Betriebswirtschaftliches
Institut & Seminar Basel

MARKETING

CONTENTS:

- → **Fundemantels**
- → **Marketing Plan**
- → **Strategic Marketing**
- → **Operational Marketing**
- → **Market Research**

Contents

3. STRATEGIC MARKETING

In order to assess where the company stands and to double-check its medium to long-term marketing policies it is necessary to deal explicitly with the development of marketing strategies on the different levels in the hierarchy.

Marketing strategies determine the approach to achieving the strategic marketing objectives of a company. They comprise decisions concerning the choice and cultivation of the market and are specified by means of medium to long-term global action plans for strategic business units (SBUs) within the enterprise.

One of the special characteristics of a marketing strategy is the fact that it does not describe individual measures but determines the key issues of the company's marketing policies. The following five requirements must be considered so that marketing strategies can function as a global action plans. :

Marketing strategies are supposed to:

- provide hints on how to realise strategic marketing objectives (strategic objectives comprise, e.g., market shares, competitive advantages, etc.);
- determine priorities on the choice and cultivation of market segments on the basis of the resources which the company can dispose of (including a deliberate distinction of those market segments which shall not be cultivated);
- be controllable over time by examining a few indicators. This strategic controlling is supposed to ensure that results can be measured and controlled;
- show the consequences of market cultivation strategies with regards to the application of production resources and assets, organisation and human resources;
- be binding for individual decisions on the marketing mix, be fixed in written form ("strategy document") and be referred to in case there are controversies on the application of marketing tools.

The development of marketing strategies is partly a planning and partly a creative marketing management task. The planning part comprises the application of strategic analysis tools (e.g., strengths-weaknesses, lifecycle or portfolio analyses) so that the determination of marketing strategies follows certain systematics. In contrast to this, the creative part includes the subjective assessment of alternative strategies and the identification of unusual and innovative approaches to problem-solving in the course of developing marketing strategies.

3.1 Strategic Business Units (SBUs)

Both the company's current and future products are subject to strategic planning. Companies which produce a great variety of products and are active in different (subsidiary) markets are well-advised to rework current or new products or markets, respectively, in such a way that only a few units remain subject to strategic planning. The strategies to be determined relate to the concept of strategic business units (SBUs).

Strategic business units represent separate areas of activity within a company and fulfil independent (market) tasks.

The starting point is the market to be scrutinised. There are three market dimensions:

- *Functional Performance*: For which solutions to problems can products be developed?
- *Customer Groups*: Which groups of buyers basically are potential customers?
- *Technologies*: Which base technology can be applied to develop products?

These dimensions refer to the whole market, i.e., both the company's current and future areas of activity are listed. In a second step, those units which are supposed to be subject to strategic planning must be selected from a variety of possible combinations. These units represent strategic business units. When choosing strategic business units the company must be careful to consider the following *Requirements*:

- They should fulfill their market task independently,
- They should distinguish themselves from the competition,
- They should (be able to) obtain an important position on the market,
- They should intrinsically be homogeneous. They should be heterogeneous among each other.

The strategic business unit concept deliberately tries to move away from the company's existing product-market combinations. An analysis of all markets shall encourage the decision-makers in a company to think about the significance of future markets, to regard the relevant activities performed by the company as strategic business units from the early stages and to make appropriate strategic provisions.

Consequently, planning by means of strategic business units entails the necessity to develop individual strategies and special market cultivation strategies for each SBU. The company must also take any necessary steps with regards to organisational and human resources (e.g., employing new members of staff).

Once the strategic business units which are subject to strategic planning have been determined, the next step is to determine subsidiary activities (sequences) within the framework of strategic marketing planning. In the subsequent section, we will examine a planning process of strategic marketing which is divided into four stages:

- *Analysis of the Marketing Situation:* This is the starting point of strategic planning. The company must filter and process those pieces of information relating to the situation of individual areas (market, customers, trade, suppliers, competition, environment, company) which allow for an analysis of the actual situation. (Example: portfolio analysis).

- The second step is the *Determination of Strategic Objectives.* They are oriented towards the company objectives and are specified to such a degree that the marketing success factors of the strategic business units are recognisable. (Example: market share).

- *Standard Strategies* can be derived from the results obtained by applying individual analysis tools. They state the general direction of how to choose and work certain markets. They are also ad to determine the specific approach to cultivating the market with regards to the most important market participants, customers, merchants and competitors.

- The process is completed by *Planning the Marketing Mix*. The most important aspect to be considered in this context is that individual marketing tools must be applied in compliance with the general strategy. Specific strategies must be fixed in the marketing mix.

In business practices, companies follow this planning process more or less strictly. In recent years, many companies were not forced to implement and consistently realise a systematic strategic marketing plan due to growing markets in their line of business. In the face of the growing dynamics of competitive conditions in many lines of business it becomes increasingly important to systematise the development of marketing strategies.

3.2 Marketing Strategy Characteristics

Marketing strategies are expressed on different levels and in different appropriation grades. Therefore, it is useful to differentiate between different types of marketing strategies:

- *Market Choice Strategies* determine the markets in which the company shall be represented or which market segments shall not be worked, respectively,.
- By means of *Product Strategies* the company determines which individual customer groups shall be targeted with which products or performances (customer benefit). Accordingly, quality leadership strategies, price leadership strategies, product variety strategies, etc., arise from the above.
- *Marketing Tools Strategies* illustrate the main areas in which marketing tools are applied. In this context, it is necessary to ascertain which marketing tools shall be used to specify the customer benefit (brand strategies, sales strategies, communication strategies, etc.). This is done in close coordination with product strategies.

The content of market choice, product and marketing tools strategies is oriented towards the company's customer groups. Marketing agent strategies, on the other hand, determine the nature of the cooperation between the enterprise and its marketing agents. Marketing agent strategies can relate to the acquisition and selection of merchants alike (e.g., contractual agreement on an exclusive sales).

Competitive strategies also play a decisive role. Through them, the company distinguishes itself from fellow competitors. Comprised herein are competitive strategies (cost or quality leadership), dependency on the relevant position on the market (market leader, market follower or niche suppliers) and different intensities (attack or defence).

3.3 Choice of Market Segments

The choice of market segments is one of the basic decisions a company must make. The key question is which subsidiary markets shall be worked and cultivated (*Exposure on the Market*) and which segments shall not be cultivated (*Delimitation of Markets*). In this context, it is the task of marketing management to determine the "relevant markets" which it wants to concentrate its activities on in the future. In order to substantiate this decisions, market segmentation and product positioning methods are applied.

