

# COMPETITIVE MARKETING STRATEGIES



*It is an accepted fact that not all firms occupy the same position in the total market. Positions of the firms vary in terms of market share they occupy. Depending on their market shares, some are called market leaders - the firms with the largest market shares, others are market challengers - firms fighting hard to increase their market shares and trying to catch the leader's position, another group is called market followers - firms closed to challengers with respect to market shares and willing to maintain their market shares, yet the other group is market nichers - firms that serve small market segments not served by the larger firms. As their positions vary, the strategies they pursue also vary. Attention will be focused in this unit on the strategies followed by the market leader, market challenger, market follower, and market nichers.*

School of Business

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## Lesson - 1 : Market Leader Strategies

### Objectives of this lesson

After reading this lesson, you will be able to:

- Understand the threats to a market leader
- Know how the market leader can expand the total market
- Identify the defense strategies that may be followed by a market leader
- Know how the market leader can increase its market share even if market size remains constant.

### Introduction

You may find industries dominated by only one firm. The largest share of the market is occupied by the said firm and is known as the leader of the market. The other firms operating in the said market enjoy only a relatively small portion of the total market. They are always under pressure by the leader because of their lack of strengths. In such a situation, other firms continuously try to find out ways to hold their positions and gradually increase it. They may go for changing their prices, introduce new products, extend their distribution networks, or intensify position to achieve this.

It leads to the conclusion that a firm does not always enjoy a monopolistic position unless it is protected by the law of the land. Threats may come at any time, from any corner, by any form, and in any intensity. To cope up with this, the leader should always keep his eyes and ears open. The leader should know that it has muscle (strength) as well as fat (weakness). His competitors will try and do their bests either to cut his muscle or to exploit him by taking advantage of his fat. If he is unable to hold his muscle and reduce his fat, his position once may become vulnerable in the face of competitive action. He may thus lose his position and fall back in the race, whereas he was once leading the race. He should, therefore, foresee the innovation that may be made by his competitors, no matter how small they are; spend proportionately to his competitors to improve product and related services to hold his market position; should not underestimate the competitors' strengths and abilities, and do the best to be most cost effective. The leader, if wishes to hold his position, i.e., to remain number one, may take action in three areas. They are: (i) action that may be taken to expand total market; (ii) action that may be taken to defend market; and, (iii) action that may be taken to expand market share. Each of the above three can be discussed in the following sections and subsections :

**(i) Action That May be Taken to Expand Total Market :** It is very important to the leader to put best efforts to expand the total market.



*The firm which occupies the largest share of the market is known as market leader.*

Expanding the total market may put the leader at ease and reduce his tension significantly. Total market may be expanded by creating new users, discovering new uses, and ensuring increased uses of the item sold by him. Let's have a brief discussion on each of the above :

- **Creating New Users** : It is not surprising that a particular product is neither known to everybody nor used by everybody in the marketplace. Some may be unaware of the existence of the product, where others may not be able to afford it, yet another group may find the product unsuited to their needs. This indicates that every product has potential of market expansion. Three strategies may be pursued in this regard by the market leader. The strategies are: market penetration strategy, new-market strategy, and geographical expansion strategy.

In a *market penetration strategy*, a company attempts to fill the needs of an existing market with its present products.

In a **market penetration strategy**, a company attempts to fill the needs of an existing market with its present products. This type of strategy may use a number of approaches. For example, marketing manager may wish to increase the number of users in the present markets. The manager may believe there are a number of potential users in the market who still are not using the company's products. The manager may also wish to increase the rate of use of the product by both present and potential users. In addition, the manager also wants to prevent competitors from taking away present customers. With a market penetration strategy, the manager attempts to better serve a greater portion of a present market with existing products or services.

The **new-market strategy** occurs when the marketing manager attempts to find new markets for the company's existing products or services. The manager hopes to find new group of customers of its product. Henolux complexion cream, one of the locally manufactured fairness cream, pursued this strategy quite successfully. They targeted the soldiers of Bangladesh Army, and could convince them that use of their cream can repair the sun burn of skin which usually happens to them because of their routine field exercise.

Under the **geographic expansion strategy** the manager hopes to find customers in new markets for his products. In case of Henolux, for example, marketing people may try to develop market for their cream in Middle Eastern countries. Since lot of Bangladeshi people are living there, they may love it to buy a local product sitting abroad.

Under the *geographic expansion strategy* the manager hopes to find customers in new markets for his products.

- **Discovering New Uses** : By discovering new uses of the product, the market leader may expand the market of his product. Bread for example, is used in urban areas of Bangladesh during breakfast. A manufacturer of breakfast may gain if he can promote the other uses of his product such as lunch-time bread, any-time bread and so on. Olympic Bread Company here in Bangladesh has developed and successfully promoted 'tiffin bread', and 'any-time bread'. Companies

by surveying consumers' opinions can easily discover new uses and expand their markets very easily. By regularly monitoring uses of products by customers, companies easily get clues as to new uses and can capitalize on that.

- **Ensuring Increased Uses of the Item :** Volume or quantity being consumed by the users can be increased by undertaking campaign and promotional activities. It is found from different studies that heavy users though constitute a small percentage of the total market but, they account for a high percentage of total consumption which interests many marketers. Quite a number of consumer goods manufacturing companies such as beverages and powder milk here in Bangladesh could successfully increase consumption per consumer by offering special inducements.

**(ii) Action That May be Taken to Defend Market :** Market leader should always keep in mind that he is always subject to attack by competitors. If he does not work out strategies to defend himself against potential attacks, he may lose substantial market share. He should, therefore, in addition to concentrating on market expansion, do everything possible to defend his position in the marketplace. He should never underestimate the abilities of his rivals. As you know that rivals always look at his muscle and fat, he should have mechanism ready to protect his muscle and cut his fat. This is the strategy we call a defense strategy, that protects you from your rivals. No matter how big you are, you are subject to attacks by your opponents. Keep in mind that you are subject to attack from both domestic and overseas rivals, and therefore, you should prepare yourself accordingly. Now the question that comes in your mind is: 'how the leader can defend his position?'. There are several answers to this question. Before giving the specific answers, we will tell you what the leader should do in general to defend himself.

