

BACHELORS IN COMMERCE - ENTREPRENEURSHIP
Semester II
Building Strong Brands and Creating Value (Unit 3)

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IDENTIFYING MARKET SEGMENTS AND TARGETS

To compete more effectively, many companies are now embracing target marketing. Instead of scattering their marketing efforts, they're focusing on those consumers they have the greatest chance of satisfying.

Effective target marketing requires that marketers:

1. Identify and profile distinct groups of buyers who differ in their needs and wants (market segmentation).
2. Select one or more market segments to enter (market targeting).
3. For each target segment, establish, communicate, and deliver the right benefit(s) for the company's market offering (market positioning).

Market segmentation, targeting, and positioning are known as the "STP" of marketing..

Segmenting Consumer Markets

Market segmentation divides a market into well-defined slices. A market segment consists of a group of customers who share a similar set of needs and wants. The marketer's task is to identify the appropriate number and nature of market segments and decide which one(s) to target. **Market segmentation may be done on the basis of geographic, demographic, and psychographic or behavioral considerations.**

Geographic segmentation divides the market into geographical units such as nations, states, regions, counties, cities, or neighborhoods. *Much of Nike's initial success came from engaging target consumers through grassroots marketing efforts such as sponsorship of local school teams, expert conducted clinics, and provision of shoes, clothing, and equipment to young athletes.*

Some approaches combine geographic data with demographic data to yield even richer descriptions of consumers and neighborhoods. The demographic factors being:

- (1) education and affluence, (2) family life cycle, (3) urbanization, (4) race and ethnicity, and (5) mobility.

One reason demographic variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class are so popular with marketers is that they're often associated with consumer needs and wants. Another is that they're easy to measure.

Toothpaste brands such as Crest and Colgate offer three main lines of products to target kids, adults, and older consumers. Age segmentation can be even more refined. Pampers divides its market into prenatal, new baby (0–5 months), baby (6–12 months), toddler (13–23 months), and preschooler (24 months+)

Gender differences are shrinking in some other areas as men and women expand their roles. *One Yahoo survey found that more than half of men identified themselves as the primary grocery shoppers in their households. Procter & Gamble now designs some ads with men in mind, such as for its Gain and Tide laundry detergents, Febreze air freshener, and Swiffer sweepers.*

Because Gen Y members are often turned off by overt branding practices and “hard sell,” marketers have tried many different approaches to reach and persuade them.

Multicultural marketing is an approach recognizing that different ethnic and cultural segments have sufficiently different needs and wants to require targeted marketing activities and that a mass market approach is not refined enough for the diversity of the marketplace. *Consider that McDonald's now does 40 percent of its U.S. business with ethnic minorities. Its highly successful “I'm Lovin' It” campaign was rooted in hip-hop culture but has had an appeal that transcended race and ethnicity.* Marketers need to factor the norms, language nuances, buying habits, and business practices of multicultural markets into the initial formulation of their marketing strategy, rather than adding these as an afterthought. All this diversity also has implications for marketing research; it takes careful sampling to adequately profile target markets.

Multicultural marketing can require different marketing messages, media, channels, and so on. Specialized media exist to reach virtually any cultural segment or minority group.

Psychographics is the science of using psychology and demographics to better understand consumers. In psychographic segmentation, buyers are divided into groups on the basis of psychological/personality traits, lifestyle, or values. People within the same demographic group can exhibit very different psychographic profiles.

VALS stands for *Values, Attitudes and Lifestyles* and is a psychographic consumer segmentation system owned by Strategic Business Insights and based on the following eight consumer segments: *innovators, thinkers, achievers, experiencers, believers, strivers, makers and survivors*. VALS ("Values and Lifestyles") is a proprietary research methodology used for **psychographic market segmentation**. Market segmentation is designed to guide companies in tailoring their products and services in order to appeal to the people most likely to purchase them.

Consumers are inspired by one of three primary motivations: ideals, achievement, and self-expression. Those primarily **motivated by ideals** are guided by knowledge and principles. Those **motivated by achievement** look for products and services that demonstrate success to their peers. Consumers whose **motivation is self-expression** desire social or physical activity, variety, and risk. Personality traits such as energy, self-confidence, intellectualism, novelty seeking, innovativeness, impulsiveness, leadership, and vanity—in conjunction with key demographics—determine an individual's resources. Different levels of resources enhance or constrain a person's expression of his or her primary motivation.

In behavioral segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. People play five roles in a buying decision: **Initiator, Influencer, Decider, Buyer, and User**. *For example, assume a wife initiates a purchase by requesting a new treadmill for her birthday. The husband may then seek information from many sources, including his best friend who has a treadmill and is a key influencer in what models to consider. After presenting the alternative choices to his wife, he purchases her preferred model, which ends up being used by the entire family.* Different people are playing different roles, but all are crucial in the decision process and ultimate consumer satisfaction.