3.3.1 Market Segmentation Methods

In the course of an increasing differentiation of consumer needs and products on offer there is an increasing need of subdividing (i.e., segmenting) total markets more distinctly, The principles of market segmentation are applied to all markets.

Market segmentation is the term used to describe the splitting of the *"Relevant Markets*" into subsidiary markets. It forms the basis of a differentiated cultivation of the market. The formation of *Homogeneous Subsidiary Markets* demands that the range of services or products on offer be as similar as possible within these subsidiary segments (internally homogeneous) but as different as possible in comparison to the range of services or products supplied in other subsidiary segments (externally heterogeneous). There are three more **Objectives** pursued by market segmentation:

- Delimitation of the relevant total market,
- Determination of the relevant subsidiary markets,
- Search for subsidiary markets (market niches) which have not been cultivated yet.

The formation and working of market segments is a strategic decision. Market segmentation must meet the following **Requirements**:

- *Behavioural Relevance*: The subsidiary segments should directly relate to consumer purchasing behaviour.
- *Measurability*: The subsidiary segments must be clearly ascertainable by means of the existing market research methods.
- *Stability over Time*: The subsidiary segments should not be subject to short-term fashion trends but remain stable over a longer period of time.
- *Market Cultivation Correlations*: The subsidiary segments must be workable in a differentiated way; i.e., different segments must react in a differentiated way to the use of marketing tools.
- *Reasonable Size of Segments*: The subsidiary segments which have been identified must possess sufficient potential to justify an individual targeted treatment in economic terms.
- *Responsiveness and Accessibility*: The subsidiary segments must be accessible by the media, for example.

Market delimitation criteria are at the heart of market segmentation. There are a variety of options. First of all, we distinguish three different market segmentation levels:

- *Goods Segments* divide the total market by technological criteria. Example: division of the steel market by different types of steel.
- *Needs Segments* functionally subdivide the total market by criteria relating to need. Example: division of the cosmetics markets by "care segments" and "cleansing segments"
- *Buyers Segments* relate to both consumers and marketing agent. Example (consumers): division into a segment for senior citizens or a segment for youths; Example (marketing agents): specialised retailers, mail orders or department stores.

Nowadays the criteria for the identification of needs and buyers segments are central issues. A number of criteria has been determined which allow for a sensible distinction of (subsidiary) markets. The following overview shows selected segmentation criteria:

As far as *Consumer Goods Markets* are concerned, buyer-related segmentation criteria apply first and foremost, such as:

- Demographic criteria: gender, age, marital status, size of household, etc.
- Sozio-economic criteria: income, profession, education, social background, etc.
- Psychological criteria: attitudes, preferences, motives, lifestyle, etc.
- Behavioural criteria: choice of brand, purchasing frequency, price behaviour, etc.

The segmentation criteria of *Investment Goods Markets* have been refined quite substantially over the past few years. This trend is mainly due to a strong orientation towards the purchasing organs in the area of investment goods ("buying centres"). These criteria can be systematised as follows:

- Criteria relating to the line of business: type, intensity of competition, particular business trends, etc.
- Criteria relating to the company: sales volume, number of staff, legal form, etc.
- Criteria relating to groups: composition of the purchasing body, distribution of roles
- Criteria relating to people: demographic, socio-economic, psychological and behavioural characteristics of the people making a purchase.

These individual segmentation criteria are not considered in isolation. Otherwise it would be conceivable to make an initial distinction by, e.g., line of business in the area of investment goods, followed by an analysis of the composition of the purchasing body, followed by the criteria relating to people.

Independent of the chosen segmentation criteria, market segmentation results in the formation of different subsidiary markets which can all be cultivated with different products. The challenge is to develop *Market Segmentation Strategies* for these produce market variants:

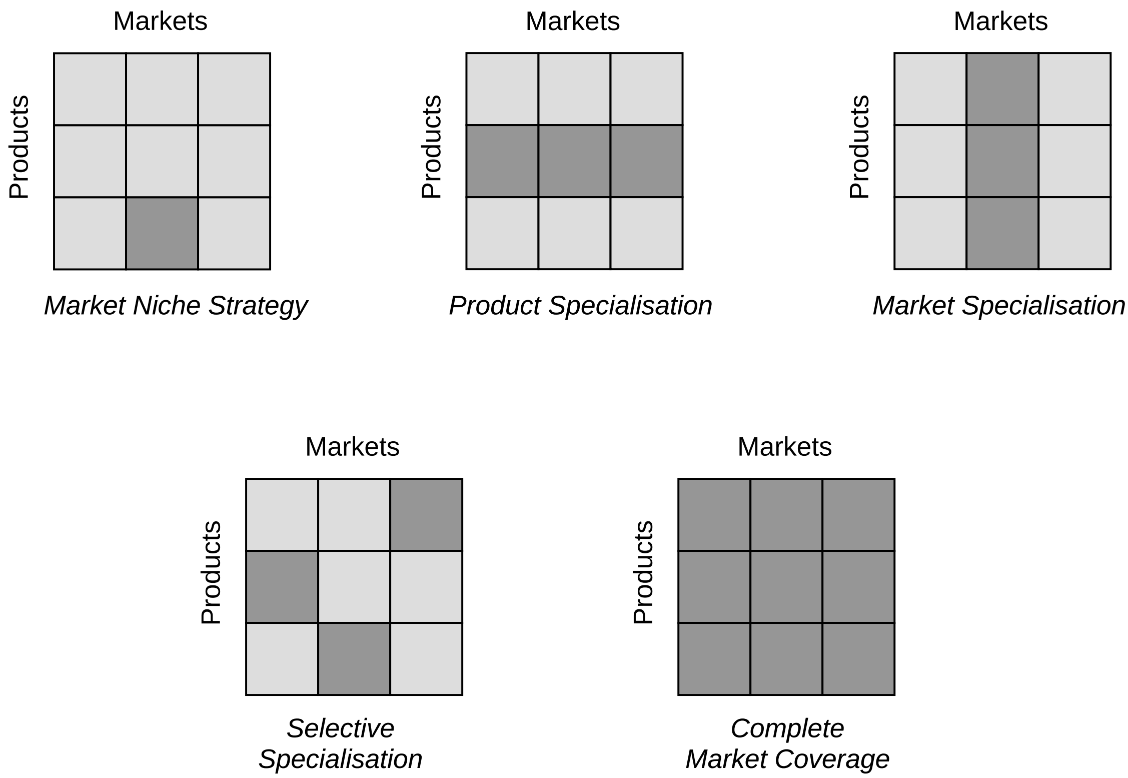

fig. 9: Market Segmentation Strategies

As you can see from the illustration, five basic forms can be distinguished:

- The *Market Niche Strategy* concentrates on one subsidiary market. This may be due to the scale of the company, the fact that this niche has long been neglected by competitors or the extraordinary appeal of this segment (Example: Ferrari).