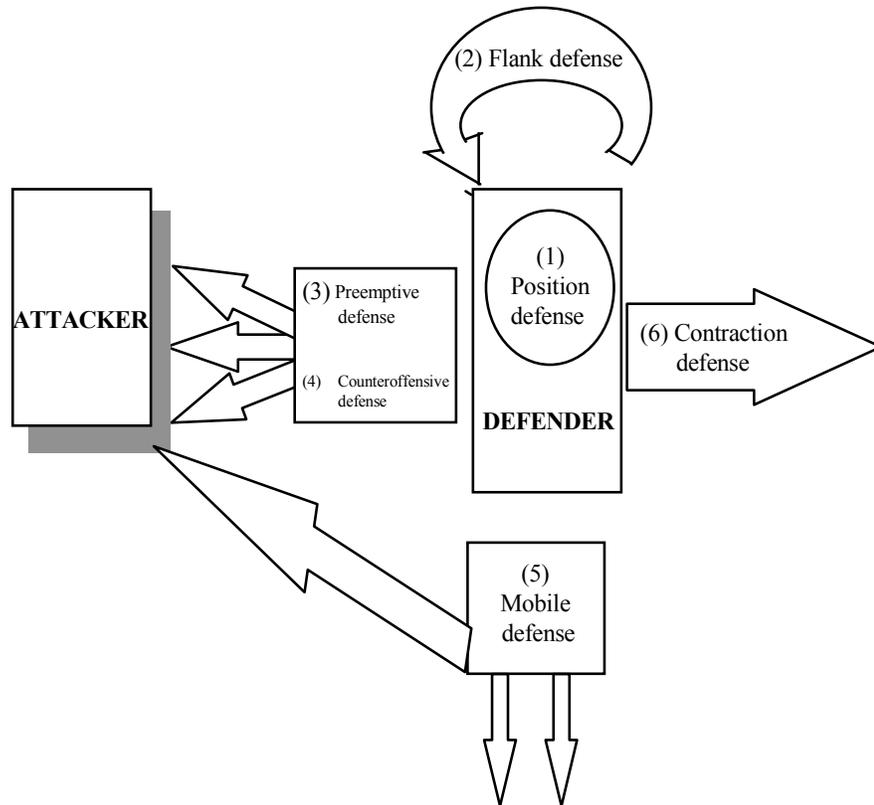
*Market leader should always keep in mind that he is always subject to attack by competitors.*

He should, first of all, try to innovate continuously in every aspect ranging from product feature, to pricing, to distribution, customer service and promotion. "The leader applies the military principle of offensive: The commander exercises initiative, sets the pace, and exploits enemy weaknesses. The best defense is a good offense"<sup>1</sup>. The market leader in addition to taking offensive measures, should keep all frontiers guarded so that his enemies cannot penetrate inside. It should have, all measures taken to control costs so that the customers perceive the price of the product positively. It should keep all the points sealed to prevent competitors' entry. The product should be made in a way that satisfies varied needs of customers. A hair shampoo manufacturer for example, may produce shampoos for normal hair, oily hair, and dry hair, as well as in regular size, family size, and mini size. Such a variety will satisfy the needs of all types of customers using hair shampoo. Pursuing such a

<sup>1</sup> Philip Kotler, *Marketing Management: Analysis, Planning, Implementation, and Control*, 9th edition, Prentice-Hall of India Private Limited, New Delhi, p., 377

policy of manufacturing products aimed at different segment may cause the company to incur loss in certain types in the short-run, but it may help the firm to avoid future risks. The firm should, after analyzing the market, decides which particular territory it should concentrate on. The defensive strategy helps attain number of objectives. They are: to reduce the probability of attack, to divert attacks to less threatening areas, and, to lessen the intensity of attack. These aims may be attained by following a number of defense strategies shown in the figure (Figure 8.1) below:

**Figure - 8.1: Defense Strategies**



**Source:** *Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition,, p., 379*

- **Position Defense Strategy:** In this strategy, the decision is taken to solidify company's position on one or more specific markets that the company is serving presently. By catering for individual markets in this way, and adapting products to meet the precise needs of those markets, the company reduces the competition it faces and becomes, in effect, a 'big fish in a small pond'. Within these markets, the company can develop a policy of either cost leadership or product differentiation.

In this way, a company can avoid the danger of trying to do everything well but excelling in none. A marketing manager must always ask himself, 'why should my customers buy my products rather than those of my competitors?' Unless he gets a sound answer to this question, the success of the product will remain in doubt. A popular exercise for marketing managers is to produce a product positioning map, revealing the customers' image of existing companies competing in certain fields. This can be very helpful both to a company already operating in the market, or one contemplating launching a new product. In the position defense, a company usually tries to do everything possible to protect its existing position in the market. But, this strategy at times become suicidal for a company. Since the company engages its resources heavily on a particular segment/s as well as products, it may put the company in a great trouble if those segments or products become sour.

- **Flank Defense Strategy:** Flank strategy suggests that it is not wise for a company to only take measures protecting its present domain, but also should take measures to protect its weaker front. In addition, measures should also be there to develop a foundation, so that the company may immediately counterattack its competitors if it faces so. Flank defense strategy is neither a joking matter nor a company should pursue it in a 'wily nily way'. This rather requires serious attention by the management in order to be successful. If a company formulates flank defense strategy keeping in mind the short-term perspective and without giving much thought, it may immediately become useless by immediate further attacks by the competitors.
- **Preemptive Defense Strategy:** Preemptive defense strategy is compared with the well known saying 'prevention is better than cure'. Here a company decides to attack competitors before it is attacked by them. It may help the firm to further strengthen its position in the market. There are number of ways in which a company can launch preemptive defense. The first option could be a shotgun attack, i.e., attacking competitors here and there simultaneously instead of attacking only one at a time (the rifle attack). It creates fears among competitors and feel more threatened as their positions are upset by such attacks. The second option could be an attempt to cover a huge market through very extensive distribution. Another option could be to attack competitors in terms of price, i.e., lowering prices significantly. Pursuing such policies will always keep the competitors busy defending their positions. They will have little opportunities to think for offense. It will also contribute in increasing the motivation and initiative of employees and they will remain ever vigilant. One may also pursue preemptive defense strategy through creating psychological pressures on competitors. If a company, for example, after becoming aware of an emerging competitor, transmits a message in the market that it is going to build another plant shortly and will cut

'Prevention is better than cure'.

There are number of ways in which a company can launch preemptive defense.

the price, will definitely de-motivate competitors. The emerging competitor after knowing this may drop its idea of entering the market. This is called a psychological warfare. Since market leaders are likely to be financially strong, they can comfortably defend themselves in the face of competitive attack. They may also create a situation which makes attacks very costly to the competitors. This is usually done through addition of products, price inducements offered to customers and trade members, and spending heavily on promotion.

*Counteroffensive defense strategy suggests that attack your enemy when you are hurt by him.*

- **Counteroffensive Defense Strategy:** This strategy suggests that attack your enemy when you are hurt by him. Market leaders, when attacked by their competitors, launch counterattacks to protect their positions. Competitors may attack the leader through price cuts, improved products, or even straight invasion into the leader's territory. Market leader has got few options in this situation. He may counterattack competitors directly, attack a particular corner of the competitors, or launch all-out attack. The frontal or direct attack is undertaken when leader starts losing his market share rapidly. When the leader does not face such a situation, he may wait for the opportune moment and should launch the attack when time comes. If the competitors invade directly into the leader's territory, the leader should also launch attack into the major territories of the attackers so that they re-treat from his territory to protect their ones. The leader may also exploit his economic as well as political strengths so that the attackers fall back to him. Using his economic muscle, the leader may offer the vulnerable products at lower prices which will jeopardize the attackers' positions. He may also discourage people from buying competitors' products by announcing in advance the product improvements he is contemplating.
- **Mobile Defense Strategy:** In mobile defense, the leader in addition to defending his existing territories, expands into areas which are prospective. Such an expansion may help him to defend as well as attack his competitors in future. These expanded territories may be used as bases for future offense as well as defense. Mobile defense may be launched through market broadening as well as market diversification.