Many marketers also use variables related to users or their usage—occasions, user status, usage rate, buyer-readiness stage, and loyalty status as good starting points for constructing market segments.

We can segment business markets with some of the same variables we use in consumer markets, such as geography, benefits sought, and usage rate, but business marketers also use other variables.

Major Segmentation Variables for Business Markets

Demographic

1. *Industry:* Which industries should we serve?
2. *Company size:* What size companies should we serve?
3. *Location:* What geographical areas should we serve?

Operating Variables

4. *Technology:* What customer technologies should we focus on?
5. *User or nonuser status:* Should we serve heavy users, medium users, light users, or nonusers?
6. *Customer capabilities:* Should we serve customers needing many or few services?

Purchasing Approaches

7. *Purchasing-function organization:* Should we serve companies with a highly centralized or decentralized purchasing organization?
8. *Power structure:* Should we serve companies that are engineering dominated, financially dominated, and so on?
9. *Nature of existing relationship:* Should we serve companies with which we have strong relationships or simply go after the most desirable companies?
10. *General purchasing policies:* Should we serve companies that prefer leasing? Service contract? Systems purchases? Sealed bidding?
11. *Purchasing criteria:* Should we serve companies that are seeking quality? Service? Price?

Situational Factors

12. *Urgency:* Should we serve companies that need quick and sudden delivery or service?
13. *Specific application:* Should we focus on a certain application of our product rather than all applications?
14. *Size or order:* Should we focus on large or small orders?

Personal Characteristics

15. *Buyer-seller similarity:* Should we serve companies whose people and values are similar to ours?
16. *Attitude toward risk:* Should we serve risk-taking or risk-avoiding customers?
17. *Loyalty:* Should we serve companies that show high loyalty to their suppliers?

Once the firm has identified its market segment opportunities, it must decide how many and which ones to target. Marketers are increasingly combining several variables in an effort to identify smaller, better-defined target groups. Thus, a bank may not only identify a group of wealthy retired adults but within that group distinguish several segments depending on current income, assets, savings, and risk preferences. This has led some market researchers to advocate a needs-based market segmentation approach. Here's a popular seven step approach in market targeting:

Steps in the Segmentation Process	
	Description
1. Needs-Based Segmentation	Group customers into segments based on similar needs and benefits sought by customers in solving a particular consumption problem.
2. Segment Identification	For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (actionable).
3. Segment Attractiveness	Using predetermined segment attractiveness criteria (such as market growth, competitive intensity, and market access), determine the overall attractiveness of each segment.
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning	For each segment, create a "value proposition" and product-price positioning strategy based on that segment's unique customer needs and characteristics.
6. Segment "Acid Test"	Create "segment storyboard" to test the attractiveness of each segment's positioning strategy.
7. Marketing-Mix Strategy	Expand segment positioning strategy to include all aspects of the marketing mix: product, price, promotion, and place.

Source: Adapted from Roger J. Best, *Market-Based Management*, 6th ed. (Upper Saddle River NJ: Prentice Hall, 2013). © 2013. Printed and electronically reproduced by permission of Pearson Education, Inc. Upper Saddle River, New Jersey.

Effective Segmentation Criteria

To be useful, market segments must be measurable, accessible and substantial enough to be profitable. They should also be differentiable and actionable. As per Michael Porter, five forces that determine the intrinsic long-run attractiveness of a market or market segment: industry competitors, potential entrants, substitutes, buyers, and suppliers. Each of these forces bring in the following threats to market segment:

- intense segment rivalry
- new entrants
- substitute products
- buyers' growing bargaining power
- suppliers' growing bargaining power

Keeping synergies in mind, companies can try to operate in supersegments rather than in isolated segments. A supersegment is a set of segments sharing some exploitable similarity.



Hallmark has thoroughly segmented the greeting card market according to occasion, personality, race, and other factors.

With single-segment concentration, the firm markets to only one particular segment. Porsche concentrates on the sports car enthusiast and Volkswagen on the small-car market: its foray into the large-car market with the Phaeton was a failure in the United States. Through concentrated marketing, the firm gains deep knowledge of the segment's needs and achieves a strong market presence. It also enjoys operating economies by specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment. A niche is a more narrowly defined customer group seeking a distinctive mix of benefits within a segment. Marketers usually identify niches by dividing a segment into subsegments. Hertz, Avis, Alamo, and others specialize in airport rental cars for business and leisure travelers.