- The *Product Specialisation Strategy* focuses on one product area (e.g., exclusively offering computers of medium technological appeal). The company offers its products to all customers groups. Specialisation might result in obtaining a Competitive Advantage.

- The *Market Specialisation Strategy* requires the company to concentrate on offering a variety of products in a subsidiary market. If the company knows its customer group well (e.g., sports goods) it will be in a position to develop and offer very different products for this target market (e.g., trainers, tennis rackets, etc.).

- The S*elective Specialisation Strategy* demands that selected customers groups are targeted with selected products. The company selects several lucrative subsidiary segments (niches) which it intends to work (Example: 3M).

- The C*omplete Market Coverage Strategy* means that the market is cultivated with a great number of products for all customers groups (Example: department stores).

3.3.2 Product Positioning Methods

Product positioning is a special form of market segmentation. The division of the market is oriented towards the product characteristics which the consumers have recognised. The products become more and more similar. Objectively, there are hardly any differences between different offers. For this reason, it becomes increasingly important to create distinctions which the customer will notice subjectively. (Example: Why do people buy an expensive brand of washing powder if there is an identical no-name product of the same detergency which gets your clothes just as clean?).

The objective of product positioning is to render the service output delivered by the company in such a way that the qualities which the customers recognise match their desired (actual) qualities.

The classic positioning model comprises four core elements:

- The range of characteristics perceived by consumers,
- The placement of own products and of competitive brands,
- The ideal positioning of customer segments,
- The discrepancies between the consumers' ideals and the real position of individual brands.

This knowledge can be used for the benefit of the marketing strategy, such as for the introduction of new products to a niche market as well as for the repositioning of existing brands towards the consumers' ideals.

Product positioning methods are mainly applied on the consumer goods and consumer durables, e.g., for detergents, cosmetics, automobiles. However, the trend is towards applying them on investment goods and service markets (Example: banks and insurance companies).

3.4 Working of Market Segments

The choice of the relevant market segments has now been completed. Before making any decisions on the cultivation of the market the company must obtain further information by means of applying strategic analysis tools.

The *Portfolio Analysis* is one of the most frequently applied tools in business practices.

A portfolio analysis provides an overview of the market situation of strategic business units or products so that conclusions can be drawn on a reorientation of marketing strategies.

Strategic business units form the core of the portfolio concept. Portfolio considerations are tools for the determination of the current state of affairs and represent the starting point for an intensive discussion on the company's future. Strategies for individual business areas must not be considered in isolation but must be seen in the context of the overall portfolio.

In the subsequent section, only the most common portfolios shall be presented: market share, market growth, competitive advantages and market attractiveness portfolios.

3.4.1 The Market Share-Market Growth Portfolio ("Boston Portfolio“)

Developed by the Boston Consulting Group (BCG), this portfolio compares following dimensions:

- **Market Share:** The product's relative market share (the company's market share divided by the market share of the strongest competitor).

- **Market Growth:** Growth rate of the total market or subsidiary market, respectively,.

There are four fields in the matrix. The SBUs positioned in those fields are described as follows:

- *Stars* are products which occupy a good market position and have a relatively high market share in a growing market. The company should invest into these products to build on their strengths.

- *Cash Cows* are products which occupy a good market position, however, they are in markets with a low growth rate. Here, cost cutting potential should be exploited and investments should be limited to maintaining the position in the market. Pursuing an absorption strategy would be recommendable- the company should “milk“ the cash cows.
- *Poor Dogs* are products which occupy a weak market position in markets with a low growth rate. Cost cutting potential cannot be exploited due to the low quantities offered. These units should be sold or withdrawn.
- *Question Marks* represent the new generation of products. So far, they have merely generated a low cash flow due to their small market share. However, in order to improve their yet insignificant position on the market substantially, resource requirements would be extremely high. The investment risk is higher than that of the stars.

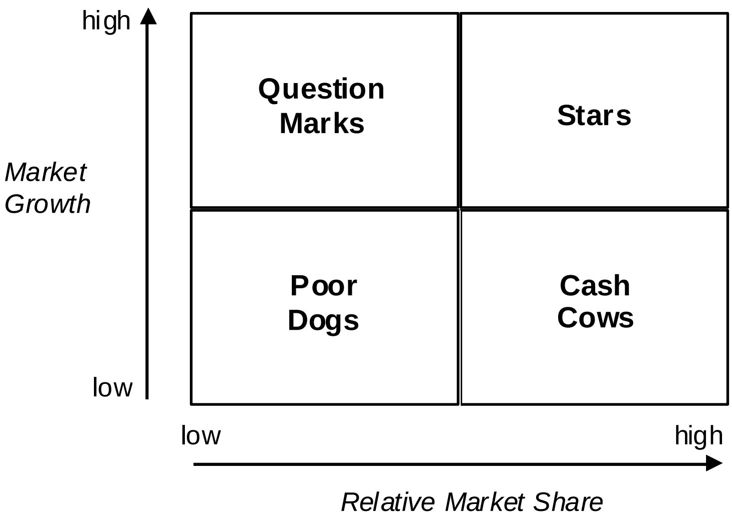

fig. 10: BCG Matrix

This analysis is easy to handle and its information contents is easy to interpret. The portfolio is very graphic and increases openness towards strategic questions in companies.

However, the analysis is limited to two - albeit two important - factors. Furthermore, the depiction of the competitive situation is rather imprecise (by means of the relative market share).

3.4.2. The Competitive Advantage-Market Attractiveness Portfolio

One of the most widely known enhanced versions of the "Boston portfolio" is the comparison of the "*Relative Competitive Advantage*" and "*Market Attractiveness*" devised by McKinsey & Co. The manifestation of these dimensions are evaluated by, e.g.,:

Relative Competitive Advantage:

- Relative market position (e.g., market share, scale of the company, growth rate),
- Relative production potential (e.g., innovation capacity, know-how, acquisition of licences, locational advantages, cost benefits in production),
- Relative research and development potential (basic research, application research, innovation cycles),

All of these individual indicators are measured and compared with the figures obtained by the strongest competitor.

Market Attractiveness:

- Market growth and scale of the market,
- Market quality (profitability of the line of business, position within the market lifecycle, intensity of competition, substitution options, access barriers for new suppliers),
- Environmental situation (dependency on economic factors, legislation, public opinion).

From these exemplary individual indicators, the company must identify those which are relevant to its own position and its special position on the market.

