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Market Strategies

Three women and a goose make a marketplace.

ITALIAN PROVERB

In the final analysis, all business strategies must be justified by the availability of a viable market. When there is no viable market, even the best strategy will flop. In addition, the development of marketing strategies for each business should be realistically tied to the target market. Because the market should be the focus of successful marketing, strategies aligned to the market point the way for each present business, serve as underpinnings for overall corporate-wide strategy, and provide direction for programming key activities and projects in all functional areas.

When corporate resources are scarce and corporate strengths are limited, it is fatal to spread them across too many markets. Rather, these critical resources should be concentrated on those key markets (key in terms of type of market, geographic location, time of entry, and commitment) that are decisive for the business's success. Merely allocating resources in the same way that other firms do yields no competitive differential. If, however, it can be discovered which markets really hold potential, the business will be able to lever itself into a position of relative competitive superiority.

This chapter will identify different aspects of market strategies that companies commonly pursue and will analyze their impact on performance vis-à-vis SBU objectives. The use of these strategies will be illustrated with examples from the marketing literature. The appendix at the end of this chapter will summarize each strategy in terms of definition, objectives, requirements, and expected results.

DIMENSIONS OF MARKET STRATEGIES

Market strategies deal with the perspectives of markets to be served. These perspectives can be determined in different ways. For example, a company may serve an entire market or dissect it into key segments on which to concentrate its major effort. Thus, market scope is one aspect of market strategy. The geographic dimensions of a market constitute another aspect: a company may focus on a local, regional, national, or international market. Another strategic variable is the time of entry into a market. A company may be the first, among the first few, or among the last to enter a market. Commitment to a market is still another aspect of market strategy. This commitment can be to achieve market dominance, to become a major factor in the market, or merely to play a minor role in it. Finally, a company may intentionally decide to dilute a part of its market as a matter of strategy. Briefly, then, the following constitute the major market strategies that a company may pursue:

- Market-scope strategy
- Market-geography strategy
- Market-entry strategy
- Market-commitment strategy
- Market-dilution strategy

MARKET-SCOPE STRATEGY

Market-scope strategy deals with the coverage of the market. A business unit may serve an entire market or concentrate on one or more of its parts. Three major alternatives in market-scope strategy are single-market strategy, multimarket strategy, and total-market strategy.

Single-Market Strategy

A variety of reasons may lead a company to concentrate its efforts on a single segment of a market. For example, in order to avoid confrontation with large competitors, a small company may find a unique niche in a market and devote its energies to serving this niche. Design and Manufacturing Corporation (D&M) is a classic example of a successful single-market strategy. In the late 1950s, Samuel Regenstrief studied the dishwasher market and found (a) high growth potential; (b) market domination by GE; and (c) absence of a manufacturer to supply large retailers, such as Sears, with their own private brand. These conclusions led him to enter the dishwasher market and to concentrate his efforts on a single segment: national retailers. The company has emerged as the largest producer of dishwashers in the world with over 25 percent of the U.S. market. A D&M executive describes the company's strategy in the following words: "Sam knew precisely what segment of the market he was going after; he hit it at exactly the right time; and he has set up a tightly run organization to take full advantage of these opportunities."[1]

The story of Tampax also illustrates the success of the single-market strategy. Tampax had a minimal share of a market dominated by Kimberly-Clark's Kotex and Personal Product's Modess. Tampax (in 1997 Procter & Gamble purchased this business) could not afford to compete head-on with these major brands. To sell its different concept of sanitary protection—internal protection—the company found that newer, younger users were more open-minded and very brand loyal. Starting from a premise that had great appeal for the young user, that internal protection offers greater freedom of action, Tampax concentrated on reaching young women. Its single-market strategy has proved to be highly beneficial.[2] Even today the company's advertising is scarcely distinguishable from the firm's first efforts.

In the competitive field of cosmetics, Noxell Corporation (a division of Procter & Gamble), marketer of the popular Noxzema and Cover Girl brands of makeup and skin cream, found success in a single segment of the $15-billion cosmetics industry that its rivals disdain: the mass market. Noxell's products are aimed primarily at teenagers and evoke the image of fresh-faced natural beauty. Widely distributed and heavily advertised, Noxell's brands are easily recognizable by their low price. Content to sell its products in chains such as Kmart and Wal-Mart, the company avoids more prestigious, but cutthroat, department and specialty store businesses. The determination to sell exclusively through mass merchandisers is based on Noxell's belief that distribution through department stores is unattractive: it requires leasing counter space, keeping large inventories on hand, and paying commissions to salespeople. Noxell's continued sales growth and healthy profit performance attest to the viability of concentrating on a single segment of the market.[3]

There is no magic formula for choosing a segment. A business should analyze the market carefully to find a segment that is currently being ignored or served inadequately. Then it should concentrate on the chosen segment wholeheartedly, despite initial difficulties, and avoid competition from the established firms.