While the prolonged recession wreaked havoc on the financial performance of all the major U.S. domestic airlines, in the pre-Covid, Allegiant Air, managed to turn a profit quarter after quarter. It developed a highly successful niche strategy by providing leisure travelers affordable nonstop flights from smaller markets such as Great Falls, MT; Grand Forks, ND; Knoxville, TN; and Plattsburgh, NY; to popular vacation spots in Florida, California, and Hawaii and to Las Vegas, Phoenix, and Myrtle Beach. It has stayed off the beaten track to avoid competition on all but a handful of its 100-plus routes. Much of its passenger traffic is additive and incremental, attracting tourist travel that might not have otherwise even happened. If a market doesn't seem to be taking hold, Allegiant quickly drops it. The carrier carefully balances revenues and costs. It charges for services like in-flight beverages and overhead storage space that are free on other airlines. It also generates additional revenue by cross-selling vacation products and packages. Allegiant owns its 64 used MD-80 planes and also cuts costs by flying only a few times a week instead of a few times a day like most airlines. It even fixes its seats at a pitch halfway

between fully upright and fully reclined; adjustable seats add weight, burn fuel, and are a “maintenance nightmare.” The formula seems to be working. Passengers in its local markets love the convenience, keeping Allegiant’s planes full and the company profitable.

CRAFTING THE BRAND POSITIONING

No company can win if its products and services resemble every other product and offering. As part of the strategic brand management process, each offering must represent the right kinds of things in the minds of the target market. By building customer advantages, companies can deliver high customer value and satisfaction, which lead to high repeat purchases and ultimately to high company profitability.

Developing and Establishing a Brand Positioning

Positioning is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market. The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm. A good brand positioning helps guide marketing strategy by clarifying the brand's essence, identifying the goals it helps the consumer achieve, and showing how it does so in a unique way. Everyone in the organization should understand the brand positioning and use it as context for making decisions. A useful measure of the effectiveness of the organization's positioning is the brand substitution test. If, in some marketing activity an ad campaign, a viral video, a new product introduction the brand was replaced by a competitive brand, then that marketing activity should not work as well in the marketplace. A well-positioned brand should be distinctive in its meaning and execution.

A good positioning has one foot in the present and one in the future. It needs to be somewhat aspirational so the brand has room to grow and improve. Positioning on the basis of the current state of the market is not forward looking enough, but at the same time, the positioning cannot be so removed from reality that it is essentially unobtainable. The real trick is to strike just the right balance between what the brand is and what it could be. One result of positioning is the successful creation of a customer-focused value proposition.

Choosing a Competitive Frame of Reference

The competitive frame of reference defines which other brands a brand competes with and which should thus be the focus of competitive analysis. Decisions about the competitive frame of reference are closely linked to target market decisions.

A good starting point in defining a competitive frame of reference for brand positioning is category membership—the products or sets of products with which a brand

competes and that function as close substitutes. It would seem a simple task for a company to identify its competitors. PepsiCo knows Coca-Cola's Dasani is a major bottled-water competitor for its Aquafina brand; Wells Fargo knows Bank of America is a major banking competitor; and Petsmart.com knows a major online retail competitor for pet food and supplies is Petco.com.

The range of a company's actual and potential competitors, however, can be much broader than the obvious. To enter new markets, a brand with growth intentions may need a broader or maybe even a more aspirational competitive frame. And it may be more likely to be hurt by emerging competitors or new technologies than by current competitors.

Firms should broaden their competitive frame to invoke more advantageous comparisons. The U.S. Armed Forces changed the focus of its recruitment advertising from the military as patriotic duty to the military as a place to learn leadership skills—a much more rational than emotional pitch that better competes with private industry.

We can examine competition from both an industry and a market point of view. An industry is a group of firms offering a product or class of products that are close substitutes for one another. Marketers classify industries according to several different factors, such as the number of sellers; degree of product differentiation; presence or absence of entry, mobility, and exit barriers; cost structure; degree of vertical integration; and degree of globalization. Using the market approach, we define competitors as companies that satisfy the same customer need. For example, a customer who buys a word-processing software package really wants “writing ability”—a need that can also be satisfied by pencils, pens, or, in the past, typewriters. Marketers must overcome “marketing myopia” and stop defining competition in traditional category and industry terms. Coca-Cola, focused on its soft drink business, missed seeing the market for coffee bars and fresh-fruit-juice bars that eventually impinged on its soft-drink business.

The market concept of competition reveals a broader set of actual and potential competitors than competition defined in just product category terms. Once a company has identified its main competitors and their strategies, it must ask: What is each competitor seeking in the marketplace? What drives each competitor's behavior? Many

factors shape a competitor's objectives, including size, history, current management, and financial situation. If the competitor is a division of a larger company, it's important to know whether the parent company is running it for growth or for profits, or milking it. Finally, based on all this analysis, marketers must formally define the competitive frame of reference to guide positioning. In stable markets where little short-term change is likely, it may be fairly easy to define one, two, or perhaps three key competitors. In dynamic categories where competition may exist or arise in a variety of different forms, multiple frames of reference may be present.