In market broadening strategy, a firm looks at the generic need of the consumers, not the specific need, and tries to find out ways to satisfy needs in a broader perspective. A telephone set manufacturer for example, may look at producing other products that aid in communication and thus can satisfy broader communication need. Broadening at greater length may put a company in trouble as it looks at distant future overlooking its present. It should, therefore, go for reasonable broadening. Reasonable broadening is possible if the company precisely defines its business domain, not the general domain. This narrowing down of the domain helps the company to focus its attention on to the right path and helps to reach the goal easily and quickly.

- **Contraction Defense Strategy:** When companies think that it becomes difficult to hold a bigger sales territory in the long run, then

they consider it wiser to pursue contraction defense strategy. Under this strategy, the firm first finds out the weaker territories, and then plans to withdraw from those territories gradually. Thus it can concentrate and mobilize its resources on stronger territories. It can thus consolidate its forces and fight back more aggressively. Such a contraction should not be confused with market abandonment. Rather the firm decides to withdraw itself from the weaker parts in a planned and purposive way.

**(iii) Action That May be Taken to Expand Market Share:** An important measurement in marketing management is market share. This type of measurement involves estimating the company's share of total industry sales for products or product lines and market segments. Market share is computed as follows with the measurement then presented as a percentage.

$$\text{Market share} = \text{Company sales} \div \text{Industry sales}$$

Once market share is known, the leader may take measures to increase existing share which obviously can increase profitability of the firm. How can a marketing manager move to increase his market share? The answer lies in the marketing strategy the firm will pursue. Selection of a specific strategy depends on the firm's marketing strengths and successes in the past. More specifically, the decision to select a particular strategy and various mix components depends upon a number of factors. Such factors should have been uncovered in the situational analysis of the overall marketing plan. They include the following:

- *Company mission and corporate goals and objectives*
- *Product quality compared to that of competitors*
- *Competitive track record*
- *Size and growth rate of the markets to be considered*
- *Profitability of the products and markets under consideration*
- *Overall economic situation*
- *Cost structure of the company as it relates to engineering and production*
- *Competitive strengths and weaknesses of the company in non-marketing areas*
- *Cost of employing various marketing mix components and activities*

Factors such as these help determine the strategy that the marketing manager employs. Table below shows in summary form the strategies that may be adopted to expand market share.

**Table - 8.1: Strategies for Market Expansion**

<b>Strategy</b>	<b>When used</b>	<b>How apply in Marketplace</b>	<b>Cost implications</b>
1. Price	To gain share in a product line (a) Where there is room for growth (b) In launching a new product, preferably in a growth market	A. Set general market price level below average  B. Lower prices at specific target customer accounts where reduced prices will capture high volume accounts and where competition is vulnerable on a price basis; lower prices enough to keep the business C. Lower prices against specific competitors who will not or cannot react effectively	Will lower gross margin by decreasing spread between cost and price for a period of time  Will lower cost as cumulative volume increases and costs move down the experience curve
2. New product	When a new product need can be uncovered and a new product will (a) displace existing products on a cost or performance basis, or (b) expand the market for a class of product by tapping previously unsatisfied demand	A. Develop and launch the new product, generally B. Target specific customers and market segments where the need for the product is strongest and competition most vulnerable, and immediate large gains in share can be obtained	Cost of R & D necessary to develop product Capital expenditures on plant to manufacture the product Start-up operating losses Promotion costs of launching the new product
3. Service	To gain share for specific product lines when competitive services levels do not meet customer requirements	A. Improve service generally beyond competitive levels by increasing capacity for specified product lines B. Target specific accounts where improved service will gain share and the need for superior service is high C. Offer additional services required in general or at specific customers D. Expand distribution system by adding more distribution points	Cost of adding capacity Cost of expanding the distribution system, including additional inventories required
4. Quality/ strength of marketing	When a market segment or specific customers are getting inadequate sales force coverage or inferior quality of coverage	A. Add sales men to improve call frequency above competitive levels in target territories B. Sales training programs to improve existing sales skills, product knowledge and territorial and customer management abilities C. Sales incentive programs	Salary and overhead cost of additional salesmen Cost of training or retraining  Cost of incentive program
5. Advertising and sales promotion	(a) When a market segment are getting inadequate exposure to product, service or price benefits compared to competition (b) A change in the benefits offered is made and need to be communicated	A. Select appropriate media to reach target customers B. Set level and frequency of exposure of target customers high enough to create adequate awareness of benefits and counter level of competitive efforts	Cost of creative work to campaign Production and media costs

*Considering the pros and cons, the marketing manager should devise strategy that may be pursued to expand the market or to increase the market share.*

## Questions for Review

1. Market leader is the firm –
  - a. That is biggest in terms of manpower
  - b. That occupies the largest market shares
  - c. That has got financial muscle
  - d. That produces most innovative product.
2. Market challengers are the firms –
  - a. Who share a similar need or want for something that does exist
  - b. Trying to catch the leader's position
  - c. Fighting hard to increase their market shares
  - d. Both b & c.
3. Market followers are the firms –
  - a. Closed to challengers with respect to market shares
  - b. Willing to maintain their market shares
  - c. Both a & b
  - d. None of the above.
4. Market nichers are the firms –
  - a. That imitate products of market challengers
  - b. That serve small market segments not served by the larger firms
  - c. That compete with market followers
  - d. That serve larger market segments.
5. The leader, if wishes to hold his position, may take action in three areas. They are –
  - a. Action that may be taken to expand total market; action that may be taken to defend market
  - b. Action that may be taken to expand market share
  - c. Both a & b
  - d. None of the above.
6. Total market may be expanded by –
  - a. Creating new users
  - b. Discovering new uses
  - c. Ensuring increased uses of the item sold by him
  - d. All of the above.
7. In a market penetration strategy –
  - a. A company attempts to fill the needs of an existing market with its present products
  - b. A company attempts to fill the needs of an existing market with new products
  - c. A company attempts to fill the needs of a new market
  - d. None of the above.

