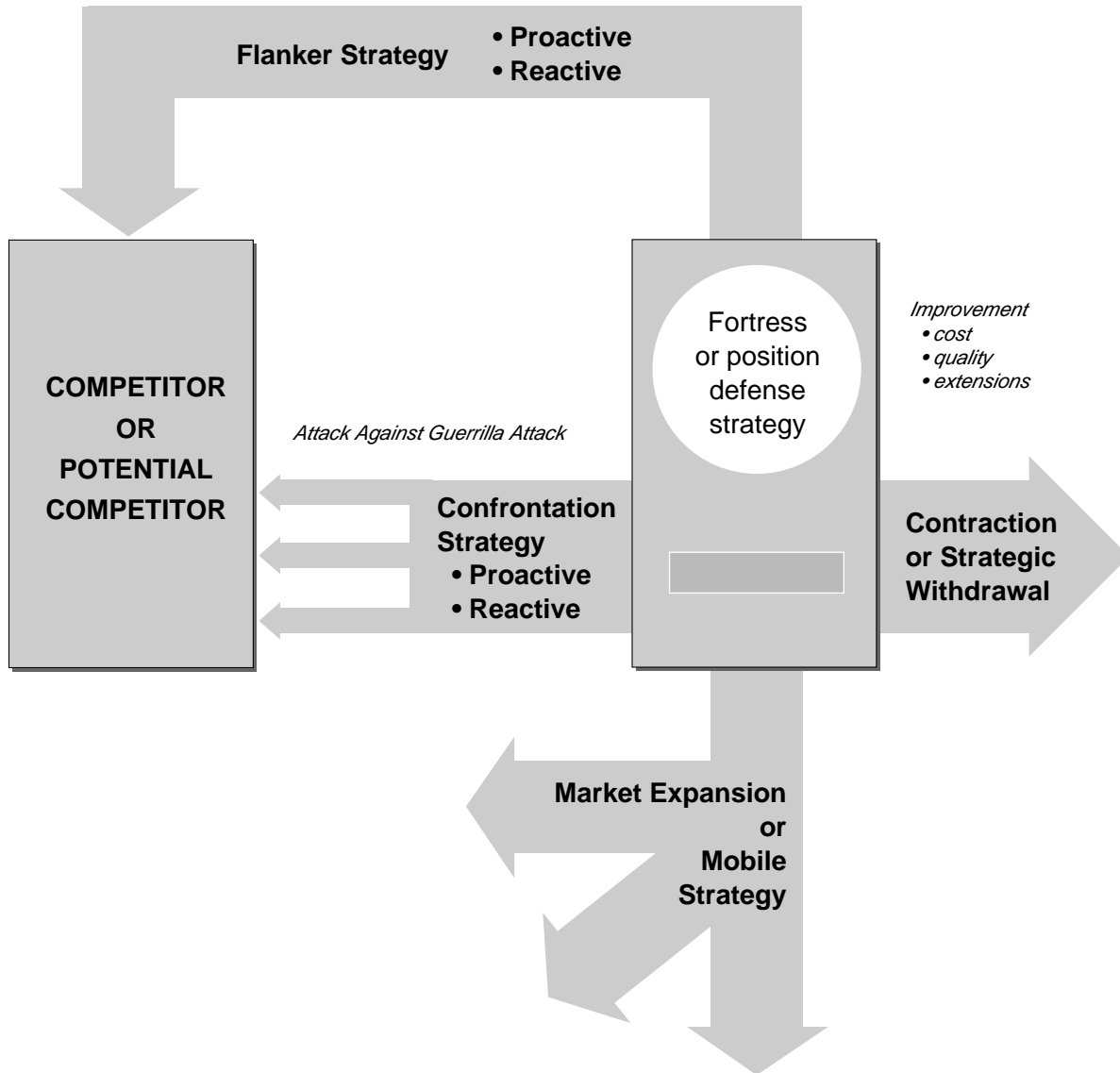


Challengers

Nn.6



*Introducing New Concept or Flanked Brand, Mostly Low-Priced*



Marketing Objectives and Strategies for Share Leaders

Nn.3

Marketing Actions to Achieve Share-Maintenance Objectives

Nn.5

Diagram for Gaining Market Share

Nn.11



**Marketing Objectives and Strategies for Share Leaders**

<b>Situational Variables</b>	<b>Fortress or Position Defense</b>	<b>Flanker</b>	<b>Confrontation</b>	<b>Market Expansion or Mobile</b>	<b>Contraction or Strategic Withdrawal</b>
Primary Objective	Increase satisfaction, loyalty, and repeat purchase among current customers by building on existing strengths; appeal to late adopters with same attributes and benefits offered to early adopters.	Protect against loss of specific segment of current customers by developing a second entry that covers a weakness in original offering; improve ability to attract new customers with specific needs of purchase criteria different from those of early adopters.	Protect against loss of share among current customers by meeting or beating a head-to-head competitive offering; improve ability to win new customers who might otherwise be attracted to competitor's offering.	Increase ability to attract new customers by developing new product offerings or line extensions aimed at a variety of new applications and user segments; improve ability to retain current customers as market fragments.	Increase ability to attract new customers in selected high-growth segments by focusing offerings and resources on those segments; withdraw from smaller or slower growing segments to conserve resources.
Market Characteristics	Relatively homogeneous market with respect to customer needs and purchase criteria; strong preference for leader's product among largest segment of customers.	Two or more major market segments with distinct needs or purchase criteria.	Relatively homogeneous market with respect to customer's needs and purchase criteria; little preference for, or loyalty toward, leader's product among largest segment of customers.	Relatively heterogeneous market with respect to customer needs and purchase criteria; multiple product uses requiring different product or service attributes.	Relatively heterogeneous market with respect to customer needs and purchase criteria and growth potential; multiple product uses requiring different product or service attributes.



**Marketing Objectives and Strategies for Share Leaders**

<b>Situational Variables</b>	<b>Fortress or Position Defense</b>	<b>Flanker</b>	<b>Confrontation</b>	<b>Market Expansion or Mobile</b>	<b>Contraction or Strategic Withdrawal</b>
Competitor's Characteristics	Current and potential competitors have relatively limited resources and competencies.	One or more current or potential competitors with sufficient resources and competencies to effectively implement a differentiation strategy.	One or more current or potential competitors with sufficient resources and competencies to effectively implement a head-to-head strategy.	Current or potential competitors have relatively limited resources and competencies, particularly with respect to R&D and marketing.	One or more current or potential competitors with sufficient resources and competencies to present a strong challenge in one or more growth segments.
Firm's Characteristics	Current product offering enjoys high awareness and preference among major segment of current and potential customers; firm has marketing and R&D resources and competencies equal to or greater than any current or potential competitor.	Current product offering perceived as weak on at least one attribute by a major segment of current or potential customers; firm has sufficient R&D and marketing resources to introduce and support a second offering aimed at the disaffected segment.	Current product offering suffers low awareness, preference and/or loyalty among major segment of current or potential customers; firm has R&D and marketing resources and competencies equal or greater than any current or potential competitor.	No current offerings in one or more potential applications segments;; firm has marketing and R&D resources and competencies equal or greater than any current or potential competitor.	Current product offering suffers low awareness, preference and/or loyalty among major segment of current or potential customers in one or more major growth segments; firm's R&D and marketing resources and competencies are limited relative to those of one or more competitors.



## Marketing Actions to Achieve Share-Maintenance Objectives

### Marketing Objectives

### Possible Marketing Actions

#### Retain current customers by:

Maintaining/improving satisfaction and loyalty.

- Increase attention to quality control as output expands.
- Continue product modification and improvement efforts to increase customer benefits and/or reduce costs.
- Focus advertising on stimulation of selective demand; stress product's superior features and benefits; remainder advertising.
- Increase sales force's servicing of current accounts; consider formation of national or key account representatives for major customers; consider replacing independent manufacturer's reps with company salespeople.
- Expand postsale service capabilities; develop or expand company's own service force, or develop training programs for distributors' and dealers' service people; expand parts inventory; consider development of customer service hotline.

Encourage/simplify repeat purchase

- Expand production capacity in advance of increasing demand to avoid stockouts.
- Improve inventory control and logistics systems to reduce delivery times.
- Continue to build distribution channels; use periodic trade promotions to gain more extensive retail coverage and maintain shelf-facings; strengthen relationships with strongest distributors/dealers.

Reduce attractiveness of switching

- Consider negotiation long-term requirements contracts with major customers.
- Develop a second brand or product line with features or price more appealing to a specific segment of current customers (*flanker strategy*).
- Develop multiple-line extensions or brand offerings targeted to the needs of several user segments in the market (*market expansion, mobile strategy*).
- Meet or beat lower prices or heavier promotional efforts by competitors—or try to preempt such efforts by potential competitors—when necessary to retain customers and when lower unit costs allow (*confrontation strategy*).