Points-of-difference (PODs) are attributes or benefits that consumer strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand.

Strong brands often have multiple points-of-difference. Some examples are Apple (design, ease-of-use, and irreverent attitude), Nike (performance, innovative technology, and winning), and Southwest Airlines (value, reliability, and fun personality).

Alternative Approaches to Positioning

Several different alternative approaches exist to position a product or service. These less structured, more qualitative approaches are based on concepts such as brand narratives, storytelling, and cultural branding. Rather than outlining specific attributes or benefits, some marketing experts describe positioning a brand as telling a narrative or story. Companies like the richness and imagination they can derive from thinking of the story behind a product or service.

Emotional branding is becoming an important way to connect with customers and create differentiation from competitors. Emotional differences are often most powerful when they are connected to underlying functional differences.

Financial Advisor 3Mins English HD https://youtu.be/jXHDpNGZy_k

Positioning and Branding of a Small Business

Although small businesses should adhere to many of the branding and positioning principles larger companies use, they must place extra emphasis on their brand elements and secondary associations, be more focused, and create buzz for their brand.

CREATING BRAND EQUITY

Marketers of successful 21st-century brands must excel at the strategic brand management process. Strategic brand management combines the design and implementation of marketing activities and programs to build, measure, and manage brands to maximize their value. It has four main steps viz.:

- Identifying and establishing brand positioning
- Planning and implementing brand marketing
- Measuring and interpreting brand performance
- Growing and sustaining brand value.

How does branding work?

The American Marketing Association defines a brand as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.” A brand is thus a product or service whose dimensions differentiate it in some way from other products or services designed to satisfy the same need. These differences may be functional, rational, or tangible—related to product performance of the brand. They may also be more symbolic, emotional, or intangible—related to what the brand represents or means in a more abstract sense. Branding has been around for centuries as a means to distinguish the goods of one producer from those of another.

Some of the hottest brands in recent years have emerged online. Consider the runaway success of Instagram.

*Launched in October 2010 by Stanford grads Kevin Systrom and Mike Krieger, Instagram is known for its photo-sharing app that uses filters to make photos from smart-phone cameras look more professional and allows them to be easily uploaded and shared across multiple platforms simultaneously. These highly valued benefits led the brand to quickly attract more than 100 million users, including some top brands such as Nike, MTV, Starbucks, Burberry, and Gucci. **Instagram’s name was chosen because it combines the concept of “instant” with the notion of connecting with people via a “telegram.”***

Its success led Facebook to acquire it in April 2012 for approximately \$1 billion in stock and cash. A controversial change in its terms of service in December 2012 led users to think Instagram could sell their photos for use in advertising. In the face of an uproar about a violation of privacy, the founders quickly reverted to the original terms.

Defining, Building, Measuring and Managing Brand Equity

A branding strategy identifies which brand elements a firm chooses to apply across the various products it sells. In a brand extension, a firm uses an established brand name to introduce a new product. Potential extensions must be judged by how effectively they leverage existing brand equity to a new product, as well as how effectively they contribute to the equity of the parent brand in turn.

Brands may expand coverage, provide protection, extend an image, or fulfill a variety of other roles for the firm. Each brand-name product must have a well-defined positioning to maximize coverage, minimize overlap, and thus optimize the portfolio.

Brand equity should be defined in terms of marketing effects uniquely attributable to a brand. That is, different outcomes result when a product or service is marketed under its brand than when it is not.

Building brand equity depends on three main factors:

- (1) The initial choices for the brand elements or identities making up the brand;
- (2) the way the brand is integrated into the supporting marketing program; and
- (3) the associations indirectly transferred to the brand by links to

Nirma established its identity as an economical washing powder and hence was successful before the economic li was however unable to reposition itself in modern times. Surf Excel on the other hand has expanded its product range to include several sub-products.

Devising Brand Strategy

A firm's branding strategy—often called its brand architecture—reflects the number and nature of both common and distinctive brand elements. Deciding how to brand new products is especially critical. A firm has three main choices:

1. It can develop new brand elements for the new product.
2. It can apply some of its existing brand elements.

3. It can use a combination of new and existing brand elements.

Customer Equity

Customer equity is a concept that is complementary to brand equity and reflects the sum of lifetime values of all customers for a brand. There are no brands without customers and no customers without brands. Brands serve as the “bait” that retailers and other channel intermediaries use to attract customers from whom they extract value. Customers are the tangible profit engine for brands to monetize their brand value.

ADDRESSING COMPETITION AND DRIVING GROWTH

As the markets are widening, the barriers are fading, competition is growing more intense every year—from global competitors eager to enter new markets, online competitors seeking cost-efficient ways to expand distribution, private label and store brands providing low-price alternatives, and brand extensions by mega-brands moving into new categories. For these reasons and more, product and brand fortunes change over time. Hence marketers must respond quickly, efficiently.