New market segments often emerge as a result of changes in the environment. For example, the women's movement motivated Smith and Wesson Corp. to launch Lady Smith in 1989, a line of guns specifically designed for women. The result: sales to women jumped from 5 percent of the company's total to nearly 20 percent.[4] Despite the cutthroat competition from mass merchandisers such as Toys "R" Us, FAO Schwartz continues to successfully operate by targeting upscale children.

The single-market strategy consists of seeking out a market segment that larger competitors consider too small, too risky, or just plain unappealing. The strategy will not work in areas where the market power of big companies is important in realizing economies of scale, as in the extractive and process industries, for example. Companies concentrating on a single market have the advantage of being able to make quick responses to market opportunities and threats through appropriate changes in policies. The single-market, or niche, strategy is often born of necessity. Lacking the resources to fight head-to-head battles across the board with larger entrenched competitors, winners typically seek out niches that are too small to interest the giants or that can be captured and protected by sheer perseverance and by serving customers surpassingly well.

As far as the impact of the single-market strategy is concerned, it affects profitability in a positive direction. When effort is concentrated on a single market, particularly when competition is minimal, it is feasible to keep costs down while prices are kept high, thus earning substantially higher profits. Although its growth objective may not be achieved when this strategy is followed, a company may be able to increase its market share if the chosen segment is large enough vis-à-vis the overall market.

Multimarket Strategy

Instead of limiting business to one segment and thus putting all its eggs in one basket, a company may opt to serve several distinct segments. To implement a multimarket strategy successfully, it is necessary to choose those segments with which the company feels most comfortable and in which the company is able to avoid confronting companies that serve the entire market. This point may be illustrated with reference to Crown Cork and Seal Company. The company is a major producer of metal cans, crowns (bottle caps), closures (screw caps and bottle lids), and filling machinery for beer and soft drink cans. The industry is characterized by a really dynamic environment: technological breakthroughs, new concepts of packaging, new materials, and threats of self-manufacture by large users are common. Crown Cork and Seal, as a matter of strategy, decided to concentrate on two segments: (a) cans for such "hard-to-hold" products as beer and soft drinks and (b) aerosol containers. Its new strategy paid off. The company outperformed its competitors both in sales growth and in return on sales in the 1980s and 1990s. As it should with any strategic choice, the company fully committed itself to its strategy despite the lure of serving other segments. For example, in spite of its 50 percent share in the motor oil can business, Crown Cork decided not to continue to compete aggressively in that market.[5]

The multimarket strategy can be executed in one of two ways: either by selling different products in different segments or by distributing the same product in a number of segments. Toyota Motor Corporation, for example, introduced its Lexus line of cars in 1989. The car was directed toward luxury car buyers who traditionally had looked to BMW and Mercedes-Benz. Toyota entered a different segment with a different product. In recent years, outdoor sports (e.g,. biking, backpacking, and hiking) have experienced terrific growth. Counting on the continued strength of this outdoor trend, Timex Corporation decided to introduce a line of rugged watches. The company decided to license Timberland Co., a well-established name in outdoor products, to sell its watches under the brand name Timberland. The company has introduced as many as 82 styles to keep the competitors at bay.[6]

In contrast, North Face, Inc., the leader in high-performance outdoor clothing, decided to broaden its market base by extending the business to the casual sportswear market. The company plans to increase the number of stores selling North Face after 2001 from 1,500 specialty stores up to 4,000 retailers, including such stores as Nordstrom and Footlocker.[7]

Total-Market Strategy

A company using the total-market strategy serves an entire spectrum of a market by selling different products directed toward different segments of the market. The strategy evolves over a great number of years of operation. A company may start with a single product. As the market grows and as different segments emerge, leading competitors may attempt to compete in all segments by employing different combinations of product, price, promotion, and distribution strategies. These dominant companies may also attempt to enter new segments as they emerge. As a matter of fact, the leading companies may themselves create new segments and try to control them from the outset.

A number of companies in different industries have followed this strategy. General Motors, for one, has traditionally directed its effort to securing an entire market: "A car for every pocket and taste." With its five auto lines (Chevrolet, Pontiac, Oldsmobile, Buick, and Cadillac), along with a variety of small trucks, the company attempts to compete in all conceivable segments.