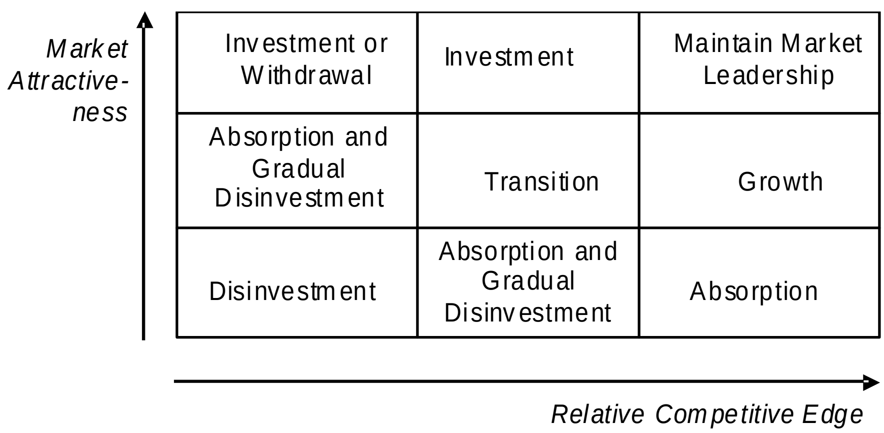

fig. 11: McKinsey Matrix

Market Leadership, *Investment* or *Growth Strategies* are recommended if the relative competitive advantage towards strong competitors is substantial and the market is particularly appealing. If the relative competitive advantage is rather low and the market less attractive, an *Absorption and Gradual Disinvestment Strategy* or even immediate withdrawal is recommended. As regards the remaining market situations, selective strategies seem appropriate, i.e., in each individual case the company must ascertain whether investment, withdrawal or absorption strategies make sense in consideration of available resources.

One of the main advantages of the competitive advantage-market attractiveness portfolio is the fact that comprehensive information on the company's marketing situation is gained. Due to the variety of individual indicators the company is forced to deal with its own market and the relevant market factors systematically. This heightens the managers' awareness of strategic questions. Another positive fact is that competition on various levels is taken into account due to the consideration of the relative competitive advantage variable.

However, negative aspects are the rather labour-intensive compilation of data, the difficulty in obtaining objective facts on the required individual criteria and the risk of weighting individual indicators subjectively.

In parallel to the aforementioned tools, there is a great number of other portfolio approaches which have been developed to solve further specific problems (e.g., technology portfolios or portfolios for the protection of the environment) The portfolio methodology is extremely historically oriented as it ignores potential strategic business units and new products. Marketing management is forced to systematically deal with the company's strengths and weaknesses in the individual markets. Strategic analysis tools are prerequisites for marketing strategy derivatives, but only show the general strategy. Based on the company's specific situation they must be specified by devising product, instrumental and marketing agent strategies.

3.5 Product Strategies

Product Policy plays a central role as a marketing tool in the context of investment and growth strategies. The focus is on product innovation, the extension of the product range (e.g., product differentiation) and diversification. New products must be developed which could one day be the company's top performers.

Selection strategies help to focus on certain products (e.g., in the form of quality or price categories) mostly in correlation with a certain brand strategies (e.g., luxury watches luxury perfumes, etc.). Then the company will get rid of the remaining items in the assortment by streamlining the product range.

Finally, absorption or disinvestment strategies are characterised by a partial or total *Streamlining of the Product Range.* The company deliberately refrains from developing new products. The abandonment and elimination of products or entire product lines is the key issue here. This process may be immediate or take the form of a withdrawal strategy.

3.6 Marketing Tools Strategies

Similar considerations are made in the context of specifying standard strategies and relate to other marketing tools as well as price, communication and marketing policy.

As far as *Pricing Policy* is concerned, for instance, the company will aim at gaining a leading position in the context of pursuing investment and growth strategies. This position may concern either the upper price level ("*Price Leader*") or the lower price level ("*Cost Leader*"). In contrast, absorption or disinvestment strategies usually go hand in hand with cost reductions in order to realise contribution margins.

In the context of investment and growth strategies, the options presented by a *Communication Policy* are utilised to a great degree. Activities will cover a whole range of advertising media and advertising resources. Advertising strategies may comprise investments into name recognition (degree of popularity) and image building activities for products and companies. However, if absorption or disinvestment strategies are pursued, the company will not invest a great deal into communication policy.

Similar considerations apply to *Marketing Policy*. In the context of investment and growth strategies companies will be intent on having an impact on buyers by putting a special effort into sales activities (Example: generous sales-oriented remuneration for sales representatives). When following absorption or disinvestment strategies the products must sell “by themselves” as any additional sales effort would not be worthwhile.

3.7 Marketing Agent Strategies

While product and marketing tools strategies are oriented towards buyers, more particularly towards consumers, aspects of the trade must be integrated into marketing agent strategies. The key issue is which strategies inspire the trade to cooperate with the company. For this purpose, special marketing agent strategies must be developed for the various different standard strategies.

In the context of investment and growth strategies the company will endeavour to integrate the highest possible number of marketing agents into the sales strategy. The introductory strategy must address the central retail groups directly and emphatically in order to get them to list the new products and include them in their assortment ("*Push Strategy*"). In parallel, the company will try to generate a demand pull among the consumers ("*Pull Strategy*") in the context of realising its communication policy so that, in turn, new marketing agents become interested in the new product:

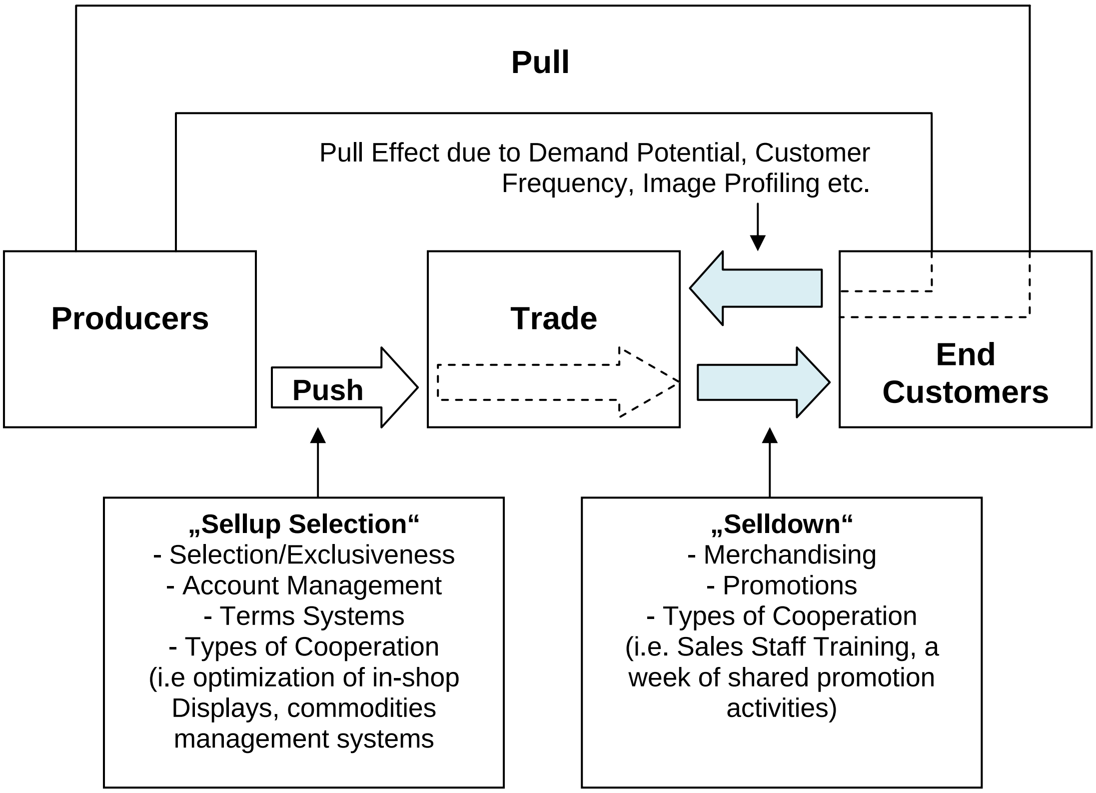

fig. 12: Push /Pull Strategies

The most recommendable *Selection Strategy* is to concentrate on selected marketing agents (Example: to have luxury watches sold in exclusive specialised shops and not in department stores). In the context of *Absorption or Disinvestment Strategies* no special effort would be made into acquiring marketing agents. New contracts or forms of cooperation are but of little interest to the supplier, current contracts will not be extended when they expire.

3.8 Competitive Strategies

The purpose of product, marketing tool and marketing agent strategies is to obtain a competitive advantage with customers or to consolidate already existing advantages, respectively. As the company is not alone on the market, strategic marketing cannot be limited exclusively to an orientation towards customers. Competition-oriented strategies must also be developed explicitly.

The purpose of competition-oriented marketing strategies is to distinguish oneself substantially from the main competitors in the realisation of customer benefits.

Companies must gain a competitive edge towards their competitors in order to obtain a unique selling position in the market and in the customers' minds. This mindset is often described as "strategic triangle":

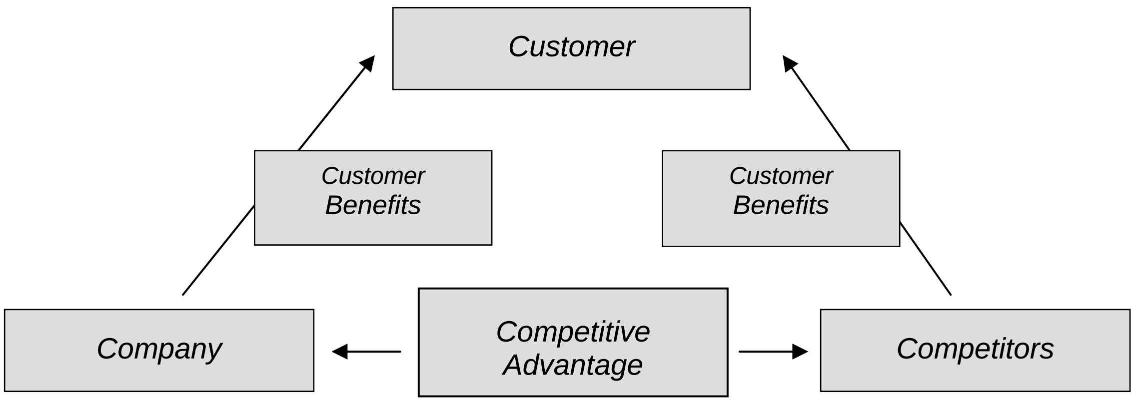

fig. 13: Strategic Triangle

3.9 Competitive Strategies

3.9.1 Basic Concept

In the process of realising a competitive advantage, some basic concepts for competitive strategies can be distinguished. Similar to the portfolio approach, companies in the relevant market must be positioned according to the following two dimensions:

Market Coverage can be distinguished by *Total Market Coverage* (the company offers a broad product range to all customer groups) or *Subsidiary Market Coverage* (the company concentrates on a certain market niche).

The Competitive Advantage may relate to two areas. Either to *Price Advantages* by consistently exploiting cost cutting potential or the company might successfully obtain higher prices from buyers due to *Performance Benefits* (e.g., improved product quality, more comprehensive services). Based on these dimensions, the following four *Basic Strategic Concepts* can be recommended:

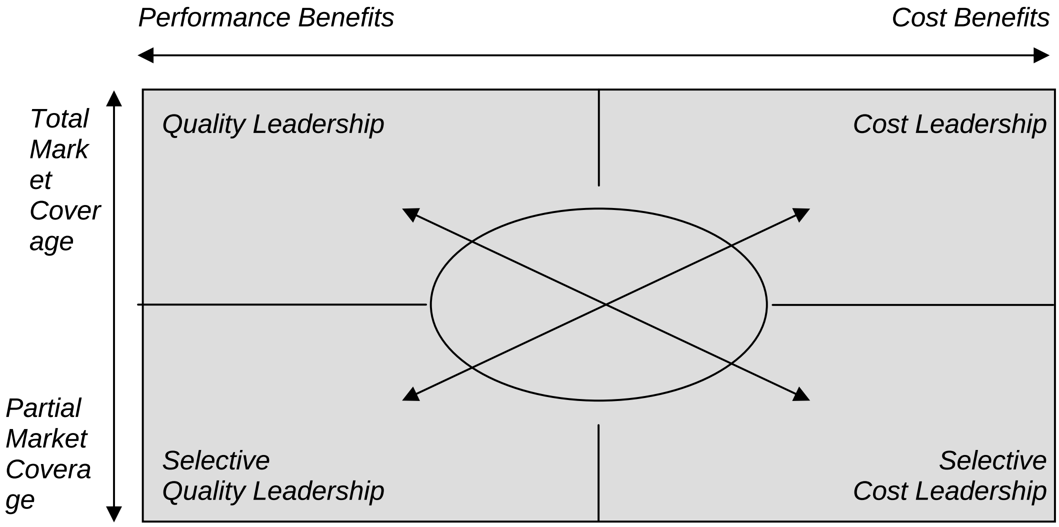

fig. 14: Basic Strategic Concepts

The intention of the *Quality Leadership Strategy* is to always realise higher prices for the best possible quality by means of applying performance benefits to the whole range of products (Example: DaimlerChrysler).