Growth

Marketing is an essential factor today to drive growth in sales and revenue for a company. Marketing can help in bringing out the competitive advantages against competition. Good marketing can help reduce the initial resistance of the customers to try new product and promote the same by word of mouth and diffusion. Marketing in more mature or developed markets can be more challenging, as there are often many established players with loyal and knowledgeable customers.

Growth can happen by either:

- building your market share
- developing committed customers and stakeholders
- building a powerful brand
- innovating new products, services, and experiences

For example:

How Aman Gupta's MARKETING STRATEGY turned Boat into a 1500CR Company :

Business case study <https://youtu.be/31UVvKEYO6k>

Growth can also happen by:

- international expansion
- acquisitions, mergers, and alliances

Amazon कैसे कैसे कमाता है? How Amazon Makes Money | Best Business plan & Case Study in

Hindi <https://youtu.be/7CZe7PuSgTQ>

Growth can even happen by:

- building an outstanding reputation for social responsibility
- partnering with government and NGOs e.g Serum Institute

How World's Largest Vaccine Company Was Created | Adar Poonawalla | Case Study | Dr Vivek Bindra https://youtu.be/d_0tjOCSSkuo

In some cases, fighting over market share is less productive than expanding the size of the market as a whole. The latter gives a much bigger market to cater to and also increase the potential to succeed.

Thus, to stay number one, the firm must **first** find ways to expand total market demand. **Second**, it must protect its current share through good defensive and offensive actions. **Third**, it should increase market share, even if market size remains constant.

Marketers need to understand the core strength(s) of the product (company). Focus on the core strength to develop the USP for the product. Companies like Xerox have worked hard to stay on top of the game.

A good example in **market expansion** is Starbucks.

“Starbucks purchases and roasts high-quality whole bean coffees and sells them along with fresh, rich brewed, Italian style espresso beverages, a variety of pastries and confections, and coffee-related accessories and equipment—primarily through its company-operated retail stores. In addition to sales through our company-operated retail stores, Starbucks sells whole bean coffees through a specialty sales group and supermarkets. Additionally, Starbucks produces and sells bottled Frappuccino® coffee drinks and a line of premium ice creams through its joint venture partnerships and offers a line of innovative premium teas produced by its wholly owned subsidiary, Tazo Tea Company. The Company’s objective is to establish Starbucks as the most recognized and respected brand in the world.”

*Changing the pack sizes can also lead to increased usage. **An excellent example is the shampoo sachets available in India.** The same has helped to not just tackle the initial resistance, but also motivate more people to use the shampoo. The small size of the sachets and also the availability of packs in various sizes has made it very convenient for people to carry them.*

A good example in **defensive strategy as well increase in market share to maintain their leadership** is Google and YouTube.

The partnership of Google and YouTube is an excellent example of proactively anticipating the customer's needs proactively and shaping the market to drive their own growth interests. Instead of trying to be the best player in the segment, they literally changed the rules of the game and now offer a seamless experience to the customers.

Google bought YouTube in 2006. One of the key reasons why Google acquired YouTube was to get into the business of video sharing. Google had tried and tested with Google Videos, and it had failed. It was therefore an easy choice for the company to purchase YouTube which at the time was doing a very good job at video sharing.

Today, video marketing is a big thing, and with the power of YouTube search engines, Google is able to monetize the video content to generate additional income to the business. That is why you find display ads showing when you watch videos on YouTube.

Other reasons why Google purchased YouTube for \$1.65 billion in 2006 include;

Popularity of YouTube

In 2006, YouTube was the 10th most popular online destination according to Alexa. YouTube was also ranked as the third most popular streaming video site by ComScore Media Metrix, and number one visited online video site by Hitwise. Google Video was nowhere near the top of the online video sites. The popularity of YouTube made it easy for Google to make the purchase. Time has truly shown it was a good deal.

At the time of the acquisition, this is how statistics looked:

YouTube: 45.46%

MySpace Videos: 22.99%

Google Videos: 10.25%

Yahoo! Video: 6.06%

MSN Video: 5.92%

Things have really changed from back in the days. Today, some of the above companies are a shell of their former selves.

Avoiding to Repeat Mistakes:

From the above statistics, you have noted that MySpace Videos had 22.99% market share. Google had a chance to buy MySpace, but they did not. Instead, it was Rupert Murdoch's News Corp's Fox Interactive that bought MySpace for a bargain price of \$580 million. It is therefore argued that Google purchased YouTube as a fall back for losing out to News Corp. Also, it is possible that Google did not want to make another mistake of refusing to

The idea for Google was that it would own all the traffic generated by YouTube.