8. New-market strategy occurs –
  - a. When the marketing manager attempts to find new markets for the company's existing products or services
  - b. When the marketing manager attempts to find new markets for newly developed product
  - c. Both a & b
  - d. None of the above.
9. Which of the following is an objective of a defensive strategy ?
  - a. To reduce the probability of attack
  - b. To divert attacks to less threatening areas
  - c. To lessen the intensity of attack
  - d. All of the above.
10. In a preemptive defense strategy a company decides to –
  - a. Attack competitors before it is attacked by them
  - b. Attack competitors after it is attacked by them
  - c. Both a & b.
  - d. None of the above.
11. In mobile defense, the leader in addition to defending his existing territories –
  - a. Expands into areas which are occupied by market challengers
  - b. Expands into areas which are occupied by market followers
  - c. Expands into areas which are prospective
  - d. Expands into areas which are occupied by market nichers.
12. Explain the strategies followed by a market leader in expanding and defending his market.
13. What do you mean by market expansion. Critically discuss the market expansion strategies that may be pursued by a market leader.

### Answers



1. b, 2. d, 3. c, 4. b, 5. c, 6. d, 7. a, 8. a, 9. d,  
10. a, 11. c.

## Lesson - 2 : Market Challenger Strategies

### Objectives of this lesson

After reading this lesson, you will be able to :

- Define the strategic objective of the challenger
- Identify the opponents who may be attacked
- Explain different general attack strategies
- Choose from among the alternative general attack strategies that best suits you
- List different specific attack strategies, and
- Decide which combination will be appropriate for you to launch.

### Introduction

Market challengers are the firms trying to catch the leader's position and fighting hard to increase their market shares. They are called challengers because they throw direct challenges to the leader by trying to penetrate his market domain. The challenging firms that fail penetrating the leader's areas become market followers. It is therefore evident that some firms fail assuming the challenger's position though they attempt to attack the leader. On the otherhand, there are instances of successes, i.e., some were successful overthrowing the leader. Challengers are found mostly in industries experiencing high fixed costs, high inventory costs, and stagnant primary demand. The market challengers may launch quite a number of strategies to attack the market leader as well as other competing firms. In the following section we shall concentrate on the strategies that market challengers may pursue in this regard.



### Deciding on the Attack Strategies to be Pursued by the Market Challenger

Before deciding on the attack strategies to be pursued, a challenger firm must, first of all, define his strategic objective (s) and select the opponent (s) to be attacked. Increasing market share in most of the instances is found to be the strategic objective of the challengers. In case of opponent(s) to attack, the firm may decide to attack the market leader, or firms of its own size, or small local and regional firms.

- **Attacking the Market Leader:** A market challenger may decide to attack the market leader. Such a decision should be a well thought one in order to be successful. If a thoughtful decision is taken, it could be a highly profitable one particularly if the leader is a false leader. On the otherhand, an un-thoughtful decision to attack the leader could be a highly risky one because the leader with muscle could destroy all the efforts of the challenger using its enormous strengths. In order to attack, the firm should identify the segments that are either poorly

served or un-served by the leader. This will give the firm the opportunity to exploit the unmet or improperly met needs of the consumers and thus cash the gap.

- **Attacking Firms of Its Own Size:** The challenger may find firms of its own size that are performing poor in terms of customers' need satisfaction and are suffering from cash problem. Among the firms of its own size some may serve the market with old and outdated products, some may sell their products at unreasonably high prices, and others may fail meeting customers' needs in other aspects. These firms could easily be targeted and attacked by the challenger firms. Such an attack if successful could yield considerable fruit to the firm.
- **Attacking Small Local and Regional Firms:** There could be many small local and regional firms that also fail meeting customers' need properly with respect to quality, service, price, fashion and others. If identified, a firm can be very successful in attacking such firms, provided measures could be taken to minimize customers' expectation gap.

Objectives of the market challenger vary as its opponent to attack vary. If the firm decides to attack the market leader, its objective should be to capture a portion of the leader. If on the otherhand, it decides to attack others, its objective should be to wipe them out of the market. In the following sections we shall discuss the general and specific attack strategies that the market challenger may launch.

### **The Attack Strategies**

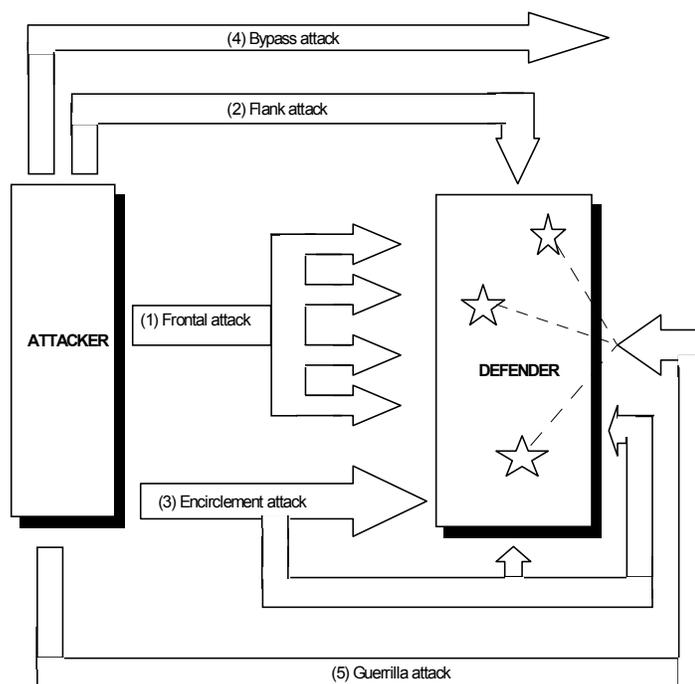
Once the opponents are identified and objectives are determined, the firm is in a position to launch the attack strategy against the opponent(s). There are quite a number of options available to the market challenger that may be applied to attack the opponent(s). Which of the available alternatives the firm should choose? The answer lies in the territory occupied by the opponent. The five alternative strategies available to a firm in this regard are discussed below :

- **Frontal Attack Strategy :** Frontal attack is the strategy where the firm launches direct attack against the opponent. This is an aggressive as well as a risky strategy since the attacker here overlooks the weaknesses of the defending firm rather attacks his strengths directly. If the challenger's strengths are more than the defender, and if he can sustain the attack, he is likely to win the war. Frontal attack may be launched by offering similar products (in terms of features or performance), by matching the price with the defender, or by following the same promotion and distribution policies as are followed by the defender. An aggressive frontal attack to be successful must be backed up by stronger muscle than the defender has or may use. Experience suggests that the attacker should deploy three times forces than the defender in order to be successful in the battle. Failure to do so and inability to sustain the attack will be a ruinous one on the part

of the attacker.

An aggressive frontal attack, then, puts the firm in serious trouble if not backed by required strengths. If the firm finds it difficult to launch an aggressive or pure defense, it is wise to launch a modified frontal attack, "the most common of which involves cutting its price vis-a-vis the opponent's"<sup>2</sup>. A firm can apply the modified attack in two ways. **First**, it can offer product similar to the leader in all respect except price. Price could be charged less to induce people to buy his product. It could be a successful attack if in response the defending firm does not cut its price, or if the firm is successful in convincing people of the superiority of its product in terms of price and equal to competitors' products in other terms. **Second**, the attacker can do everything possible to cut down its production costs. This may require investment in new production technology. If the attacker is successful in this, he can then launch attack in terms of price of the product.