The *Cost Leadership Strategy* (or aggressive price leadership) is oriented towards realising the highest possible market share on the total market and to use the relating quantity benefit (cost savings). On this basis, new quantity benefits are generated by reducing costs (Example: Wal-Mart).

The *Selective Quality Leadership Strategy* (nice specialisation) concentrates on a certain subsidiary market (or selected subsidiary markets, respectively) where performance benefits can be realised. With this method, the company can ask for an appropriate price which it justifies with these performance benefits (Example: Rolex).

The *Selective Cost Leadership Strategy* (or selective low price strategy) concentrates on a certain subsidiary market (or selected subsidiary markets, respectively) where the operational service output is sold at particularly cheap prices. Very often, this strategy is related to the imitation of products (Example: Hyundai).

For the development company-specific competitive strategies it is particularly important not to aspire to a “midfield” position in the competitive environment. It is not sufficient to address “some” cost advantages, “some” performance benefits or “some” subsidiary markets. In this context, Porter has coined the expression of being "stuck in the middle". He is of the opinion that a company must pursue one of the four basic concepts and implement it on the market with determination in order to survive.

In many lines of business this has proven correct and applies to consumer goods, investment goods and service markets alike. Consumers also tend to prefer either qualitative advantages (Example: exclusive brands) or price advantages (Example: aggressive prices of discount shop brands). This phenomenon is often referred to as “*Loss of the Middle Phenomenon*”. This only goes to show that neither brands nor shops stand a chance if they do not manage to obtain appropriate competitive advantages by consistently pursuing a price or quality-oriented policy.

3.9.2 Choice of the Competitive Strategy

Each company has a different strategic starting position with regards to its place in the market. It may also pursue different objectives. The principle positions that a company aspires to may be either market leader, market follower, market challenger or market niche suppliers. Based on this initial position on the market, a company may face its competitors by pursuing one of the following different strategic options:

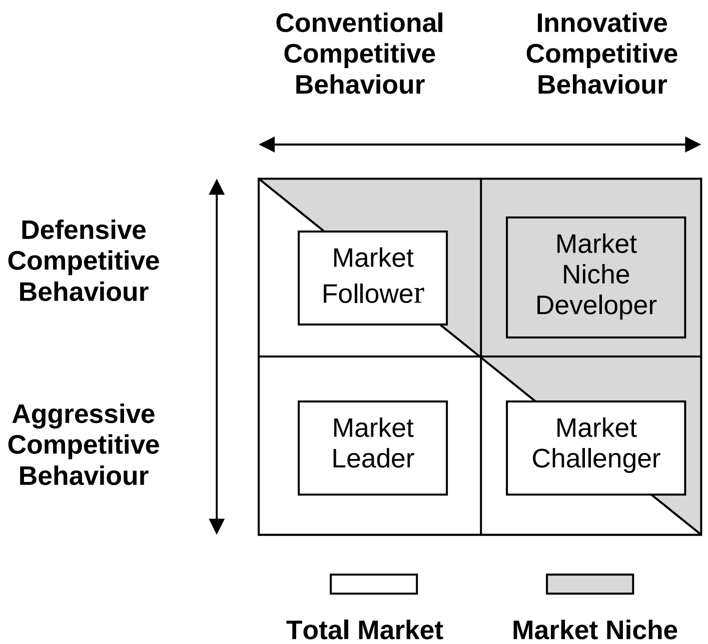

fig. 15: Competitive Strategies

Market Leader Strategies

Market leaders will try to assert their position and improve their prospects. This applies to quality leaders and cost leaders alike. Due to their position in the market they are more likely to achieve their objective of capturing the total market by expanding. The market volume can be expanded by reaching new user groups and by increasing the user rate. The market leader will also pursue a strategy for the consolidation or expansion of his market share in parallel. In some individual cases, the expansion of the market share can be achieved by product innovations, including additional channels of distribution, addressing further customer segments, increasing advertising or sales promotion activities, introducing a secondary brand, etc..

Market Follower Strategies

Market follows are in a strategically less risky position as they imitate the direction determined by the market leader and are able to learn from the mistakes the market leader has made. As a result, the market leader's strategy might be copied completely. However, by minimising risks in such a way, the company will also have fewer market opportunities. The situation changes if a market follower advances to the position of *Market Challenger* and attacks the market leader position in order to take it himself. In oligopolistic markets, battles for market leadership can be observed very often (Example: petrol market). If a market follower aspires to the position of cost leader and this position is already taken, he must be prepared to enter into a price war with the market leader. The outcome depends on the response of the challenged company, its financial power and its further cost cutting potential. If a market follower challenges the quality leader, he will first and foremost focus on his opponent's weaknesses. Weaknesses may manifest themselves in the area of production, service, distribution systems, etc..

Market Challenger Strategies

There is no doubt about the fact that the market challenger aspires to the position of market leader. He is constantly on the lookout for a new competitive advantage and tries to dispel the market leader by displaying an innovative and aggressive behaviour.

Market Niche Supplier Strategies

Those markets which are not in a position to cover the total market due to their size but which can react to market changes extremely quickly and flexibly are well-advised to work market niches. In this context it is particularly important to concentrate on lucrative niches which have long been neglected by larger companies. Here, the company may gain a competitive edge by offering special services or products (e.g., high-quality products and customer services, etc) which justify higher prices. With this method, even smaller companies may successfully assert a selective quality leadership position medium to long-term by pursuing an innovation and consistent brand policy. In contrast to this, focusing on low price levels bears particular risks. As the products on offer usually are imitations in technologically mature markets, the only available tool to maintain its position in this segment is via the price. There is a permanent threat that other suppliers who have a more favourable cost structure will underbid any cost reduction. The competitive advantage gained by cheaper prices is only short-term in most cases.

Example: An example of successfully working a market niche is the company of Wander who produce “Isostar”, an isotonic drink for sportspeople. It was marketed as a drink which helps the body to make up for the loss of liquid during exercise more quickly. Let's leave aside the question of whether it really has such a strong impact. Potential customers were convinced that this is so and that was the start of success for Isostar. In parallel, the product was offered during sports competitions and thus introduced to massess of people. In this respect, Wander could look back on decades of experience with their product Ovaltine After carrying out extensive market surveys, the market strategy was renewed in 1983, the distribution of the drink at sports venues was maintained. Advertising campaigns were extended the packaging was changed and new channels of distribution were developed. In subsequent years, the degree of popularity and sales of Isostar could be inceased substantially. In Germany, Austria and Switzerland, Isostar clearly took the leading position in this market niche.