Building a Community:

YouTube enjoys a much more active, enthusiastic and loyal following than any video service which has been launched by a search engine company. More people are creating YouTube channels and uploading content. With 35 million users in the United States alone, YouTube has proven that the success of online video is based upon sharing, commenting, ranking, embedding and suggestions, or in other words, having a community.

YouTube users are using the interface to share, upload and comment on videos. Not just watch them. That's the difference between users and community, and YouTube has community.

Usability and Stickiness

One other reason why Google purchased YouTube is related to usability and stickiness of YouTube videos. People stick around and watch more content on YouTube. Google Videos did not have that 'stickiness' and people were not staying for long to watch.

Advertising and Money

The real intention of Google buying YouTube turned out to be commercial. It was all about advertising revenue. Google was already running an advertising program for the written content. The idea for Google Video was to build it and later introduce advertising model in the videos.

Competitive Strategies For Market Leaders

While a market leader has the largest market share and usually leads in price changes, new-product introductions, distribution coverage, and promotional intensity, it is not easy to maintain that position in today's business environment. To be a leader today, one needs to be a dominant firm and also constantly aware of the market developments.

The firm hence needs to have a strong market research, and should also be adaptable and versatile. Google proved to be that dominant firm by its acquisition of YouTube.

Other Competitive Strategies

The trailing companies can choose to attack the leader and other competitors in an aggressive bid for further market share as market challengers, or they can choose to not “rock the boat” as market followers .i.e. they could be market challengers or market followers.

A competitive market challenger usually has a strategic objective to increase market share. It has to decide on the target to attack:

- **Attacking the market leader** is a high-risk but potentially high-payoff strategy and can be adopted if the leader is not serving the market well.

Xerox wrested the copy market from 3M by developing a better. Canon adopted a similar strategy to grab a large chunk of Xerox’s market by introducing desk copiers. However there are also companies that failed in this frontal attack. E.g, While Colgate won against Dabur, many brands have been unable to get that success against Colgate.

Pepsodent Vs Colgate Ad Wars! <https://youtu.be/m03bvXYlrko>

How Colgate became unbeatable brand of India | Colgate Marketing story

<https://youtu.be/07L7onzLgoM>

The reason for this in all probability is that customers today need to hear facts and not just tall claims. Customers today are more aware and hence to attack the market leader, the attacking brand needs to offer specific benefits.

- **Trailing companies can also attack firms its own size** that are not doing the job and/or are underfinanced. These firms have aging products, are charging excessive prices, or are not satisfying customers in other ways.

We see many examples in this arena.

- **It can attack small local and regional firms.** Several major banks grew to their present size by gobbling up smaller regional banks, or “guppies.”

e.g. When Google videos didn’t pick up, they did the next best thing, gobbled up

YouTube and the rest is history.

- **It can attack the status quo.** A challenger might not attack a specific firm as much as an industry as a whole or a pervasive way of thinking that doesn't adequately address customer needs. *Firms like Jio and Netflix have succeeded by contrasting their services with those of competitors.*

Having chosen the target, the trailers need to choose how to attack. The attack could be either a

- frontal attack, (*e.g Colgate vs Pepsodent*), by matching opponent's products
- flank attack (*Jio vs other service providers*) by identifying gaps in leader's service to customers and rushing to fill the gaps. *Yet another example is Oppo and Vivo vs Nokia.*
- encirclement attacks (*Coca Cola vs Parle*) by a grand offensive on several fronts. Coca-Cola effectively almost devalued Thums-Up to buy it eventually by taking charge of 58 out of 62 plants manufacturing Thums-Up. The flaw that they used to encircle was that all 58 plants were franchised plants and not owned. They were taken over by Coca-Cola.
- Bypass attack (*Coca-Cola vs Pepsi*): Pepsi effectively used this strategy to launch so many bottled products and health drinks to beat Coca-Cola in its game, be it buying of Tropicana or launching Aquafina and so on.
- Guerilla attack (*Flipkart vs Amazon*): The various sale announcement of Diwali sale and other campaigns on Amazon and Flipkart are examples of this attack.

Market followers on the other hand, are more defensive and they may choose to be cloning the product or the leaders' product or service in some or many ways. *For example, there are so many pizza brands that have come while attempting to clone leaders like Dominos.* They could be called cloners or imitators. The third type is the adaptors. Many of the followers in particularly the fashion industry fall in this category. They are very good at following trends and immediately understand and copy the trends or produce similar products that are adapted as per the requirements of the customers.