#### Stimulate selective demand among later adopters by:

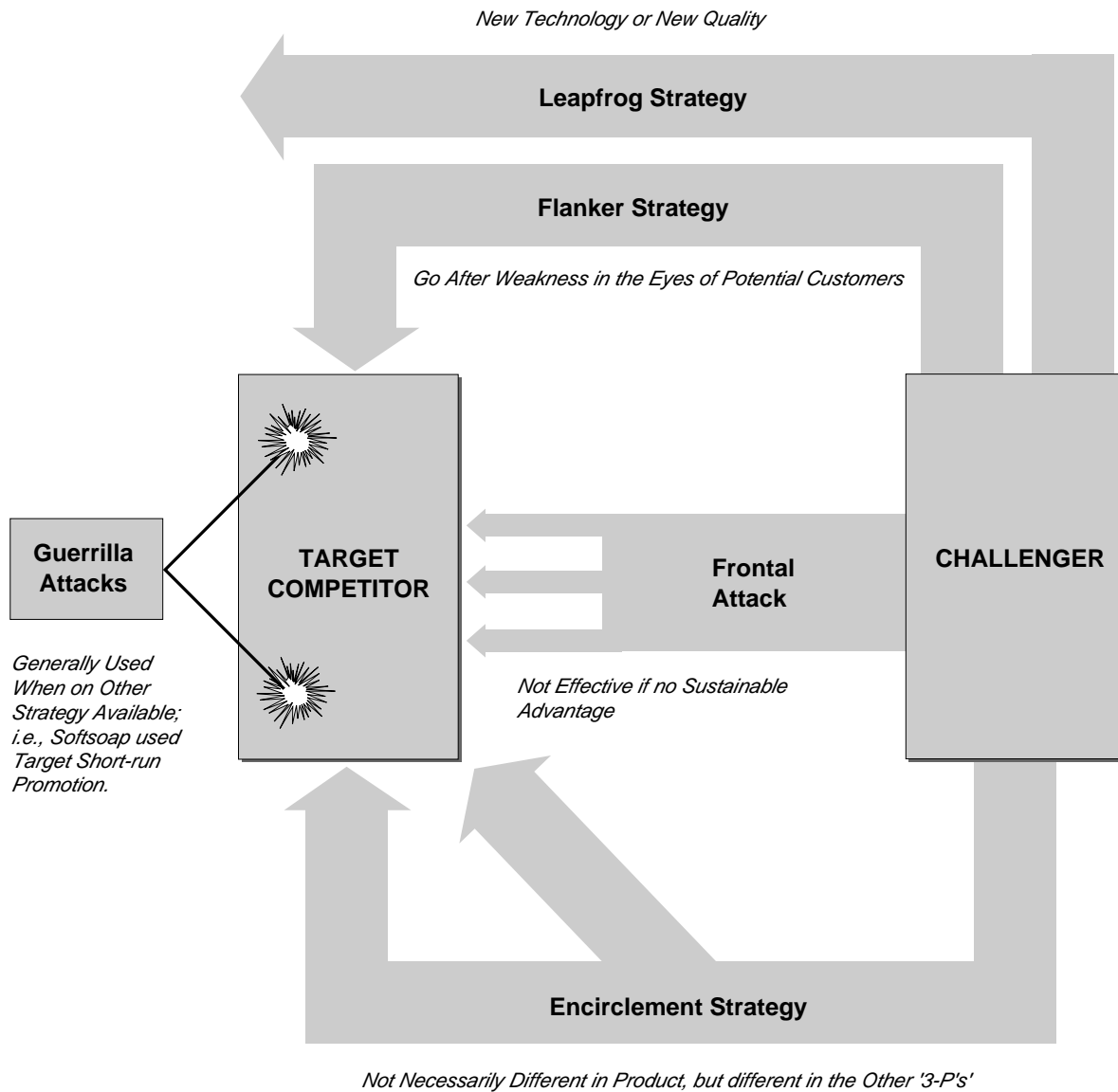
Head-to-head positioning against competitive offerings or potential offerings

- Develop a second brand or product line with features or price more appealing to a specific segment of potential customers (*flanker strategy*).
- Make product modifications or improvements to match or beat superior competitive offerings (*confrontation strategy*).
- Meet or beat lower prices or heavier promotional efforts by competitors when necessary to retain customers and when lower unit costs allow (*confrontation*).
- When resources are limited relative to competitor's, consider withdrawing from smaller or slower growing segments to focus product development and promotional efforts on higher potential segments threatened by competitor (*contraction or strategic withdrawal strategy*).

Differentiated positioning against competitive offerings or potential offerings

- Develop multiple-line extensions or brand offerings targeted to the needs of various potential user applications, or geographical segments within the market (*market expansion or mobile strategy*).
- Build unique distribution channels to more effectively reach specific segments of potential customers (*market expansion or mobile strategy*).
- Design multiple advertising and/or sales promotion campaigns targeted at specific segments of potential customers (*market expansion or mobile strategy*).





Marketing Objectives and Strategies for Challengers (Nn.7)

Marketing Actions to Achieve Share-Growth Objectives (Nn.9)

Diagram for Gaining Market Share (Nn.11)



**Marketing Objectives and Strategies for Challengers**

<b>Situational Variables</b>	<b>Fortress or Position Defense</b>	<b>Flanker</b>	<b>Confrontation</b>	<b>Market Expansion or Mobile</b>	<b>Contraction or Strategic Withdrawal</b>
Primary Objective	Capture substantial repeat/replacement purchases from target competitor's current customers; attract new customers among later adopters by offering lower price or more attractive features.	Induce current customers in mass market to replace their current brand with superior new offering; attract new customers by providing enhanced benefits.	Attract substantial share of new customers in one or more major segments where customer's needs are different from those of early adopters in the mass market.	Attract substantial share of new customers in a variety of smaller, specialized segments where customers' needs or preferences differ from those of early adopters in the mass market.	Capture a modest share of repeat/replacement purchases in several market segments or territories; attract a share of new customers in a number of existing segments.
Market Characteristics	Relatively homogeneous market with respect to customers' needs and purchase criteria; relatively little preference or loyalty for existing brands.	Relatively homogeneous market with respect to customers' needs and purchase criteria; but some needs or criteria not currently met by existing brands.	Two or more major segments with distinct needs and purchase criteria; needs of customers in at least one segment not currently met by existing brands.	Relatively heterogeneous market with a number of small, specialized segments; needs and preferences of customers in some segments not currently satisfied by competing brands.	Relatively heterogeneous market with a number of larger segments; needs and preferences of customers in most segments currently satisfied by competing brands.



## Marketing Objectives and Strategies for Challengers

<b>Situational Variables</b>	<b>Fortress or Position Defense</b>	<b>Flanker</b>	<b>Confrontation</b>	<b>Market Expansion or Mobile</b>	<b>Contraction or Strategic Withdrawal</b>
Competitor's Characteristics	Target competitor has relatively limited resources and competencies, particularly in marketing and R&D; would probably be vulnerable to direct attack.	One or more current competitors have relatively strong resources and competencies in marketing, but relatively unsophisticated technology and limited R&D competencies.	Target competitor has relatively strong resources and competencies, particularly in marketing and R&D; would probably be able to withstand direct attack.	One or more current competitors have relatively strong marketing, R&D resources and competencies, and/or lower costs; could probably withstand a direct attack.	A number of competitors have relatively strong marketing, R&D resources and competencies, and/or lower costs; could probably withstand a direct attack.
Firm's Characteristics	Firm has stronger resources and competencies in R&D and marketing and/or lower operating costs than target competitor.	Firm has proprietary technology superior to that of competitors; firm has necessary marketing and production resources to stimulate and meet primary demand for new generation of products.	Firms' resources and competencies are limited, but sufficient to effectively penetrate and serve at least one major market segment.	Firm has marketing, R&D, and production resources and competencies necessary to serve multiple smaller segments; firm has decentralized and adaptable management structure.	Firm has relatively limited marketing, R&D, and/or production resources and competencies; firm has decentralized and adaptable management structure.



## Marketing Actions to Achieve Share-Growth Objectives

Marketing Objectives	Possible Marketing Actions
<p><b>Capture repeat/replacement purchases from current customers of the leader or other target competitor by:</b></p> <p>Head-to-head positioning against competitor's offering in primary target market</p>	<ul style="list-style-type: none"><li>• Develop products with features and/or performance levels superior to those of the target competitor.</li><li>• Draw on superior product design, process engineering, and supplier relationships to achieve lower unit costs.</li><li>• Set prices below target competitor's for comparable level of quality or performance, but only if low-cost position is achieved.</li><li>• Outspend the target competitor on promotion aimed at stimulating selective demand:<ul style="list-style-type: none"><li>Comparative advertising appeals directed at gaining a more favorable positioning than the target competitor's brand enjoys among customers in the mass market.</li><li>Sales promotions to encourage trial if offering's quality or performance is perceptively better than target competitor's, or induce brand switching.</li><li>Build more extensive and/or better trained sales force than target compet.</li></ul></li><li>• Outspend the target competitor on trade promotion to attain more extensive retail coverage, better shelf space, and/or representation by the best distributors/dealers.</li><li>• Outperform the target competitor on customer service:<ul style="list-style-type: none"><li>Develop superior product scheduling, inventory control, and logistics systems to minimize delivery times and stockouts.</li><li>Develop superior postsales service capabilities; build a more extensive company service force, or provide better training programs for distributors/dealer service people than target competitor.</li></ul></li><li>• If resources are limited, engage in one or more of the preceding actions (e.g., an advertising blitz, sales or trade promotions) on a sporadic basis in selected territories (<i>guerrilla attack strategy</i>).</li></ul>
<p>Technological differentiation from target competitor's offering in its primary target market</p>	<ul style="list-style-type: none"><li>• Develop a new generation of products based on different technology that offers a superior performance or additional benefits desired by current and potential customers in the mass market (<i>leapfrog strategy</i>).</li><li>• Build awareness, preference, and replacement demand through heavy introductory promotion:<ul style="list-style-type: none"><li>Comparative advertising stressing product's superiority.</li><li>Sales promotions to stimulate trial or encourage switching.</li><li>Extensive, well-trained sales force; heavy use of product demonstrations in sales presentations.</li></ul></li><li>• Build adequate distribution through trade promotions and dealer training programs.</li></ul>