IBM now also follows an across-the-board strategy. It has a system for meeting the requirements of all types of customers. In the mid-1980s, as the personal computer segment emerged, IBM was somewhat slow to respond but finally developed a personal computer of its own. Similarly, in the consumer products area, the Coca-Cola Company has Coca-Cola, Diet Coke, Tab, Sprite, Fresca, and Fanta to satisfy different drinking tastes. The company even has a brand of orange juice, Minute Maid, for the segment of consumers who drink juice rather than carbonated beverages.

The total-market strategy is highly risky. For this reason, only a very small number of companies in an industry may follow it. Embracing an entire market requires top management commitment. In addition, a company needs ample resources to implement it. Finally, only companies in a strong financial position may find this strategy attractive. As a matter of fact, a deteriorating financial position may force a company to move backward from an across-the-board market strategy. Chrysler Corporation's financial woes in the 1990s led it to reduce the scope of its markets overseas at a time when experts were anticipating the emergence of a single global market. The total-market strategy can be highly rewarding in terms of achieving growth and market share, but it may or may not lead to increased profitability.

Seeking Changes in Market Scope

There are only limited periods during which the fit between the key requirements of a market and the particular competencies of a firm competing in that market is at an optimum. Companies should not, therefore, tie themselves to a particular market strategy permanently. Environmental shifts may necessitate a change in perspective from one period to another. Consider the American Express credit card. At one time, it had potent snob appeal meant for upscale customers. But as competition in the credit card business intensified, many American Express card holders exchanged their cards for others that required no annual fee and provided revolving credit at modest interest rates. This forced American Express to redefine its market. In 1994, it began offering a number of new cards, each one targeted at a different segment of the consumer market. Some cards bore the exclusive imprimatur of AmEx with annual fee waived, others shared billing with other companies that offered a range of enticements, such as frequent-flier miles and car discounts. All offered revolving credit at competitive rates. Where business travelers were once AmEx's preferred clientele, every creditworthy American was now being wooed. Similarly, Gerber Products long dominated the U.S. baby food market, but declining birth rates forced it to seek growth elsewhere. The company has been planning to introduce foods for older people. In the mid-1990s as microbrewers became popular, the industry leaders, Anheuser and Miller, decided to introduce their own specialty beers with the mystique of the micros. For example Anheuser-Busch added Redhook Ale, Red Wolf, Elk Mountain, and Crossroads; Miller offered Red Dog, Icehouse, and Celis; and Coors came out with Sandlot and George Killian. They did so since future industry growth is dependent on specialty beers. While the U.S. beer industry continues to stagnate, the specialty beers have been growing over 40% annually.[8]

The J.C. Penney Company, after 75 years of being identified as a retailer of private-label soft goods to price-conscious customers, decided in the 1980s to change the scope of its market. The company transformed itself so that it occupied a position between a traditional department store and a discount store (something along the lines of a moderately priced department store with emphasis on higher-priced fashion) in hard goods, housewares, and especially apparel. The company continues to upgrade and has successfully been able to attract more upscale customers.

Disney's emphasis on the 5- to 13-year-old age market has been a phenomenon in itself. During the 1960s, this segment continued to grow, providing the company with opportunities for expansion. In the 1970s, however, this segment shrank; it declined further in the 1980s, leading the company to change its strategic perspectives. It began serving the over-25 age group by making changes in its current offerings and by undertaking new projects: Epcot Center, Disney MGM Studios theme park, and a water park are all attached to Disney World in Florida.[9]

Briefly, then, markets are moving targets, and a company's strategic perspectives must change accordingly.

MARKET-GEOGRAPHY STRATEGY

Geography has long been used as a strategic variable in shaping market strategy. History provides many examples of how businesses started locally and gradually expanded nationally, even internationally. Automobiles, telephones, televisions, and jet aircraft have brought all parts of the country together so that distance ceases to be important, thus making geographic expansion an attractive choice when seeking growth.

Consider the case of Ponderosa System, a fast-food chain of steak houses (a division of Metromedia Steak Houses, Inc.). The company started in 1969 with four restaurants in Indiana. By 1970 it had added 10 more restaurants in Indiana and southern Ohio. At the end of 1994, there were almost 800 Ponderosa Steak Houses all over the country.

There are a variety of reasons for seeking geographic expansion: to achieve growth, reduce dependence on a small geographic base, use national advertising media, realize experience (i.e., economies of scale), utilize excess capacity, and guard against competitive inroads by moving into more distant regional markets. This section examines various alternatives of market-geography strategy. The purpose here is to highlight strategic issues that may dictate the choice of a geographic dimension in the context of market strategy.