**Figure-8 . 2 : General Attack Strategies**



**Source:** *Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition., p., 388*

<sup>2</sup> *Ibid, p., 389*

*F flank basically means sides in this respect.*

- **Flank Attack Strategy:** The other name of the flank attack is peripheral attack. Flank basically means sides in this respect. The challenger should know that firms protect their fronts usually keep their sides or flanks as well as rears unprotected because of their concentration on fronts. This is the gap the challenger should exploit. Under this strategy, the challenger launches attack on, first of all the stronger sides of the opponents. The opponents, in this situation are likely to concentrate heavily on their fronts leaving flanks and rears unguarded. A vacuum is thus created where the challenger can easily enter.

There are two strategic dimensions along which the flank attack can be directed. They are the geographic dimension and the segmental dimension. To launch a geographic flank attack, the challenger should, first of all identify the geographic areas where his opponents are performing poor. He should then launch his product aggressively in those under-served areas and overthrow the opponents. In the segmental flanking attack, on the otherhand, the firm should find out needs of the market either not served by the market leader or are not reasonably satisfied by the available products. He should then modify his product or develop a new product aimed at meeting those needs. It could be a very effective strategy if the firm can really come up with something that is able to meet the unmet or partially met needs of the consumers. A flanking strategy can thus give a firm real opportunity to prosper by identifying gaps and filling those by his offer. It is equally appreciated by customers since pursuing such a strategy by various firms will lead to the fuller coverage of the market's varied needs.

*In the encirclement attack strategy, attack is launched simultaneously on all fronts.*

- **Encirclement Attack Strategy:** In the encirclement attack, a firm decides to attack his opponents suddenly. The attack is launched simultaneously on all fronts. The fronts, rears, and sides are attacked at a time, and all on a sudden. In such a situation the opponents become puzzled and start protecting all fronts. Such mobilization of resources by the opponents cannot ensure protection of any front fully since resources are distributed among different fronts. This is another opportunity for the attacker. In this attack the attacker offers everything his opponents offer to the market. He sometimes offers the market more than his opponents do. This tempts the customers and they are unable to refuse his offers. This strategy can be successfully launched only when the attacker is in a better position compared to his opponents in terms of resources and strengths.

*The bypass attack may be launched in three ways.*

- **Bypass Attack Strategy:** The bypass attack is an indirect attack that may be launched by the market challenger. In this strategy, the attacker avoids his opponents on direct fronts. Here he decides to identify the easier markets and launches attacks there. The bypass attack may be launched in three ways. **First**, the attacker may develop unrelated products and launch them into the market. **Second**, he may

concentrate into new geographical areas not reached by his opponents. **Third**, he may decide to jump over the backs of others - the leapfrogging - capitalizing the new technology. This will help him to capture the market by an improved product that will replace the old one. This strategy may be successfully pursued by the firms in the high-technology business. Here the challenger engages himself heavily in Research and Development activities to come up with an improved product. This helps him to avoid direct/frontal attack which is often very costly.

- **Guerrilla Attack Strategy:** In the guerrilla attack the firm decides to attack his opponents on a small scale quite frequently, suddenly, and on different fronts. Such attacks demoralizes his opponents since they are likely to loose in the battle. Frequent defeats harasses the opponents and ultimately their motivations fall. It will help the attacker to make a more or less permanent position on the opponents' territories. Firms decide to go for guerrilla attack may use both conventional and unconventional competitive weapons in their attacks. They may either go for price cuts, promotion offering special inducements, coupons, or premiums, product improvements or modification, wider distribution, legal attacks and so on.

*In the guerrilla attack strategy, opponents are demoralized and they are likely to loose in the battle.*

The smaller firms are neither in a position to go for frontal attacks nor launch the flank attacks. It is, therefore, advisable for the smaller firms to launch guerrilla attacks against their giant competitors. Smaller firms may decide to launch a series of price as well as promotional attacks in different territories of their large opponents. The attacks could be a few heavy ones or frequent minor ones. This will no doubt weaken the morale of the opponents and he can easily penetrate the market of them taking this advantage. The guerilla attack to be successful, must be a well thought one and backed by stronger attacks if opponents react instantly and aggressively.

### The Specific Attack Strategies

You know by this time the general strategies available to a firm. These are too broad in terms of their resource involvement and coverage. Market challenger should therefore select the specific attack strategies that he may launch. He should, first of all, identify and choose a number of specific attack strategies to be pursued and then combine those into an integrated one. Such a move will definitely bring considerable fruit to him in terms of long-run success. There are quite a few specific attack strategies from which the market challenger may choose ones that best suit his need and ability. The alternative specific attack strategies are discussed below.

- **A Price-Discount Strategy:** The very name suggests that the challenger here offers his product at a lower price than his competitors' prices. In order to be successful, four conditions must be met. **First**, the firm must offer a comparable product. **Second**, market must be convinced of the comparability of the offer. **Third**, the

offer should be made to a price sensitive market. **Fourth**, the market leader does not react to such offer by the challenger. A price-discount strategy will only be a successful one if the above four conditions prevail.

- **A Cheaper-Goods Strategy:** If a firm decides to pursue this strategy, it may offer an average or low-quality product at lower price. If the majority of the buyers look at price only, not the quality or features of the product, this strategy will succeed. This is again could be a risky strategy to be pursued. There are firms in the particular business who will be willing to offer much cheaper products. To get rid of this problem, the challenger pursuing this strategy should try to improve its product quality but charge the previous price.
- **A Prestige-Goods Strategy :** This is quite a different strategy than the previous ones. Here the attacker launches a superior quality product compared to the market leader. The price that he charges is also higher than the leader. The challenger continues charging the higher price for quite some time and gradually reduces the price as he captures a sizeable portion of the market.
- **A Product-Proliferation Strategy :** Under this strategy the challenger develops a larger variety of the existing product. The availability of larger variety gives buyers a range of options from which they can select desired ones. Attacking the leader by this way is termed as a product-proliferation attack.
- **A Product-Innovation Strategy :** Here the challenger adds new innovative feature/s to the existing product or develops a new innovative product and offers that to the market with the aim of attacking the market leader.
- **An Improved-Services Strategy :** Marketers of tangible products offer services as well with their products. A market challenger can bring changes in the services offered by him to make his product more competitive. Free delivery, return, replacement, free installation, free accessory etc., are some of the usual services offered by the marketers. The market leader can be attacked in this line by offering more lucrative services.
- **A Distribution-Innovation Strategy :** Bringing innovation in product's distribution can also give the challenger a competitive advantage. There has been lot of developments in the field of distribution. By bringing further innovation in product's distribution, the challenger can attack the leader very successfully. Providing tele - shopping or electronic shopping facilities to customers could be an example of distribution-innovation strategy.
- **A Manufacturing-Cost-Reduction Strategy :** Manufacturing costs can be reduced by taking several measures. If manufacturing costs can be kept at minimum level, the product can be offered to the

market at a very competitive price. This will obviously help the firm to cover greater portion of the total market. The production costs can be minimized by efficient purchases, keeping wages and salaries at an optimum level, owning efficient production equipment and so on.