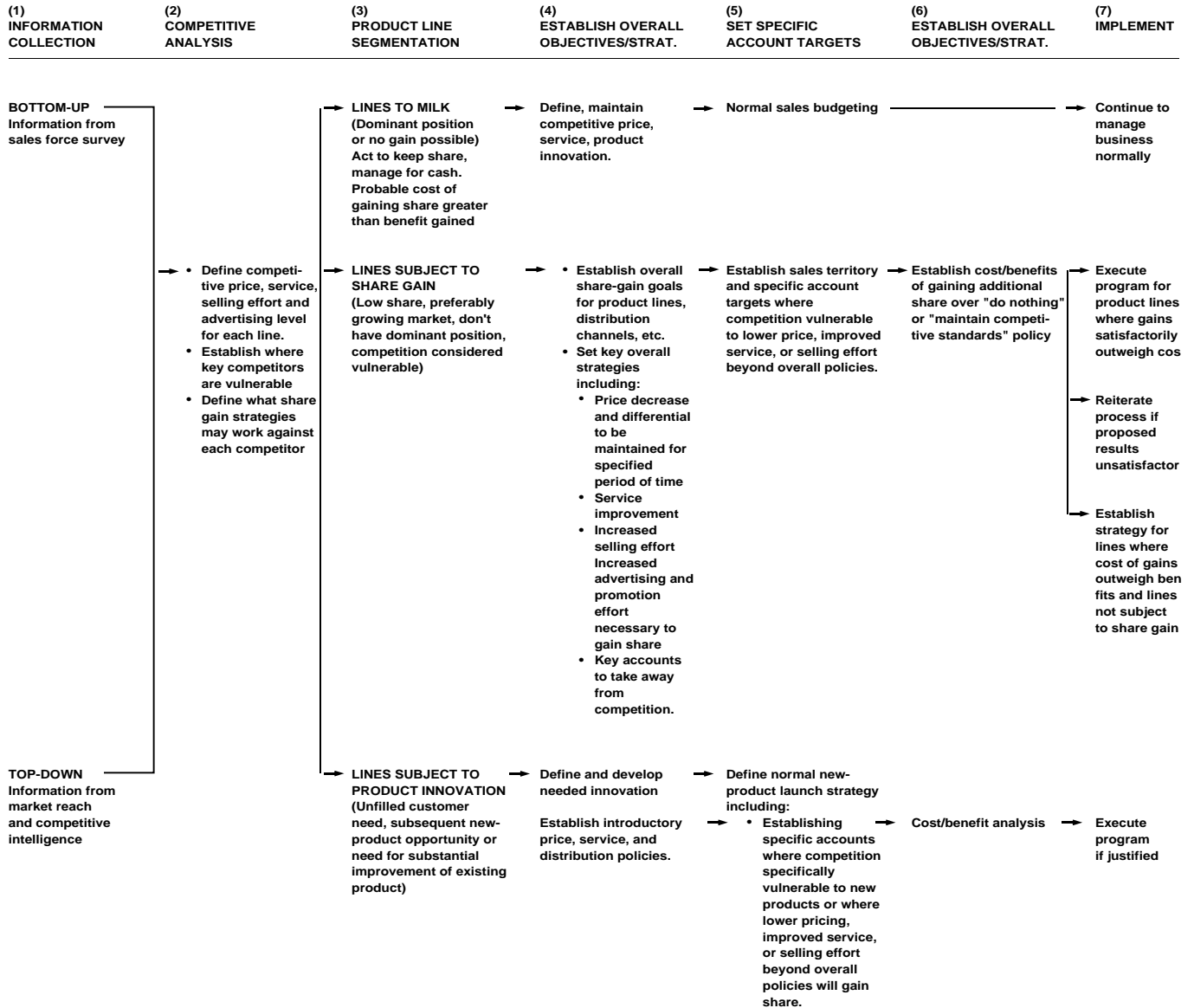


### Marketing Actions to Achieve Share-Growth Objectives

<b>Marketing Objectives</b>	<b>Possible Marketing Actions</b>
<b>Stimulate selective demand among later adopters by:</b> Head-to-head positioning against target competitor's offerings in established market segments.	<ul style="list-style-type: none"><li>• See preceding actions.</li></ul>
Differentiated positioning focused on untapped or underdeveloped segments.	<ul style="list-style-type: none"><li>• Develop a differentiated brand or product line with unique features or price that is more appealing to a major segment of potential customers whose needs are not met by existing offerings (<i>flanking strategy</i>).</li></ul> <p style="text-align: center;"><b>or</b></p> <ul style="list-style-type: none"><li>• Develop multiple line extensions or brand offerings with features or prices targeted to the unique needs and preferences of several smaller potential applications or regional segments (<i>encirclement strategy</i>).</li><li>• Design advertising, personal selling, and/or sales promotion campaigns that address specific interests and concerns of potential customers in one or multiple underdeveloped segments to stimulate selective demand.</li><li>• Build unique distribution channels to more effectively reach potential customers in one or multiple underdeveloped segments.</li><li>• Design service programs to reduce the perceived risks of trial and/or solve the unique problems faced by potential customers in one or multiple underdeveloped segments (e.g., systems engineering, installation, operator training, or extended warranties).</li></ul>



Schematic Diagram of the Process of Planning Market Share Gains





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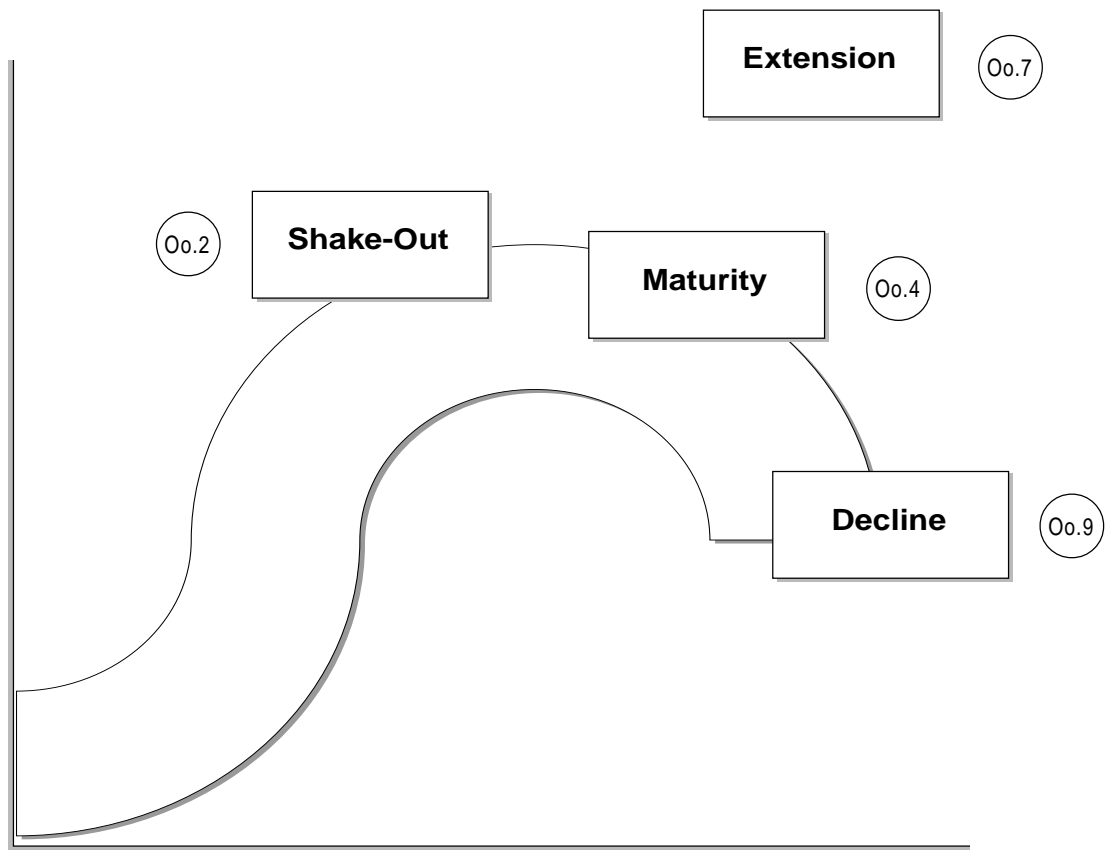
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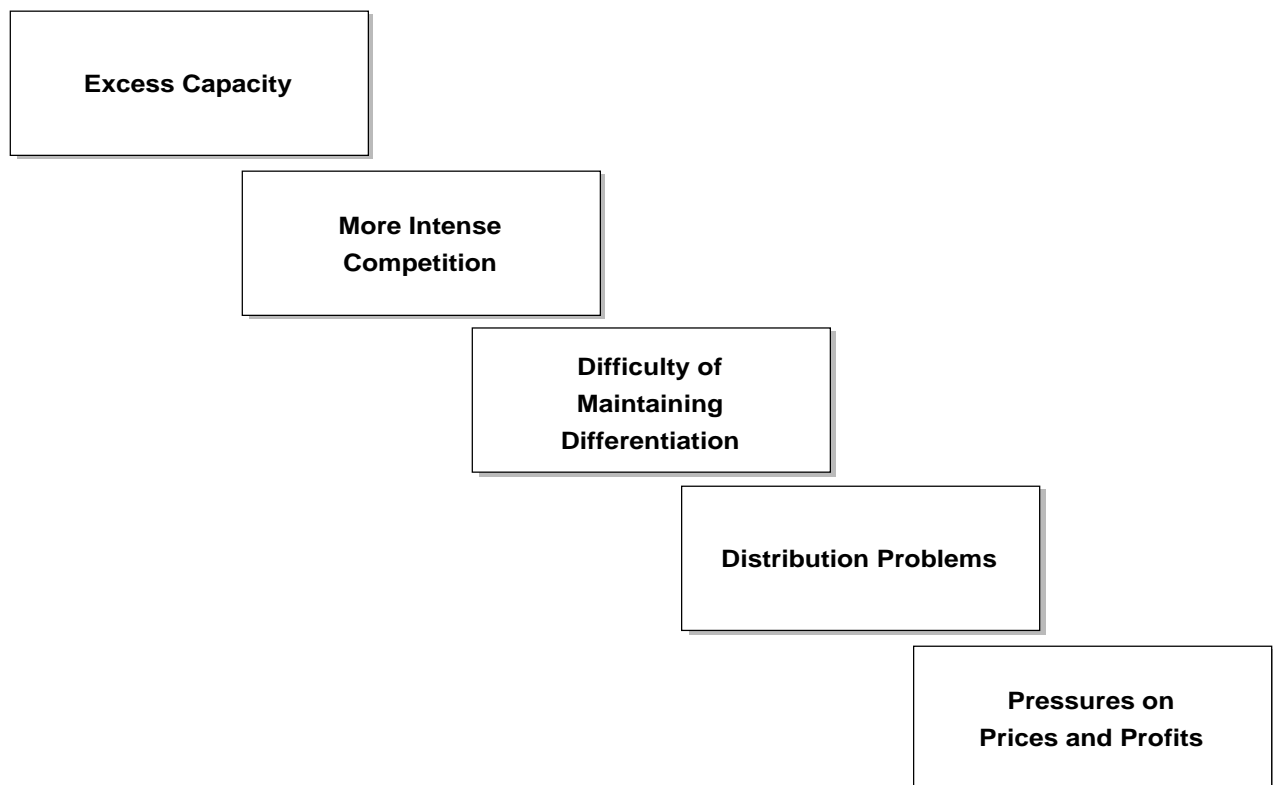








**Characteristics of the  
Transition Period — Shake-out  
(*Growth to Maturity*)**





### **Strategic Traps Firms Can Fall Into During the Shakeout Period**

**Failure to anticipate transition from growth to maturity.**

- Firms may make overly optimistic forecasts of future sales volume.
- As a result, they expand too rapidly and production capacity overshoots demand as growth slows.
- Their excess capacity leads to higher costs per unit.
- Consequently, they must cut prices or increase promotion in an attempt to increase their volume.