Product Life Cycle Marketing Strategies

While originally the product life cycle has 4 stages, viz. introduction, growth, maturity and decline, the current business environment where fads and trends are continuously coming up and disappearing with equal speed, the product trends often follow the growth-slump-maturity pattern. In this life cycle initially the product may show very

fast growth that soon declines sharply. *Examples can several brands of ovens, toasters and even mobiles.*

However there are also products that follow a cycle-recycle pattern. *Example is the sale events that happen on Flipkart or Amazon. Typically the sales of several products zoom during this time and may again peak in the next sale period. Another example can be the items like raincoat, umbrella or seasonal wares that peak in the relevant seasons and then again drop drastically to again go up in the next relevant season.*

Product that are pioneers often have low profits in the introduction stage due to very high marketing and sampling expenses. They can benefit only by the delayed entry of followers, as the later crash the prices.

Marketing in a Mature stage

Marketing in the mature stage has to be done mainly the keep the brand recall value high as the customers are already aware of the product. This stage can be further divided into 3 substages viz. growth, stable and decline.

The last substage has the maximum challenges. Product or market modification is common to the first 2 substages, as the company keeps on finding newer ways to connect with the customers. *For example Active Salt, Charcoal and so on for Colgate Total. Maggi is yet another example of the first 2 substages.*

The company may often require to rethink and review the option of active divestment or consolidation during the decline stage and may then redirect the funds in products in sync with the organization future strategy. For example, E.Merck had to consciously start diverting the marketing funds from its well established range of OTC products like Evion, Neurobion and Polybion to the upcoming specialized product range like the skin care, cardiac and maternity product range.

Marketing in a Slow-Growth Economy

Growth behaviour of products is also heavily impacted by the economy . The economic downturns reduce the money availability in the market, thus impacting the product demand and also the life cycle.

Several products and services suffered due to the Covid era and their life cycle has been impacted irrespective of the phase in the life cycle the product(s) were.

During the slow economic cycle, the proximity with the customer would be most important to understand the swing in the sales. Making more compelling products would be great to convince the customers to buy. E.g. Amul broadened its product range during Covid era as it understood that people were now working from home and hence would need more items that can make cooking easier and taste

Setting Product Strategy

Product is the first and most important element of the marketing mix. Product strategy calls for making coordinated decisions on product mixes, product lines, brands, and packaging and labeling. The marketer needs to look into the market offering for the product. There can be five levels of the product: the core benefit, the basic product, the expected product, the augmented product, and the potential product, which encompasses all the augmentations and transformations the product might ultimately undergo.

For example, Maggi offers the basic advantage of convenience and also fun. While their basic product is the noodles, they introduced many other products like the masalas and soups to continue to occupy a greater space in the mind and also menu of the customers. The several transformations that the product has gone thru is a reflection of the active product strategy.

Products could be nondurable goods, durable goods, or services. In the consumer-goods category are convenience goods (staples, impulse goods, emergency goods), shopping goods (homogeneous and heterogeneous), specialty goods, and unsought goods. The industrial-goods category has three subcategories: materials and parts (raw materials and manufactured materials and parts).

Brands can be differentiated on the basis of product form, features, performance, conformance, durability, reliability, repairability, style, customization, and design, as well as such service dimensions as ordering ease, delivery, installation, customer training, customer consulting, and maintenance and repair.

For example “Dove” was the first to come up with a special campaign. While they wanted the product to give the premium feel, they also wanted the people in the lower income strata to also use the soap. Hence while design or the totality of features shows

it as a high quality brand, the utilization of regular lady models in the ad has helped to connect to the masses.

Most companies sell more than one product. A product mix can be classified according to width, length, depth, and consistency. These four dimensions are the tools for developing the company's marketing strategy and deciding which product lines to grow, maintain, harvest, and divest. To analyze a product line and decide how many resources to invest in it, product line managers need to look at sales and profits and market profile. A company can change the product component of its marketing mix by lengthening its product via line stretching (down-market, up-market, or both) or line filling, by modernizing its products, by featuring certain products, and by pruning its products to eliminate the least profitable.

Maggi is an excellent example of line stretching by introducing not just different flavours, but also different sizes to cater to the needs of the customer. The 5 packet allowed even people from lower strata to celebrate with Maggi.

Brands are often sold or marketed jointly with other brands. Ingredient brands and co-brands can add value, assuming they have equity and are perceived as fitting appropriately. Physical products must be packaged and labeled. Well-designed packages can create convenience value for customers and promotional value for producers. Warranties and guarantees can offer further assurance to consumers.

Nirma is an example of failure to do the above leading to the decline in its popularity.

DESIGNING AND MANAGING SERVICES

As the markets are opening up, and more and more companies are going online, the competition is heating up, companies are getting less time to respond. Further it is not just products, but services are also services are being sold in the international market. The world has come closer and has also become more colourful by bringing various cultures together. Success is not guaranteed in a developed market. Developed market also may give its own verdict.

Achieving Excellence

Achieving excellence in service marketing calls not only for external marketing but also for internal marketing to motivate employees, as well as interactive marketing to emphasize the importance of both “high tech” and “high touch.”