- ***An Intensive Advertising Promotion Strategy*** : There is no substitute to an aggressive advertising and promotion in this age of extreme competition. The challenger may decide to attack the leader by spending heavily on advertising and promotion. In order to be successful in such an attack, the advertisement should be outstanding to get rid of the commercial clutter problem, and the product should be of superior quality.

As we have mention earlier, the market challenger should first identify the alternative specific attack strategies and then combine the ones that will yield him most return. Mere reliance on one specific attack strategy will not bring desired level of return for the firm. In selecting which strategies to be combined, the firm must take into account its objectives, resources, as well as strengths.

### Questions for Review

1. The challenging firms that fail penetrating the leader's areas become–
  - a. Market followers
  - b. Market leaders
  - c. Market nichers
  - d. None of the above.
2. Challengers are found mostly in industries experiencing –
  - a. High fixed costs
  - b. High inventory costs
  - c. Stagnant primary demand
  - d. All of the above.
3. Before deciding on the attack strategies to be pursued, a challenger firm must, first of all –
  - a. Select the opponent(s) to be attacked
  - b. Define his strategic objective
  - c. Both a & b
  - d. None of the above.
4. If the firm decides to attack the market leader, its objective should be–
  - a. To wipe out the leader from market
  - b. To serve small market segments not served by the market followers
  - c. To capture a portion of the leader
  - d. Both a & b.
5. Which of the following is a General Attack Strategy?
  - a. Frontal attack
  - b. Guerrilla attack
  - c. Flank attack
  - d. All of the above.
6. Frontal attack is the strategy where the firm launches –
  - a. Sudden attack against the opponent
  - b. Direct attack against the opponent
  - c. Both a & b
  - d. None of the above.
7. Which of the following is an approach used in a modified attack strategy?
  - a. Offering product similar to the leader in all respect except price
  - b. Do everything possible to cut down production costs
  - c. Both a & b
  - d. None of the above.

8. To launch a geographic flank attack, the challenger should, first of all identify –
  - a. The geographic areas where his opponents are performing poor
  - b. The geographic areas where his opponents are operating for long
  - c. The geographic areas where his opponents have entered recently
  - d. The geographic areas which his opponents have decided to leave.
  
9. In the encirclement attack, a firm decides to attack his opponents –
  - a. Suddenly
  - b. Suddenly and simultaneously on all fronts
  - c. Simultaneously on all fronts
  - d. None of the above.
  
10. In the bypass attack the attacker avoids his opponents –
  - a. On direct fronts
  - b. On all fronts
  - c. Both a & b
  - d. None of the above.
  
11. In the guerrilla attack the firm decides to attack his opponents –
  - a. On a small scale quite frequently
  - b. Suddenly
  - c. On different fronts
  - d. All of the above.
  
12. Which of the following is a condition that must be met for a price discount strategy to be successful?
  - a. The firm must offer a comparable product
  - b. Market must be convinced of the comparability of the offer
  - c. The offer should be made to a price sensitive market
  - d. All of the above.
  
13. How would you decide on the attack strategies to be pursued by the market challenger? Discuss critically the general attack strategies available to a firm.
  
14. Why the market challenger needs to be aware of the specific attack strategies? How would you decide which attack strategies should be launched by a market challenger. Discuss in the light of advantages and disadvantages of each of the specific attack strategy.

### Answers

1. a, 2. d, 3. b, 4. c, 5. d, 6. b, 7. c, 8. a, 9. b,  
10. a, 11. d, 12. d.



## Lesson - 3 : Market Follower and Nicher Strategies

### Objectives of this lesson

After reading this lesson, you will be able to:

- Comprehend the concepts of product innovation and imitation
- Know what precautions the follower should take before deciding to attack the market leader
- Ascertain the reasons for pursuing the follower-ship strategy
- List and explain different follower-ship strategies
- Understand market nicher strategies
- Know how to find and describe product market niches
- Describe the criteria used to identify market niches
- Understand how to form niches
- Explain different specialist roles that are open to nichers.

### The Concept of Product Innovation and Imitation

*Innovation means bring-ing a change by introducing something new.*

Product innovation provides one basis on which a marketer can appeal to selective buying motives. Innovation means bringing a change by introducing something new. A product can be termed as an innovated one if any significant basis exists for distinguishing it from other sellers' products in the similar line. Innovation requires huge investment in research and development as well as informing the market of the product's existence and its distribution. If the innovator firm fails to take the market leadership he bears the risk of such a big investment in terms of money and other resources. Contemporary marketing practices show that innovations are immediately copied by the competitors. Firm copying the new innovative product is called an imitator. The main advantage of the imitator is that he does not need to spend substantial amount of money in research, development, awareness, education, and distribution. The imitator as a result can offer the same product at a lower price than the innovator. He thus makes more sale and more profit in a reasonably short period of time.

### Precautions the Follower Should Take Before Deciding to Attack the Market Leader

It is now a common practice in the field of marketing to follow the leader than challenging him. While deciding to follow the leader, the follower should keep in mind that the leader will not let this go unchallenged. If the follower offers lower price, the leader may cut price further. The leader may also diffuse the attack by improving his services further or by offering additional features in his product. The reason for such assertion is that the leader is likely to be in a stronger position on different fronts

compared to the followers. It is therefore advisable to the follower to give a serious thought before deciding to go for a battle with the leader because an ill thought attack may put the firm into jeopardy. If the firm is convinced of that it cannot sustain an attack against the leader, it is always better to follow the leader than to attack him. To sustain an attack, the firm should launch a preemptive attack (discussed in lesson 1 of this unit).

### Reasons for Pursuing Follower-Ship Strategy

The follower-ship strategy is found to be practiced more in industries requiring huge capital and producing homogeneous product. There are several reasons for such a practice. Firms producing homogeneous or generic products find it difficult to ensure discrimination among their products on the part of the consumers. Moreover, the quality of products of different firms are more or less similar and as a result customers are likely to generalize the competing offers. In addition, customers in this category are likely to be very price sensitive. Price activities of firms in such an industry could be suicidal for each of the participating firm in the long run. Though, in the short-run, a firm can gain by price cuts, but in the long-run it will lose the market share by a similar counter attack by other firms which is inevitable. Firms should, therefore decide, not to engage in wars against each other, rather they go for following the market leader by imitating his offer.