**No clear competitive advantage as growth slows.**

- Many firms can succeed without a strong competitive advantage during periods of rapid growth.
- However, firms that do not have the lowest costs or a superior offering in terms of product quality or service can have difficulty sustaining their market share and volume as growth slows and competition intensifies.

**Assumption that an early advantage will insulate the firm from price or service competition.**

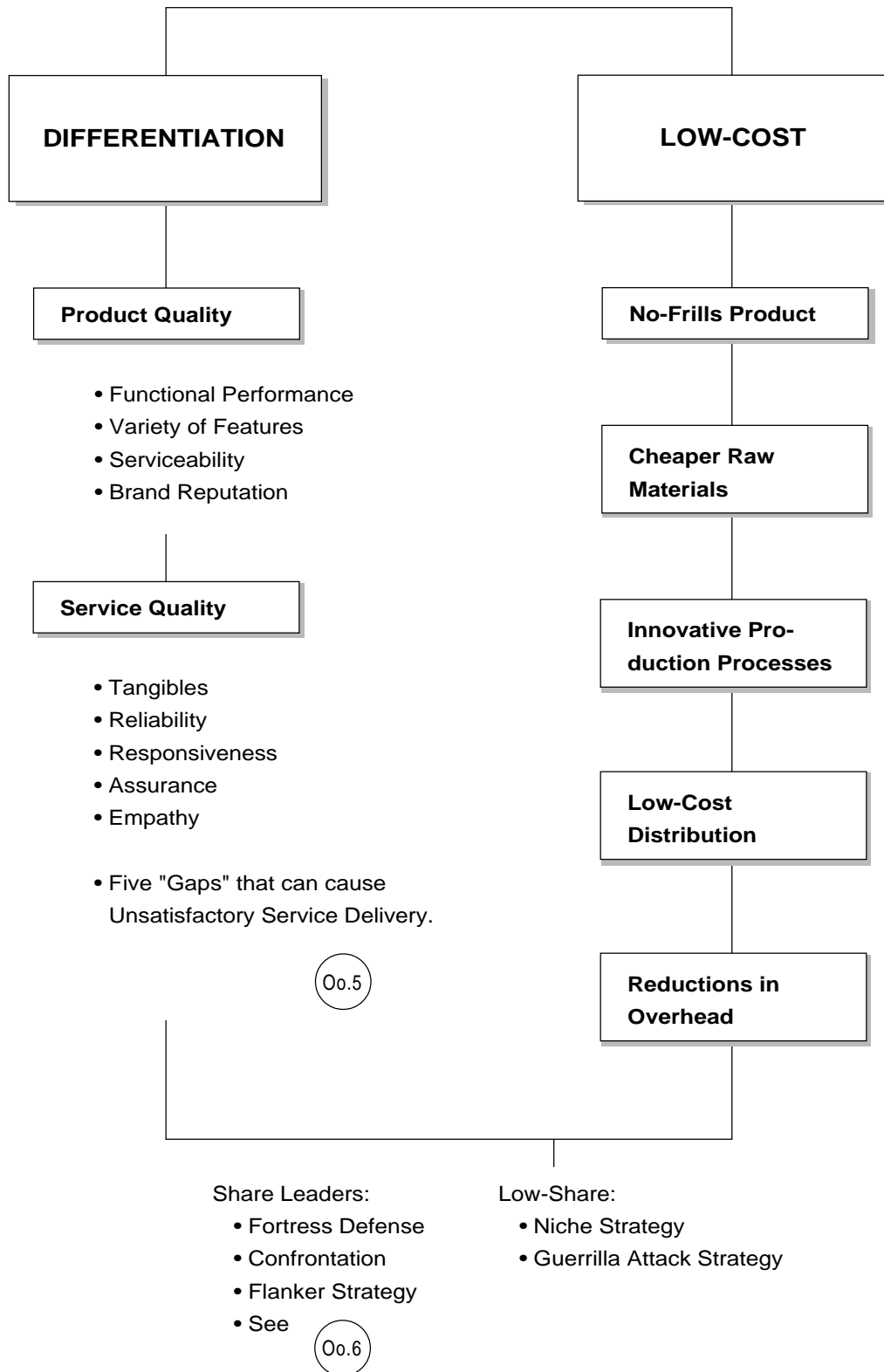
- In many cases, technological differentials become smaller as more competitors enter and initiate product improvements as an industry approaches maturity.
- If customers perceive that the quality of competing brands has become more equal, they are likely to attach greater importance to price or service differences.
- Failure to detect such trends can cause an early leader to be complacent and slow to respond to competitive threats.

**Sacrificing market share in favor of short-run profit.**

- A firm may cut marketing or R&D budgets or forgo other expenditures in order to maintain its historical level of profitability even though industry profits tend to fall during the transition period.
- This can cause long-run erosion of market share and further increases in unit costs as the industry matures.



Strategies for Maintaining Competitive Advantage





### Five "Gaps" That Can Cause Unsatisfactory Service Delivery

1. □ Gap between the customer's expectations and the marketer's perceptions.

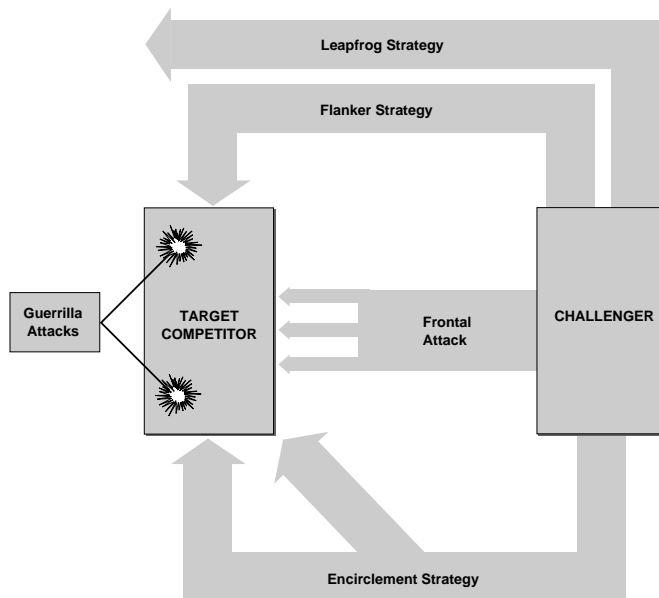
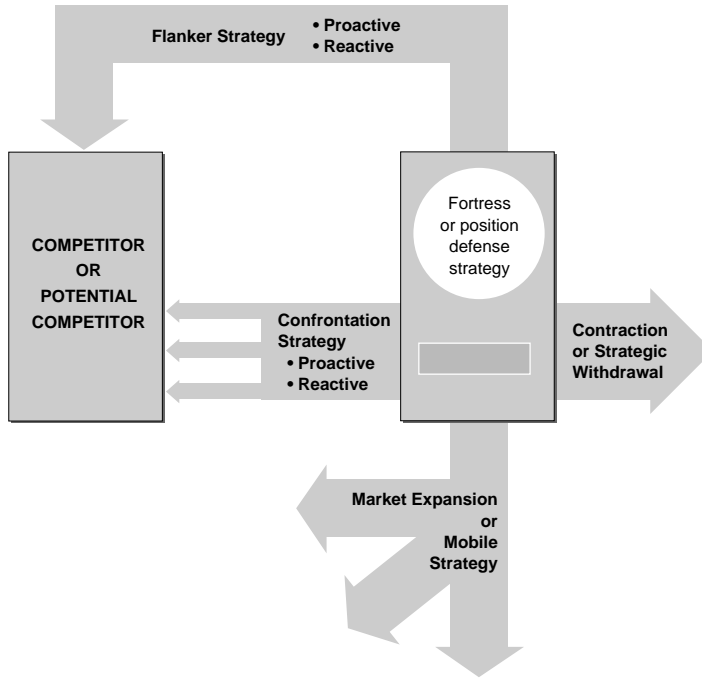
2. □ Gap Between management perceptions and service quality specifications.

3. □ Gap between service quality specifications and service delivery.

4. □ Gap between service delivery and external communications.

5. □ Gap between perceived service and expected service.

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## Marketing Objectives and Strategies for Extending Growth

<b>Situational Variables</b>	<b>Increased Penetration</b>	<b>Extended Use</b>	<b>Contraction or Strategic Withdrawal</b>
Primary Objective	Increase the proportion of users by converting current nonusers in one or more major market segments.	Increase the amount of product used by the average customer by increasing frequency of use or developing new and more varied ways to use the product.	Expand the number of potential customers by targeting underdeveloped geographic areas or applications segments.
Market Characteristics	Relatively low penetration in one or more segments (i.e., low percentage of potential users have adopted the product); relatively homogeneous market with only a few large segments.	Relatively high penetration but low frequency of use in one or more major segments; product used in only limited ways or for special occasions; relatively homogeneous market with only a few large segments.	Relatively heterogenous market with a variety of segments; some geographic areas, including foreign countries, with low penetration; some product applications underdeveloped.
Competitor Characteristics	Competitors hold relatively small market shares; comparatively limited resources or competencies make it unlikely they will steal a significant portion of converted nonusers.	Competitors hold relatively small market shares; comparatively limited resources or competencies make it unlikely their brands will be purchased for newly developed uses.	Competitors hold relatively small market shares; has insufficient resources or competencies to preempt underdeveloped geographic areas or applications segments.
Firm Characteristics	A market share leader in the industry; has R&D and marketing competencies to produce product modifications or line extensions; has promotional resources to stimulate primary demand among current nonusers.	A market share leader in the industry; has marketing competencies and resources to develop and promote new uses.	A market share leader in the industry; has marketing and distribution competencies and resources to develop new global markets or applications systems.