3.10 Implementation of Marketing Strategies

In spite of a thorough analysis of the market and further developments, most marketing strategies fail after being implemented in the operational process. The reason is not a lack of quality but the absence of a comprehensive concept for the implementation of the strategy which has been developed. Strategic concepts are implemented to some degree only while other elements simply “peter out“ or members of staff boycott the new product, etc.

The term **Implementational Process** describes the process of transforming marketing plans into tasks which can actually be performed in compliance with the company objectives.
We can distinguish the following three stages:

- Wording of implementational objectives
- The actual realisation stage
- Implementation control

The superordinate objective of the implementational process is the aspired actual state; i.e., the *Successful Implementation* of the developed strategy. This objective may subdivided into systematic objectives, such as the acceptance of the strategy by the members of staff who are concerned or a retailer, etc. or the adjustment of the business structure, the business system and business culture. Realisation objectives primarily describe implementational cost objectives as well as date-oriented and execution-oriented process objectives.

Once the objectives have been determined, the strategy is realised. It forms the core of the implementational process. The following areas typically present *Potential for Conflict*:

- Target conflicts
- Different expectations voiced by the executives
- Assertiveness conflicts
- Cultural conflicts

These four forms of handling conflicts offer *Alternative Solutions:*

- Problem-solving by convincing the different parties to the conflict,
- Agreeing a compromise,
- Mediation and conciliation by superior members of staff or company consultants,
- Battle or retreat of one party.

Within the framework of implementing the strategy, general marketing strategies are transformed into suitable *Operational Measures*. Typical task specifications are:

- Determining the product lines precisely
- Choosing the stage of the trade and suitable retailers
- Determining prices
- Distributing the communication budget

In many cases, the company itself will be subject to change due to to the new strategy pursued. New decision competencies lead to an adjustment of the structure. A new information system necessitates a change in the entire business system. Sometimes, a new company culture is required, e.g., when introducing a “dress code“.

Defining the implementation process as an independent internal company project has proven useful in the past. The following three aspects are the main factors of success in the context of such implementation projects:

- Identification of the persons who are responsible for implementing the strategy, i.e., experts or executives,
- Application of adequate leadership styles,
- Use of an efficient implementational organisation, an expert project team which accompanies the process across the different divisions, e.g., staff-oriented.

3.11 Internal Marketing

Internal Marketing is a crucial factor of such implementation processes. Within the company's target system, employee satisfation receives much less attention than satisfying the needs of external customers. The correlations between internal and external objectives are not recognised. The best of all marketing strategies is useless if the members of staff fail to implement it appropriately.

Internal Marketing comprises the systematic optimisation of internal processes by means of marketing and human resources management tools. By following a consistent customer and staff-oriented course, marketing will develop into an internal mindset so that the market-oriented company objectives will be achieved efficiently.

This definition of internal marketing shows that an orientation towards customers and staff must be pursued in parallel. In the context of deriving systematic and specific objectives from these two general destination routes, both a strategic/ tactical level and an internal/external course can be distinguished:

- Strategic-internal objectives are mainly aimed at changing the mindset of the employees (Example: staff motivation, awareness of customers, etc.).
- Strategic-external objectives specify the efficient achievement of market-oriented objectives (e.g., customer loyalty and acquisition of customers).
- Tactical-internal objectives comprise the extension of knowledge among employees as well as the behaviour displayed by the executives.
- Tactical-external objectives target the distinction of one's own company from its competitors. Customers shall perceive the readiness to work and competency displayed by the members of staff as unique.

6. Test Questions and Answers

1.	What is the definition of Marketing?	Marketing means to view the company as a whole from the customer's perspective.
2.	Which market ratios do you know?	Market capacity, market potential, market volume, market share, saturation factor
3.	What does the term "market potential" describe?	The conceivable absorptive capacity of the market under optimum marketing efforts.
4.	At which point is a saturation factor of 100% reached?	When the market potential equals the market volume.
5.	What is the difference between a polipoly and a monopoly?	Polipoly: many small suppliers and many small buyers Monopoly: one big supplier and many small buyers
6.	Name two essential differences bteween the marketing of consumer goods and the marketing of investment goods !	Consumer goods: mass markets, price wars, trade-oriented marketing, short innovation cycles. Investment goods: individual markets, price wars are rare, close cooperation with customers.
7.	Describe the product lifecycle concept!	The underlying assumption is that a product passes through various stages during its “lifetime“: introductory stage, growth stage, maturity stage and abandonment stage.
8.	What is meant by the term "early adopters"?	Image-conscious buyers who buy the products at a very early development stage but only when it becomes clear that the product will get established.
9.	Which seven areas can a marketing situation refer to?	The situation with regards to the market, customers, the trade, suppliers, competitors, the environment and the company.

10. What is compared in the context of a SWOT Analysis?	External opportunities and threats, internal strengths and weaknesses
11. The answers to which questions does a correctly worded marketing objective provide?	Target contents, target extent, target segment, target area, target period
12. Which are the four planning stages in strategic marketing?	Analysis of the marketing situation; determination of strategic objectives, derivation of standard strategies, planning of the marketing mix
13. What is meant by "market segmentation"?	Subdivision of the relevant market into homogeneous subsidiary markets.
14. What are the fundamental forms of market segmentation strategies?	Market niche strategy; product specialisation strategy, market specialisation strategy; selective specialisation strategy; complete market coverage strategy.
15. What does the market specialisation strategy comprise?	The company specialises by targeting a subsidiary market with its products and takes advantage of its detailed knowledge of this particular customer group.
16. Name the four key elements of product positioning !	The range of characteristics perceived by the consumer, the placement of one's own products as well as that of competing products, the ideal position of customer segments, the gap between ideal and real position.
17. Which two forms of portfolio analysis are there?	Market share - market growth portfolio (Boston); competitive advantage - market attractiveness portfolio
18. Describe the portfolio by the Boston Consulting Group!	Portfolio-Matrix according to the criteria market growth and relative market share. Classification by ”Poor Dogs“, ”Stars“, ”Cash Cows“ and ”Question Marks“.