*The follower-ship strategy is found to be practiced more in industries requiring huge capital and producing homogeneous product.*

### Alternative Follower-ship Strategies

From the discussion above you may form an idea that the market followers do not have any option with regards to launching attack. This is not true. He has also, at his disposal, a number of attack strategies that he may launch. Before deciding on a particular attack strategy to be launched, the follower should develop mechanisms of retaining existing customers as well as attracting new market segments. He can ensure these by offering something different to his target customers. He can either offer better services, extend distribution networks, offer credit facilities and so on. He should also keep on trying to lower his production costs and improve the quality of his product as well as penetrating new and emerging market segments. Though the follower follows the market leader, there is no reason to believe that he always remain passive or follows the leader although. In order to ensure his long-run survival he should define his growth path. While defining the growth path he should be careful about competitive reaction. The growth path should be defined in such a way that discourages his competitors to react. In the following few paragraphs we shall take up discussion on different alternative follower-ship strategies:

**Strategy - 1 (Counterfeiter)** : A counterfeiter strategy is that where the firm imitates the leader's product as well as packaging. The distribution, of course, takes place in different path. The firm duplicating the product sells it either through the black market or through the dealers who lack

*A counterfeiter strategy is that where the firm imitates the leader's product as well as packaging.*

reputation. This is a normal practice here in Bangladesh. You will find lot of companies duplicating and marketing reputable products.



**Activity :**

Find out a counterfeiter of a consumer good and identify the ways in which it duplicates the leader's product in that category. Also explore the distribution mechanism followed by him.

**Strategy- 2 (Cloner) :** The cloning strategy is one where the firm copies the leader's product in all respect from features, varieties, packaging, distribution, and promotion. The only difference may be found in name though it closely resembles the leader's name. Vim for example, is a well establish washing powder used to clean utensils. But, another product named Vima is marketed imitating name and packaging.



**Activity :**

Identify 5 cloners in the consumer goods category here in Bangladesh. List the similarity between the leaders' and the cloners' products. Show how they affect the leader.

**Strategy- 3(Imitator) :** Imitation is another strategy pursued by the market follower. This is unlike the first two discussed before. Here the firm partially copies the leader. He differentiates his product with that of the leader's one in terms of price, packaging, advertising and couple of other aspects. Imitation at times makes the market environment healthy by creating a situation that checks monopoly.

**Strategy - 4 (Adapter) :** In this strategy the market follower adapts his product with the leader's product. The adaptation may take in the line of pricing, design, performance and so on. The adapter sometimes tries to improve his product from that of the leader. The adapter also avoids the conflict with the leader by taking his product to other parts of the market not served or neglected by the leader.

Pursuing market follower-ship though helps the firm save lot of money on research and development, but it always does not yield a satisfactory level of return/profit to the firm. The leader always will try to hold his position and do everything possible to wipe out others from the market. This may put the follower company in great trouble. It is therefore advisable to give a second thought before deciding to pursue a follower-ship strategy.

### **Market Nicher Strategies**

A niche is a small market whose needs are not being well served by the existing products. A niche may be identified by dividing a segment into sub-segments or by defining a group with a different set of characteristics who may look for a special combination of benefits of attributes in the product. Some firms find it profitable to identify and serve the special unmet needs of small market segments (niche). They can thus avoid direct confrontation with the market leader by focusing on areas not targeted by

the leader. Using the niche strategy one assumes that people or organizations within a product market will vary as to their responsiveness to any marketing program. The objective is to identify two or more subgroups within the product market so that the people or organizations comprising each subgroup will respond similarly to a marketing offer designed to meet their particular needs. The following steps are involved in selecting a niche are :

***Step:1- Decide how to form niches in the product market.***

***Step:2 - Describe the people/organizations in each niche.***

***Step:3 - Evaluate target market alternatives.***

***Step:4 - Select a target market strategy.***

A niche strategy can be implemented by going after a single niche or by designing a separate marketing program for each of two or more niches. Thus, it would be possible for a firm to go after all of the people or organizations in a product market by designing a completely different marketing program for each niche, or by differentiating in some way the programs aimed at each niche.

Companies often appeal to only a portion of the people or organizations in a product market. Management may identify one or more specific niches for the company to serve. Alternatively, although no specific niche strategy has been formulated, the marketing program selected by the company will position it in a product market in a way that the firm appeals to a particular subgroup within the total market. Finding a niche by chance does not provide management the opportunity of evaluating different niches in terms of the revenue and cost implications associated with each. When a niche strategy is launched it should be by design and the underlying analysis should lead to selection of at least, a promising target opportunity. A niche strategy may be appropriate if buyers' needs and wants in a particular product market are quite different.

Following a niche strategy, a firm may decide to serve more than one niche. A few niches may be selected or a company may move toward more intensive coverage of the product market. The idea would be to aim a specific marketing effort at each niche that management may choose to serve.

### **Finding and Describing Product Market Niches**

By using a niche strategy, a company may gain worthwhile advantages over a mass approach. Advantages include higher profitability and strength over competition through more effective use of the firm's capabilities and limited resources. By selecting niches, management can gain greater customer responsiveness from effort expended than if the firm directs the same marketing effort to all people or organizations in the market. Management must somehow identify possible niches and then, for each niche of interest, determine which marketing program will obtain the

most favorable profit contribution net of marketing costs. Since there are many ways to divide a market and several marketing program combinations that might be used for each niche, finding the optimal target market and marketing program strategy is probably impossible.

### **Criteria Used to Identify Market Niches**

Since there are many ways to form market niches, how does the manager make choice? We need a basis for evaluating the worth of a particular scheme. There are five criteria that are useful for this purpose. The *first* concerns the responsiveness of people in the market to marketing program efforts. Suppose that we have somehow divided the people in a product market into four groups, each a potential segment. If little or no variation exists between the four groups, then the way they respond (e.g., amount, frequency of purchase) to any given marketing program strategy will be the same. If four (or any) segments actually exist in this illustration, a different marketing program strategy will work best for each group. Management may simply feel, based on experience and judgement, that response differences exist and that the basis used for dividing the market “( e.g., age, income, etc.) will separate people or organizations into similar response categories. To substantiate the existence of real niches requires supporting evidence of actual response differences. After meeting the first condition, the other requirements come into play. *Second*, it must be feasible to identify two or more different customer groups and, *third*, a firm must be able to aim an appropriate marketing program strategy at each target segment. Fourth, in terms of revenues generated and costs incurred, segmentation must be worth doing. *Finally*, the segments must exhibit adequate stability over time so that the firm’s efforts via segmentation will have enough time to reach desired levels of performance.

If you fail completely to meet the five requirements mentioned above, use of a niche strategy is questionable. For example, if a niche scheme does not identify groups, each exhibiting similar responsiveness within and variation between groups, then dividing the market is of doubtful value. The ultimate criterion, of course, is performance. If a niche scheme leads to improved performance in a market, then it is worthwhile.