### Marketing Actions for Growth-Extension Objectives

<b>Marketing Objectives</b>	<b>Possible Marketing Actions</b>
<b>Increased Penetration</b> Convert current nonusers in target segment into users	<ul style="list-style-type: none"><li>• Enhance product's value by adding features, benefits, or services.</li><li>• Enhance product's value by including it in the design of integrated systems.</li><li>• Stimulate additional primary demand through promotional efforts stressing new features or benefits:<ul style="list-style-type: none"><li>Advertising through selected media aimed at the target segment.</li><li>Sales promotions directed at stimulating trial among current nonusers (e.g., tie-ins with other products).</li><li>Some sales effort redirected toward new account generation; perhaps by assigning some sales personnel as account development reps or by offering incentives for new account sales.</li></ul></li><li>• Improve availability by developing innovative distribution systems.</li></ul>
<b>Extended Use</b> Increase frequency of use among current users	<ul style="list-style-type: none"><li>• Move storage of the product closer to the point of end use by offering additional package sizes or designs.</li><li>• Encourage larger volume purchases (for nonperishable products):<ul style="list-style-type: none"><li>Offer quantity discounts.</li><li>Offer consumer promotions to stimulate volume purchases or more frequent use (e.g., multipack deals, frequent flier programs).</li></ul></li><li>• Reminder advertising stressing benefits for a variety of usage occasions</li></ul>
Encourage a wider variety of uses among current users	<ul style="list-style-type: none"><li>• Develop line extensions suitable for additional uses or applications.</li><li>• Develop and promote new uses for the basic product.<ul style="list-style-type: none"><li>Include information about new applications/recipes on package.</li><li>Develop extended use advertising campaign, particularly with print media.</li><li>Communicate new application ideas through sales presentations to current customers.</li></ul></li><li>• Encourage new uses through sales promotions (e.g., tie-ins with complementary products).</li></ul>
<b>Market Expansion</b> Develop differentiated positioning focused on untapped or underdeveloped segments	<ul style="list-style-type: none"><li>• Develop a differentiated flanker brand or product line with unique features or price that is more appealing to a segment or potential customer whose needs are not met by existing offerings.</li></ul> <p style="text-align: center;"><b>or</b></p> <ul style="list-style-type: none"><li>• Develop multiple line extensions or brand offerings with features or prices targeted to the unique needs and preferences of several smaller potential applications or regional segments.</li><li>• Consider producing for private labels.</li><li>• Design advertising, personal selling, and/or sales promotion campaigns that address specific interests and concerns of potential customers in one or multiple underdeveloped segments to stimulate selective demand.</li><li>• Build unique distribution channels to more effectively reach potential customers in one or multiple underdeveloped segments.</li><li>• Design service programs to reduce the perceived risks of trial and/or solve the unique problems faced by potential customers in one or multiple underdeveloped segments (e.g., systems engineering, installation, operator training, extended warranties).</li></ul>



## Marketing Objectives and Strategies for Declining Markets

<b>Situational Variables</b>	<b>Harvesting</b>	<b>Maintenance</b>	<b>Profitable Survivor</b>	<b>Niche</b>
Primary Objective	Maximize short-term cash flow; maintain or increase margins even at expense of a slow decline in market share.	Maintain share in short term as market declines, even if margins must be sacrificed.	Increase share of the declining market with an eye to future profits; encourage weaker competitors to exit.	Focus on strengthening position in one or a few relatively substantial segments with potential for future profits.
Market Characteristics	Future market decline is certain, but likely to occur at a slow and steady.	Market has experienced recent declines, but future direction and attractiveness are currently hard to predict.	Future market decline is certain, but likely to occur at a slow and steady rate; substantial pockets of demand will continue to exist.	Overall market may decline quickly, but one or more segments will remain as demand pockets or decay slowly.
Competitor Characteristics	Few strong competitors; low exit barriers; future rivalry not likely to be intense.	Few strong competitors, but intensity of future rivalry is hard to predict.	Few strong competitors; exit barriers are low or can be reduced by firm's intervention.	One or more stronger competitors in mass market, but not in the target segment.
Firm Characteristics	Has a leading share position; has a substantial proportion of loyal customers who are likely to continue buying brand even if marketing support is reduced.	Has a leading share of the market and a relatively strong competitive position.	Has a leading share of the market and a strong competitive position; has superior resources or competencies necessary to encourage competitors to exit or to acquire them.	Has a sustainable competitive advantage in target segment, but overall resources may be limited.





## Marketing Actions for Declining Market Objectives

### Marketing Objectives

### Possible Marketing Actions

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#### Harvesting Strategy

Maximize short-term cash flow; maintain or increase margins even at the expense of market share decline.

- Eliminate R&D expenditures and capital investments related to the business.
- Reduce marketing and sales budgets:
  - Greatly reduce or eliminate advertising and sales promotion expenditures, with the possible exception of periodic reminder advertising targeted at current customers.
  - Reduce trade promotions to minimum level necessary to prevent rapid loss of distribution coverage.
  - Focus sales force efforts on attaining repeat purchases from current customers.
- Seek ways to reduce production costs, even at the expense of slow erosion in product quality.
- Raise price if necessary to maintain margins.

#### Maintenance Strategy

Maintain market share for the short term, even at the expense of margins.

- Continue product and process R&D expenditures in short term aimed at maintaining or improving product quality.
- Continue maintenance levels of advertising and sales promotion targeted at current users.
- Continue trade promotion at levels sufficient to avoid any reduction in distribution coverage.
- Focus sales force efforts on attaining repeat purchases from current users.
- Lower prices if necessary to maintain share, even at the expense of reduced margins.

#### Profitable Survivor Strategy

Increase share of the declining market; encourage weaker competitors to exit.

- Signal competitors that firm intends to remain in industry and pursue an increased share:
  - Maintain or increase advertising and sales promotion budgets.
  - Maintain or increase distribution coverage through aggressive trade promotion.
  - Focus some sales force effort on winning away competitors' customers.
  - Continue product and process R&D to seek product improvements or cost reductions.
- Consider introducing line extensions to appeal to remaining demand segments.
- Lower prices if necessary to increase share, even at the expense of short-term margins.
- Consider agreements to produce replacement parts or private labels for smaller competitors considering getting out of production.

#### Niche Strategy

Strengthen share position in one or a few segments with potential for continued profit.

- Continued product and process R&D aimed at product improvements or modifications that will appeal to target segment(s).
- Consider producing for private labels in order to maintain volume and hold down unit costs.
- Focus advertising, sales promotion, and personal selling campaigns on customers in target segment(s); stress appeals of greatest importance to those customers.
- Maintain distribution channels appropriate for reaching target segment; seek unique channel arrangement to more effectively reach customers in target segment(s).
- Design service programs that address unique concerns/problems of customers in target segment(s).



## References

Page Oo.2:            *Marketing Strategy: Pages 299*  
                             *Richard D. Irwin: 1992*  
                             *Walker • Boyd • Larreche*

Page Oo.3:            *Ibid. Pages 301-303*

Page Oo.4:            *Ibid. Pages 306-313*

Page Oo.5:            *Ibid. Pages 309-311*

Page Oo.6:            *See Section Oo.1*

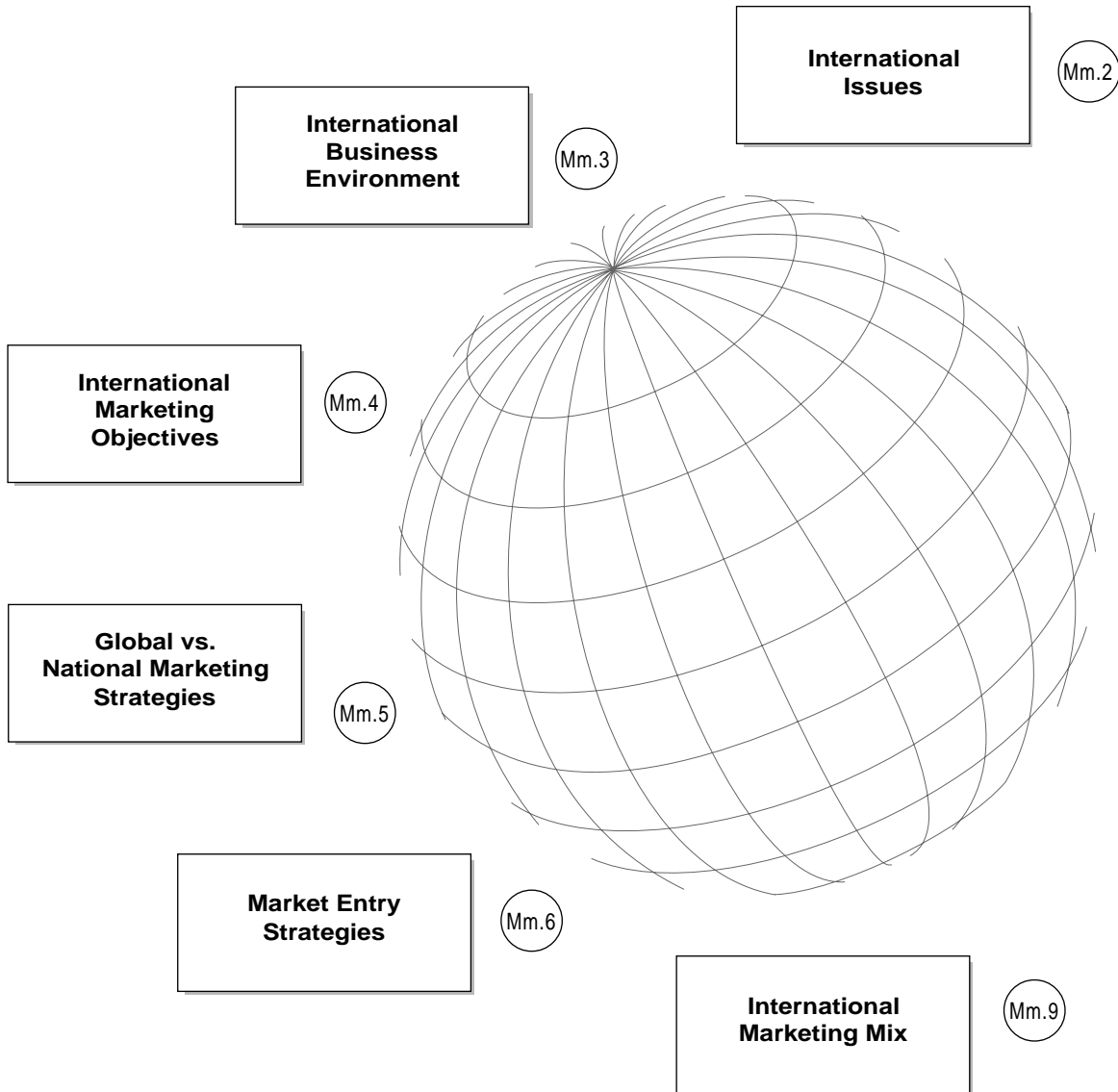
Page Oo.7:            *Ibid. Pages 318*

Page Oo.8:            *Ibid. Pages 319*

Page Oo.9:            *Ibid. Pages 330*

Page Oo.10:           *Ibid. Pages 331*







## International Marketing Issues

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- **International Business Environment — physical, legal, economic, political, cultural, and competitive.**

*Issues:* What is the relative attractiveness of each country? What opportunities are present? What threats exist? What are the major differences between each overseas market and the home market?