19. Which are the criteria of market attractiveness?	- Market growth and the scale of the market - Market quality (profitability, intensity of competition, substitution options, access barriers) - The environmental situation (dependency on economic factors, legislation, public opinion)
20. When is an absorption strategy according to the market share-market growth portfolio recommendable?	In case of a high relative competitive edge and low market attractiveness.
21. Which groups do the push or pull strategies target, respectively?	Push strategy: trade Pull strategy: end customers
22. What is meant by the problem of being “stuck in the middle“?	The competitive strategy must not target a “medium“ position. The company must represent one of the four basic market concepts.
23. Which strategies does a market follower pursue?	- Copying the strategies pursued by the market leader - Price wars for market leadership - Quality battles for market leadership
24. What are the characteristics of a market challenger?	Innovative, yet aggressive competitive behaviour.
25. What does the marketing mix comprise?	Productions, pricing, communication and distribution policies.
26. What is a USP?	“Unique selling proposition“: those qualities which make the product unique with the customers.

27.	What are the tasks of product management?	Development of long-term strategies for products; preparation of von sales and revenue prognoses; cooperation with agencies; contact with merchants; gathering information on the product, on customers, merchants, opportunities and threats; Inspiring product enhancement.
28.	Which fundamental brand strategies are you familiar with?	Single product strategy, family brand strategy, umbrella's brand name strategy, multiple brand strategy.
29.	What are the tasks of packaging?	Protection during transport and storage; presentation and sales promotion; facilitation of use and consumption; conveyance of an additional benefit; rationalisation of commodities management; fulfilment of ecological and social requirements.
30.	What is meant by "customer service"?	The entirety of measures which facilitate the exploitation and utilisation of company performances.
31.	What is the difference between breadth of assortment und depth of assortment?	The breadth of assortment is the number of products offered, the depth of assortment is the number of individual articles offered within one subsidiary product range.
32.	Which pricing policy strategies do you know?	- Price positioning strategies - Price competition strategies - Price sequence strategies - Price dynamics strategies - Price discrimination strategies
33.	What is a penetration strategy?	Market development by means of a low asking price.

34.	Describe the break-even analysis!	A means for the calculation of the sales volume which is requried to reach the profit threshold. The break-even point is the point at which cost and revenue cancel each other out.
35.	Which communication policy tools are there?	- Advertising - Sales promotion - Public relations - Sponsoring - Trade fairs and exhibitions
36.	What does the abbreviation AIDA stand for?	Attention Interest Desire (wish to purchase something) Action (purchase)
37.	What are the manifestations of sales promotion?	Sales promotion by the producer (trade-oriented or consumer-oriented); Sales promotion by the merchant
38.	Name the public relations measures!	Press relations; personal dialogue; targeted activities, such as plant tours for visitors; exhibitions or promotion of sports or regional culture activities; media advertising
39.	What is the biggest risk of sponsoring?	A credibility problem in case the company does not succeed in creating a visible link between the sponsor and the sponsored person or organisation.
40.	What are the central tasks of distribution policy ?	To supply the right cutomers with a market performance at the right time, at the right place, at the right quantity.
41.	What is an indirect channel of distribution?	There are independent trading companies between acting between producers and consumers. They buy products to sell them at a profit.

42	What is the definition of market research?	Retrieval, processing and interpretation of information on current and future marketing situations and decisions of a company.
43.	Name the criteria for the choice of research tools in market research !	Suitability to answering the questions, time requirement, feasibility and cost.

7. EXAMPLE CASE

Elegance

The shoe company “Elegance” produces high-quality men's leather shoes for the national market. Sales take place exclusively via boutiques located in the upper price segment. The customer base comprises stylish business people who make high demands. They have a very good income and are aged between 30 and 50.

After years of experiencing growth, sales and profits have begun to stagnate. The company is suddenly faced with an unfamiliar situation. As the traditional company has been successful “without further ado” up to now, executives have never given much thought to marketing techniques.

Company management now realise that times have changed and has proceeded to taking some initial measures: the services of a market research institute have been secured to carry out a survey and you are the external marketing expert which they have consulted for help.

The result of the survey has shown that the market for expensive men's leather shoes is saturated (saturation phenomena). Customers describe products by “Elegance” as “classic, elegant and exclusive” and are extremely satisfied with the brand.

Questions

1. Offer your support to the management in the development of new markets. Name two market segments, to which the company could expand its business activity. Point out to the opportunities and threats of your suggestions.

2. Formulate concise measures for both market segments from the four areas of the marketing mix.

3. Why does a cost reduction or the launch of a cheaper shoe brand by “Elegance” seem rather an inappropriate means to achieve the aspired boost to the business?

Answers

1.
a) Internationalisation: One option would be to develop new national markets, internationalise the business; i.e., product specialisation strategy which has already been successful at home is now transferred to new subsidiary markets.

b) Market specialisation: another conceivable option would be to pursue a market specialisation strategy: new products are introduced to existing markets or for the existing customer base, respectively; i.e., further high-quality leather goods, such as belts, purses or wallets, etc..

2.
Internationalisation: Products can remain in the product range, no adjustment of production is required, just an increase. Furthermore, product policy focuses strongly on the competition. In general, existing strategies can be copied, but they must be thoroughly examined first of all and adjusted if need be. There is a danger of underestimating the expansion, i.e., executives might not recognise the risks properly. The pricing policy will maintain its high price strategy, bearing in mind that the price must be in accordance with the local price level. Distribution policy: some of the boutiques which are currently being used as distributors might have outlets abroad. This would facilitate sales enormously and create a favourable initial situation. Otherwise, the task would be to build a comprehensive distribution network. The greatest challenges relate to communication policy. The first step is to get the product known by launching a targeted campaign and to transfer the desired image from the home market to the foreign market..

Market specialisation: The product policy must capture the new products exactly and prepare them for the introduction to the market introduction. The target of pricing policy is qualitative price leadership, i.e., products are launched as premium brands. The main task of communication policy is to transfer the positive image to the new products, i.e., to realise appropriate advertising strategies. The distribution policy can build on existing distribution channels. This is a crucial advantage as important resources can be employed otherwise.

3.

Cost reduction: As customers are willing to pay the asked price, it is highly unlikely that the response to a price reduction would be overconsumption. On the contrary, a cost reduction might even result in a loss of image for the brand and existing customers might be scared off. Furthermore, it would be rather difficult to communicate such a cost reduction to the consumers. As the case may be, the sale, i.e., merchant might also get off the boat as these explicitly represent the top price level.

Launch of a cheaper secondary brand: Products must be clearly distinguishable from the shoes that are currently being offered to avoid a loss of image of the primary brand. In principle, a second line would have to be built from scratch. A new pricing policy, new communication, new sales, the company faces a market which it is completely unfamiliar with. Ann enormous amount of resources must be applied to get a footing in this market segment. The extremely good corporate image remains idle as it is useless in this area.