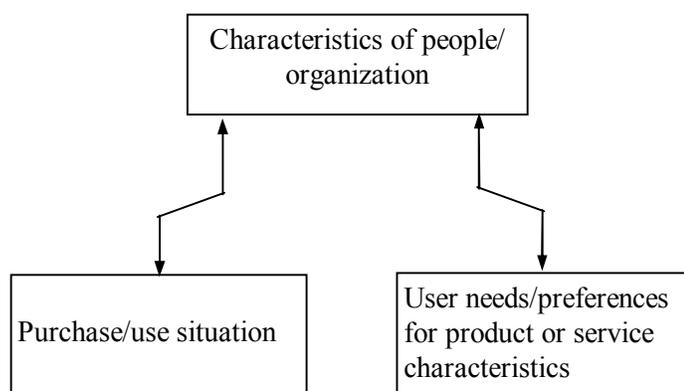
**Forming Niches :** In deciding how to form niches, there are two important issues to be considered which are as follows:

- *Should niches be formed by aggregating individuals or organizations using a grouping approach or should this be done by breaking apart a product market?*
- *What factor(s) should be used to define niches.*

With regard to the first issue, either approach can be used although following a disaggregating procedure requires that there be an established product market structure. Turning to the second issue, there are many possible factors that can be used to divide a product market into niches,

although the factors fall into the three categories. You can see the factors in the following figure. Depending upon the situation, a single factor or a combination may be used to identify niches. The important question is deciding upon the appropriate factor to use in establishing sub groups within a product market.

**Figure– 8.3 : Showing the Factors Used to Divide a Market into Niches**



**Niche Specialization :** In order to be successful in nichemanship a firm should be guided by the concept of specialization. There are quite a few specialist roles one of which may be played by a firm in order to be successful in nichemanship. The specialist roles are discussed below:

- **End-User Specialist Role :** The market today is highly competitive in all aspects. It is therefore difficult for a firm to serve all parts of the market better and in a competitive manner. Some firms therefore go for identifying the specific needs of the ultimate or end users and develop their product and marketing programs that best suit this customer group. A professional training firm, thus may specialize on providing sales training, customer care training, promotional planning and so on.
- **Vertical–Level Specialist Role :** Vertical-level specialization calls for specializing on one or more vertical level of production or distribution. The company may only decide to sell retail thus planning vertical specialist role in distribution.
- **Customer-Size Specialist Role :** By customer-size specialist means concentrating on a particular customer size group. A firm may decide to sell to small, medium or large size clients. It is a common practice in niche marketing to concentrate on small customer group. The reason is that the large firms usually neglect small customers. Thus, a firm taking care of this group can reap the benefit out of it and develop a strong brand loyal customer group.
- **Specific-Customer Specialist Role :** A firm playing specific-

customer specialist role sells to only one or few customers the entire output of it. This guarantees the selling of a firm's product and it can comfortably schedule its production and marketing activities.

- ***Geographic Specialist Role*** : A firm may also decide to sell its product in a particular locality, territory, district, or division. In the context of Bangladesh, you will find many firms playing geographic specialist role. Some of the cigarette manufacturing companies in this country are found to specialize geographically.
- ***Product or Product-Line Specialist Role*** : Here firm decides to produce only one product or a particular line of product. A food products manufacturing company may decide to produce only mango pickle (product), or whole range of pickles (product-line).
- ***Product-Feature Specialist Role*** : Here the firm concentrates on a particular feature (s) of a product and want to take a lead on it. A toiletries product manufacturer for specialize on producing anti-dandruff shampoo.
- ***Job-Shop Specialist Role*** : This is practiced most in the computer software business. The firm deciding to play job-shop specialist role may develop and sell customized software meeting the very specific need of the individual customer.
- ***Quality / Price Specialist Role*** : Here the firm either decides to produce and sell high quality-high price product or low quality-low price product. Both of the options can yield satisfactory revenue to the firm since both of them attract customers.
- ***Service Specialist Role*** : Every marketer of tangible products now add services to their product to make them lucrative to buyers. A firm deciding to specialize on service may find one not provided by the competing firms and add that to its product.

After an acceptable niche specialist role is adopted and the people in each niche are described, evaluation of each niche of interest to the firm should follow. A firm following a niche strategy should know that a particular niche may become sour at time. It should, therefore, look at other niche to serve, and this should be a continuous process. It is also advisable to pursue multiple niching strategy instead of single niching.

### Questions for Review

1. Innovation means –
  - a. Destroying the old by bringing something uncommon
  - b. Bringing a change by introducing something new
  - c. Replacing the existing one
  - d. None of the above.
  
2. Firms copying the new innovative product is called –
  - a. An imitator
  - b. A pirate
  - c. A nicher
  - d. A challenger.
  
3. The main advantage of the imitator is that he does not need to spend substantial amount of money in –
  - a. Research and development
  - b. Awareness and education
  - c. Distribution
  - d. All of the above.
  
4. To sustain an attack, the follower firm should launch a –
  - a. Head-to-head attack
  - b. Guerrilla attack
  - c. Preemptive attack
  - d. Flank attack.
  
5. The followership strategy is found to be practiced more in industries –
  - a. Requiring huge capital and producing heterogeneous product
  - b. Requiring huge capital and producing homogeneous product
  - c. Requiring hi-tech
  - d. Producing shopping goods.
  
6. A counterfeiter strategy is that where the firm imitates –
  - a. The leader's price
  - b. The leader's product
  - c. The leader's product as well as packaging
  - d. None of the above.
  
7. The cloning strategy is one where the firm copies the leader's product in –
  - a. All respect from features, varieties, packaging, distribution, and promotion
  - b. Features and varieties
  - c. Packaging
  - d. Distribution, and promotion

8. Which of the following is a step involved in selecting a niche?
  - a. Decide how to form niches in the product market
  - b. Describe the people/organizations in each niche
  - c. Evaluate target market alternatives
  - d. All of the above.
  
9. Which of the following is a criterion used to identify market niches?
  - a. Responsiveness of people in the market to marketing program efforts
  - b. Ability to aim an appropriate marketing program strategy at each target segment
  - c. Both a & b
  - d. None of the above.
  
10. Which of the following is an important issue considered in forming a niche?
  - a. Should niches be formed by aggregating individuals or organizations using a grouping approach or should this be done by breaking apart a product market?
  - b. What factor/s should be used to define niches?
  - c. Both a & b
  - d. None of the above.
  
11. Vertical-level specialization calls for specializing –
  - a. On a small scale quite frequently
  - b. On one or more vertical level of production or distribution
  - c. On different fronts
  - d. All of the above.
  
12. A firm playing specific-customer specialist role sells its entire output to –
  - a. Only one or few customers
  - b. Only two large customers
  - c. The mass market
  - d. None of the above.
  
13. Job-shop specialist role is practiced most in the -
  - a. Publication business
  - b. Communication business
  - c. Computer software business
  - d. None of the above.

14. Define the concepts of product innovation and imitation. Mention the precautions the follower should take before deciding to attack the market leader. Show the reasons of pursuing the followership strategy.
15. Explain different followership strategies. Describe the criteria used to identify market niches.

**Answers**

1. b, 2. a, 3. d, 4. c, 5. b, 6. c, 7. a, 8. d, 9. c,  
10. c, 11. b, 12. a, 13. c.