- **International Marketing Objectives — other than profitability.**

*Issues:* What does a company hope to achieve by going overseas other than increase its profitability? How important is it to protect market leadership? To benefit from scale economies? To service customers who have moved overseas?

- **Selecting Export Target Markets.**

*Issues:* What candidate product(s) should be selected? What countries are most attractive and where does the firm have strong relative business advantages? Which countries should be targeted and in what order?

- **Alternative Overall Strategies:**

*Issues:* What are the characteristics of a global high-share strategy? A global niche strategy? A national high-share strategy? A niche strategy? Under what conditions would each of the above strategies be used?

- **Market Entry Strategies.**

*Issues:* What are the major ways by which a firm can enter a foreign country? Within each of these ways, there are a variety of specific entry modes — What are they and under what set of conditions should each be used?

- **International Marketing Mix.**

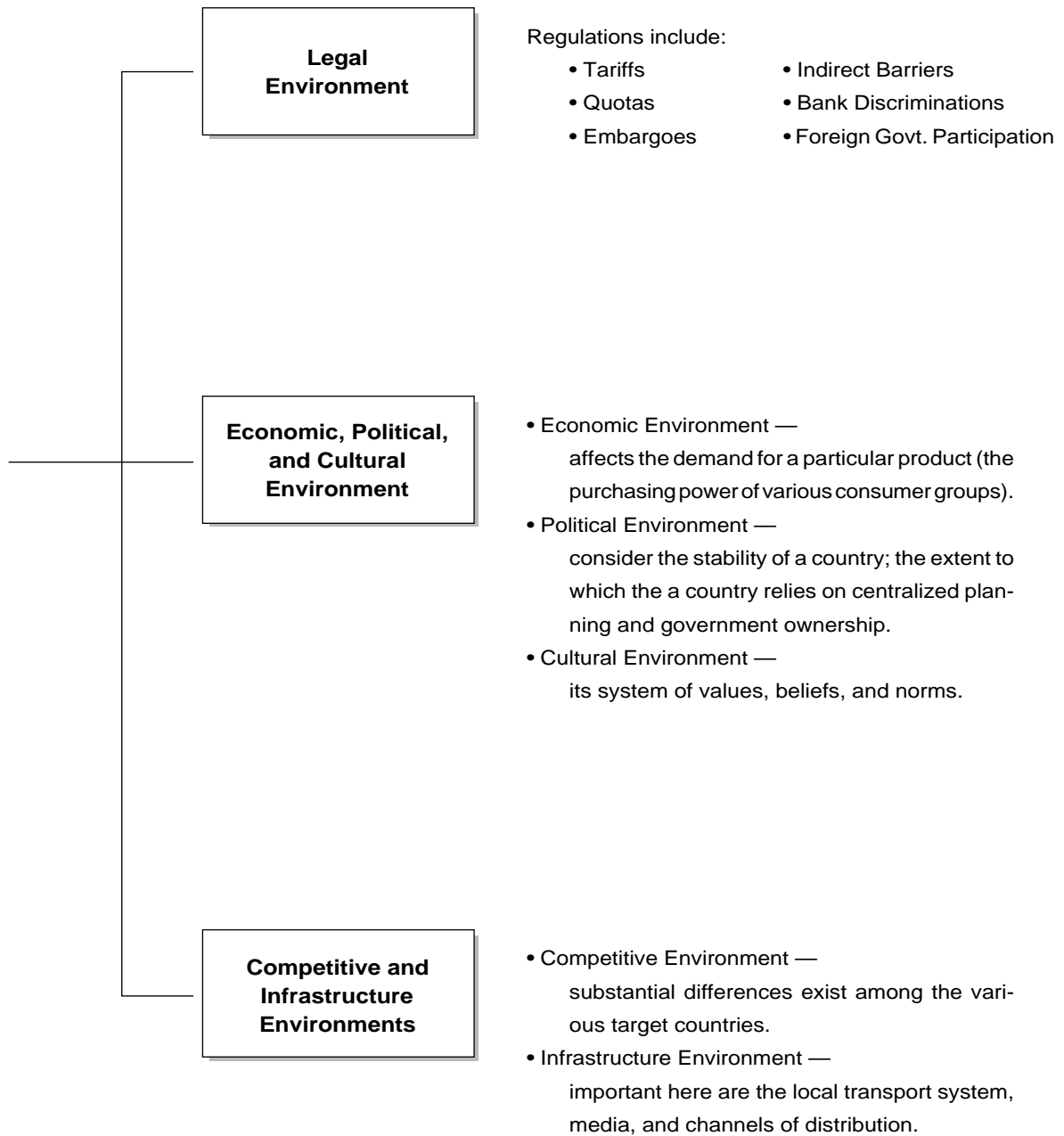
*Issues:* to what extent can a firm standardize its marketing plan across countries? Under what conditions should it market the same product to all countries? Why do the other elements in the marketing mix tend to be localized?

- **Exporting Services.**

*Issues:* What kinds of service has the United States exported? What has happened to the value of these exports?