Top service companies adopt a strategic concept, have a history of top-management commitment to quality, commit to high standards, establish profit tiers, and pay attention to their systems for monitoring service performance and customer complaints. They also differentiate their brands through primary and secondary service features and continual innovation.

Superior service delivery requires managing customer expectations and incorporating self-service technologies. Customers’ expectations play a critical role in their service experiences and evaluations. Companies must manage service quality by understanding the effects of each service encounter.

Managing Product Support Services

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It may or may not be tied to a physical product. Services are intangible, inseparable, variable, and perishable. Each characteristic poses challenges and requires certain strategies. Marketers must find ways to give tangibility to intangibles, to increase the productivity of service providers, to increase and standardize the quality of the service provided, and to match the supply of services with market demand. Marketing of services faces new realities in the 21st century due to customer empowerment, customer coproduction, and the need to satisfy employees as well as customers.

Even product-based companies must provide postpurchase service. To offer the best support, a manufacturer must identify the services customers value most and their relative importance. The service mix includes both presale services (facilitating and value augmenting services) and postsale services (customer service departments, repair and maintenance services).

Buying an international car for example has not been so popular due to extreme difficulty in post sale service, the later being an absolute critical aspect of customer satisfaction in cars. Maruti Suzuki has managed to have a an excellent hold over the post sale service in particular.

INTRODUCING NEW MARKET OFFERINGS

Marketers play a key role in new-product development by identifying and evaluating ideas and working with R&D and other areas in every stage of development. This chapter provides a detailed analysis of the new-product development process. Much of the discussion is equally relevant to new products, services, or business models.

Once a company has segmented the market, chosen its target customer groups and identified their needs, and selected its desired market positioning, it is ready to develop and launch appropriate new products and services. Marketing should participate with other departments in every stage of new-product development. Successful new-product development requires the company to establish an effective organization for managing the development process.

New Product Options and Challenges in Development

New-product development shapes the company's future. Improved or replacement products and services can maintain or build sales; new-to-the-world products and services can transform industries and companies and change lives. Companies that challenge industry norms and apply imaginative solutions will delight and engage consumer. New products range from new-to-the-world items that create an entirely new market to minor improvements or revisions of existing products. Most new-product activity is devoted to improving existing products.

A company can add new products through acquisition or development. When acquiring, the company can buy other companies, buy patents from other companies, or buy a license or franchise from another company.

Google chose to buy YouTube when its own videos failed to make its mark.

Since its beginnings as the quintessential search engine, Google has launched a wide variety of products that earned its reputation as one of the most innovative companies and amassed a market cap exceeding \$300 billion. The company has introduced a series of related online products—notably gmail e-mail, Google+ social networking, and the Google Chrome enhanced browser. It has made a strong entry in the mobile market with its Android operating system and its acquisition of Motorola Mobility for \$12.5 billion. But not all new products are hits; some that seemed to miss their mark were Google Answers,

Dodgeball, and Lively. Perhaps one of Google's most ambitious new products is Google Glass, a computer worn like eyewear with an optical display that allows the user to answer calls, record video, and take photos with voice activation, connect to a smart phone, post to social media, and perform Google searches, among other things. The company has been beta-testing the product with thousands of Glass Explorers, who are paying \$1,500 each for the opportunity to be an early adopter and pass along feedback. Google X, the internal group that developed Google Glass, is looking into other "out of this world" products, like self-driving cars and balloons that can transmit broadband Internet to remote regions from 12 miles in the air.

Managing the Development Process

Eight stages define the new-product development process: idea generation, screening, concept development and testing, marketing strategy development, business analysis, product development, market testing, and commercialization. At each stage, the company must decide whether to drop the idea or move to the next stage.

The Consumer Adoption Process

Adoption is an individual's decision to become a regular user of a product and is followed by the consumer loyalty process. New-product marketers typically aim at early adopters and use the theory of innovation diffusion and consumer adoption to identify them.

The consumer-adoption process is the process by which customers learn about new products, try them, and adopt or reject them. Today many marketers are targeting heavy users and early adopters of new products because both groups can be reached by specific media and tend to be opinion leaders. The consumer-adoption process is influenced by many factors beyond the marketer's control, including consumers' and organizations' willingness to try new products, personal influences, and the characteristics of the new product or innovation.

Maggi is a classic example of customer-adoption process where the company had to make the Indian customers familiar with the concept of eating with spoon or fork, at a time, when eating with hand was a normal behaviour.

Questions

1. Explain psychographics using a brand (understand, analyze)
2. Elaborate on new product development. (analyze and apply)
3. Describe the product strategy for any brand. (understand and analyze)
4. What is consumer adoption process? Explain the customer adoption procd. (understand and apply)