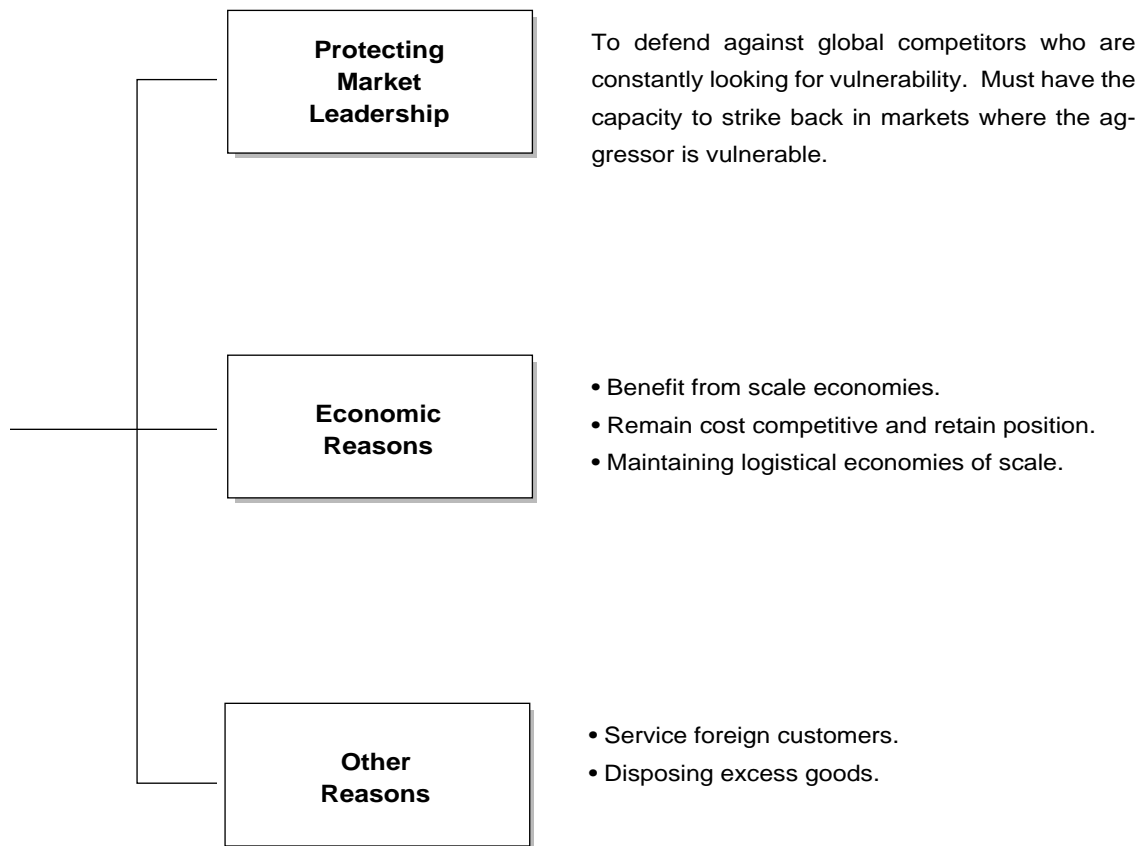


**International Business Environments**



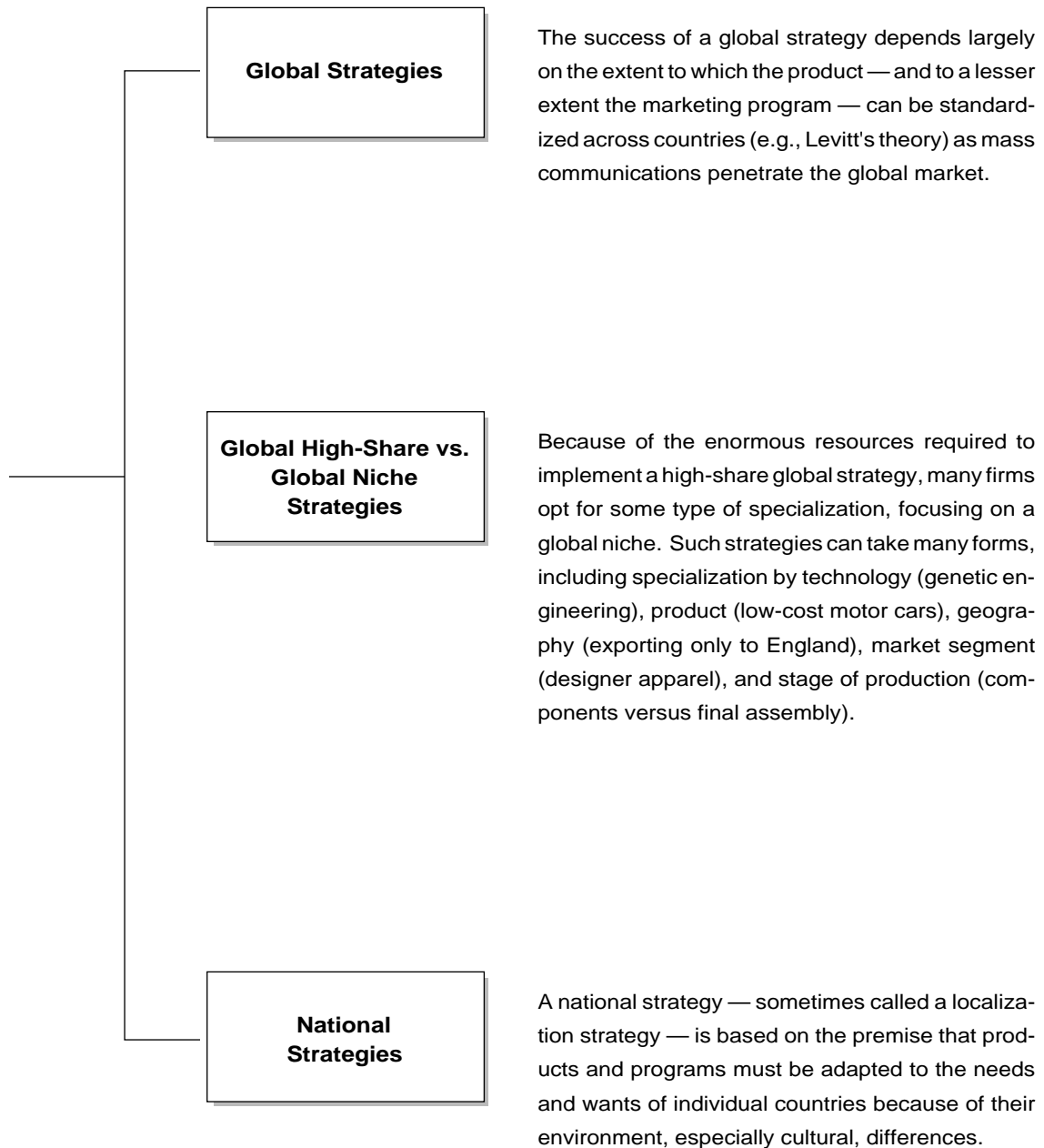


## International Marketing Objectives



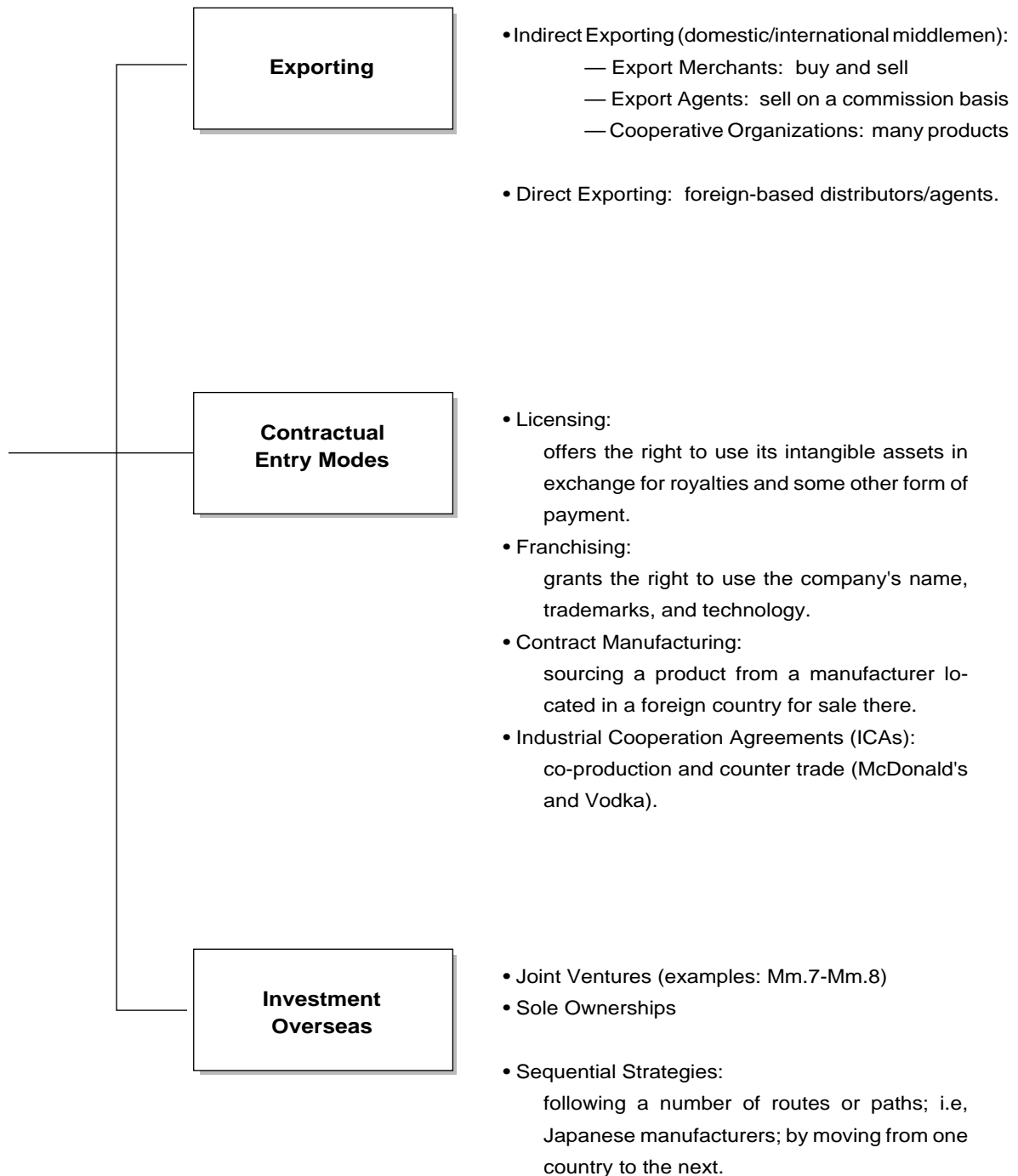


### Global vs. National Marketing





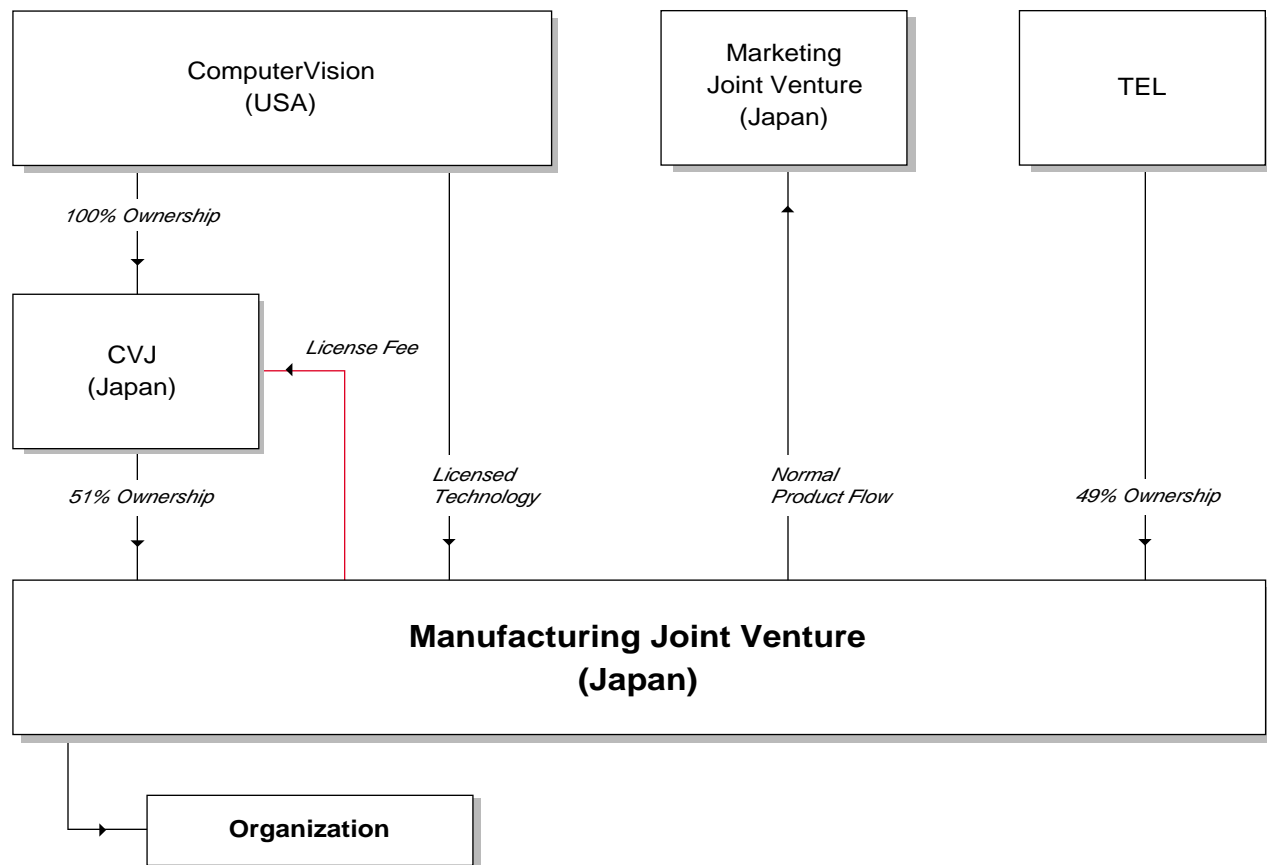
**Market Entry Strategies**







**Manufacturing Joint Venture — Example**



**President:** Japanese-speaking American  
Strong computer industry/computer manufacturing background  
Experienced in manufacturing technology transfer

**Executive V.P.:** English-speaking Japanese  
Strong computer industry/computer manufacturing background  
Experienced in manufacturing and sourcing in Japan

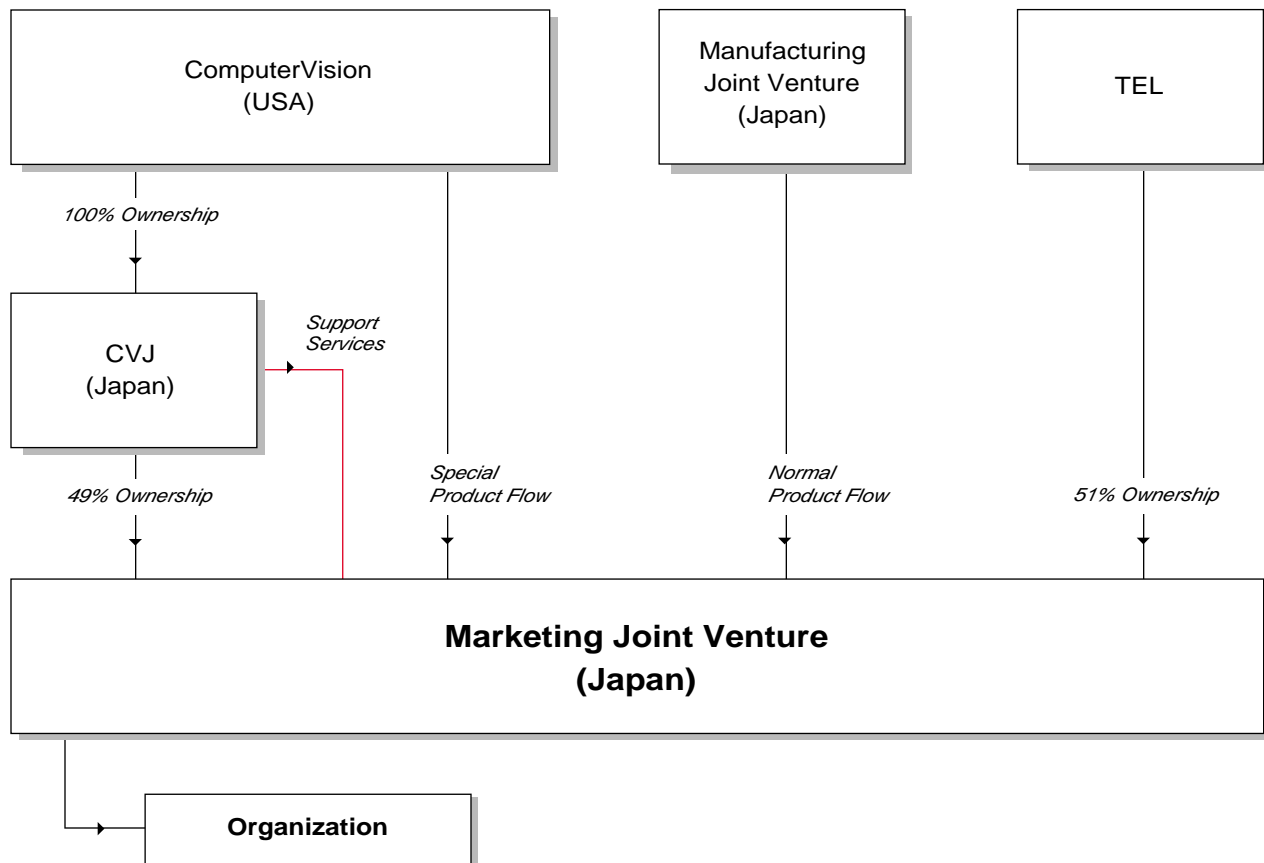
**Controller:** Japanese-speaking American

**Other Managers:** English-speaking Japanese

- Notes:**
- Clearly visible to customers and prospects.
  - Product development, software development, and prototype development performed in the U.S.
  - Mass production, including sourcing, performed in Japan.
  - Product modification for Japanese applications performed in Japan.
  - Cross-licensing of Japanese-developed technology to CV (USA) and CV (ROTW: Rest of the World).
  - Product sales to Japan only through Marketing Joint Venture.
  - Any sale of products outside Japan only through other CV entities.



**Marketing Joint Venture — Example**



**President:** English-speaking Japanese  
Strong computer industry/computer manufacturing background  
Experienced in selling to government and large industrial groups

**Executive V.P.:** Japanese-speaking American  
Strong computer industry/computer manufacturing background  
Experienced in marketing and service management

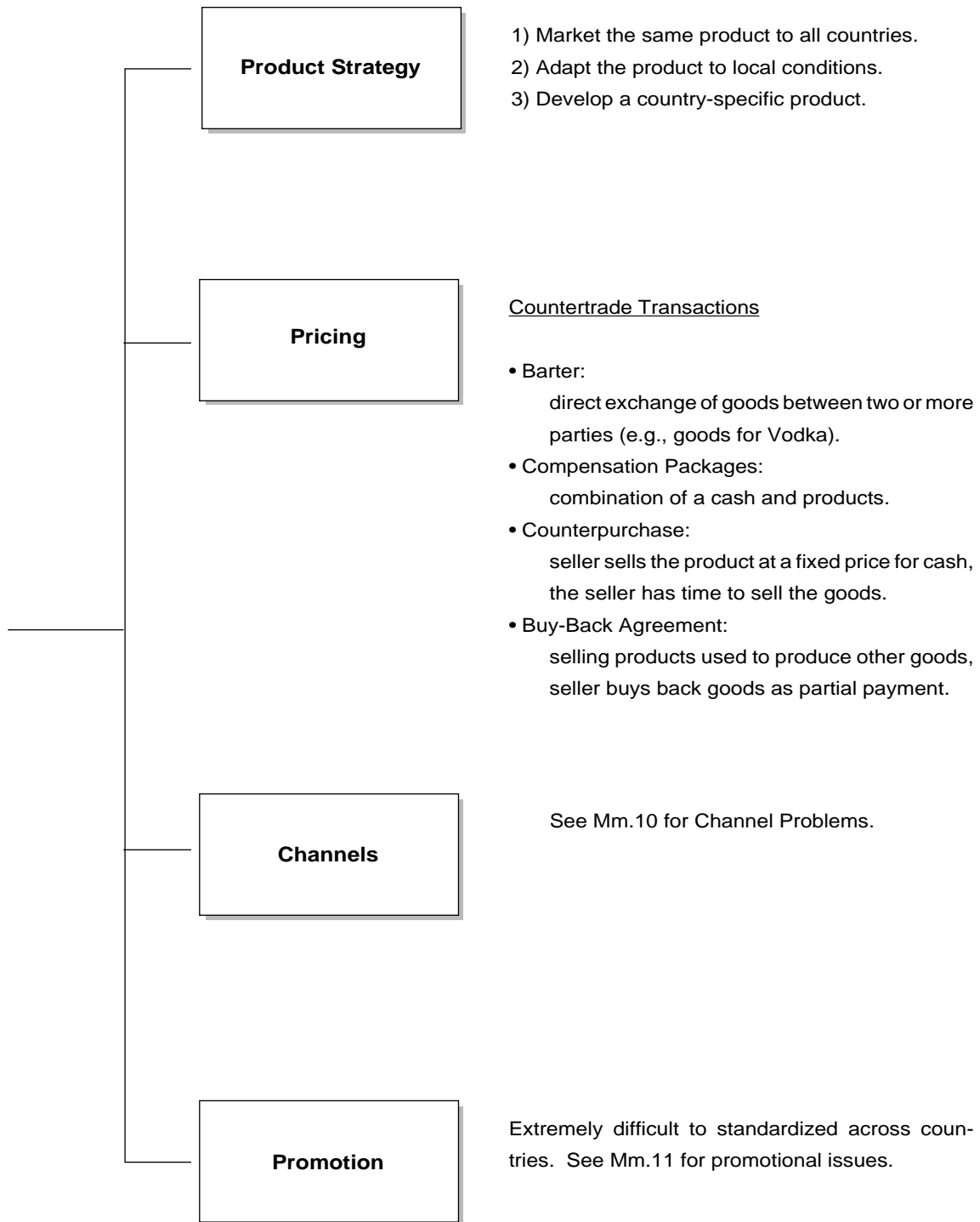
**Controller:** English-speaking Japanese

**Other Managers:** English-speaking Japanese

- Notes:**
- Reconciliation of Japanese and American specifications.
  - Receives technical support services from CVJ.  
(May include CVJ organization and encompass CVJ service function).
  - Provides technical support services to Manufacturing Joint Venture.
  - Exclusive distributor to Manufacturing Joint Venture and any CV (USA) special products in Japan. (Does not sell products outside Japan.)



### International Marketing Mix





## Channel Problems

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The kind of channel needed may not be available because of the country's low level of economic development (such as lack of refrigeration) or the presence of only state-controlled middlemen.

Existing middlemen have already been appropriated by other manufacturers (particularly local ones) via various arrangements, including financial, and the exclusive use of private labels. This has often been the case with Japan.

A channel, once set up, may be difficult to change because of strong barriers to the termination of a relationship. In some countries, such as Norway, it is illegal to do so without evidence of incompetency. In some of the lesser-developed countries, terminating a powerful middlemen can result in reprisals, including being barred from the marketplace.

Control is yet another problem. An international marketer will almost always use a variety of channel systems to penetrate and service its various markets, no two of which are identical. The problems of controlling this varied set of distribution systems are so numerous that many companies use a contractual entry mode (licensing or franchising) whenever possible to facilitate control.



### Promotion Effects

<b>Type of Environment</b>	<b>Examples of Effect</b>
Social	Languages, culture, religion, and life-styles vary substantially across most countries. For example, because attitudes differ regarding cleanliness, Gillette promotes its razors, deodorants, and other men's grooming products differently in the developing countries than in the United States.
Economic	Because of substantial variations in standards of living across countries as well as the distribution of wealth within countries, demand for a particular product varies, as does the way a product is perceived. For example, cameras are considered a reasonably standard item in developed countries. Not so in the developing countries, however.
Political	Some countries prevent the importation of some U.S. products under any condition. Political control also determines what products can be advertised (pharmaceuticals, alcohol, airlines, and candy are forbidden in some Arabic countries); what media can be used (no TV advertising is permitted in Scandinavia); and what can be said about products (comparative advertising is not allowed in Germany).



**References**

- Page Mm.2:            *Marketing Strategy: Pages 338*  
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                             *Walker • Boyd • Larreche*
- Page Mm.3:            *Ibid. Pages 337-342*
- Page Mm.4:            *Ibid. Pages 342-345*
- Page Mm.5:            *Ibid. Pages 347-351*
- Page Mm.6:            *Entry strategies for International Markets*  
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- Page Mm.11:         *Ibid. Pages 361-362*