Local-Market Strategy

In modern days, the relevance of local-market strategy may be limited to (a) retailers and (b) service organizations, such as airlines, banks, and medical centers. In many cases, the geographic dimensions of doing business are decided by law. For example, until recently, an airline needed permission from the Civil Aeronautics Board (which was dissolved in 1983 after the airline industry deregulation) to change the areas it could cover. By the same token, banks traditionally could only operate locally.

Of the 2 million retailers in the United States, about half have annual sales of less than $100,000. Presumably, these are all local operations. Even manufacturers may initially limit the distribution of new products to a local market. Local-market strategy enables a firm to prosper by serving customers in a narrow geographic area well. The strategy emphasizes personal service, which bigger rivals may shun.

Regional-Market Strategy

The regional scope of a business may vary from operations in two or three states to those spread over larger sections of the country: New England, the Southwest, the Midwest, or the West, for example. Regional expansion provides a good compromise between doing business locally and going national.

Regional expansion ensures that, if business in one city is depressed, favorable conditions prevailing in other regions allow the overall business to remain satisfactory. In the 1980s, Marshall Field, the Chicago-based department store (now a division of Dayton-Hudson Company), found itself pummeled by recent demographic and competitive trends in that city. Therefore, it decided to expand into new regions in the South and West. This way it could lessen its concentration in the Midwest and expand into areas where growth was expected.

Further, it is culturally easier to handle a region than an entire country. The logistics of conducting business regionally are also much simpler. As a matter of fact, many companies prefer to limit themselves to a region in order to avoid competition and to keep control centralized. Regional-market strategy allows companies to address America's diversity by dividing the country into well-defined geographic areas, choosing one or more areas to serve, and formulating a unique marketing mix to serve each region. The point may be illustrated with reference to D.A. Davidson & Company, a regional brokerage firm based in Great Falls, Montana. While large brokerage houses, such as Merrill Lynch and Smith Barney, invest the bulk of their research dollars following large, well-established corporations, regional firms mainly concentrate on local companies.[10] This helps in establishing a long-term relation such that when these companies need financial guidance, they turn to the firm that understands them.

Many businesses continue to operate successfully on a regional scale. The following large grocery chains, for example, are regional in character: Safeway in the West, Kroger in the Midwest, and Stop & Shop in the East. Regional expansion of a business helps achieve growth and, to an extent, gains market share. Simply expanding a business regionally, however, may or may not affect profitability.

Geographic expansion of a business to a region may become necessary either to achieve growth or to keep up with a competitor. For example, a small pizza chain with about 30 restaurants in an Ohio metropolitan area had to expand its territory when Pizza Hut started to compete aggressively with it.

At times, a regional strategy is much more desirable than going national. A company operating nationally may do a major portion of its business in one region, with the remainder spread over the rest of the country, or it may find it much more profitable to concentrate its effort in a region where it is most successful and divest itself of its business elsewhere.

National-Market Strategy

Going from a regional to a national market presumably opens up opportunities for growth. This may be illustrated with reference to Borden, Inc. A dairy business by tradition, in the 1980s Borden decided to become a major player in the snack food arena. It acquired seven regional companies, among them Snacktime, Jays, and Laura Scudder's, to compete nationally, to grow, and to provide stiffer competition for PepsiCo's Frito-Lay division.

It was the prospect of growth that influenced the Radisson Hotel Corporation of Minneapolis to go national and to become a major competitor in the hotel business. Radisson decided to move into prime "gateway" markets—New York, Los Angeles, Boston, Chicago, and San Francisco—where it could compete against such giants as Marriott and Hyatt.

In some cases, the profit economics of an industry requires going national. For example, success in the beer industry today demands huge advertising outlays, new product introductions (e.g., light beer), production efficiencies, and wide distribution. These characteristics forced Adolph Coors to go national.

Going national, however, is far from easy. Each year a number of products enter the market, hoping eventually to become national brands. Ultimately, however, only a small percentage of them hit the national market; a still smaller percentage succeed.

A national-market strategy requires top management commitment because a large initial investment is needed for promotion and distribution. This requirement makes it easier for large companies to introduce new brands nationally, partly because they have the resources and are in the position to take the risk and partly because a new brand can be sheltered under the umbrella of a successful brand. For example, a new product introduced under GE's name has a better chance of succeeding than one introduced by an unknown company.

To implement a national-market strategy successfully, a company needs to institute proper controls to make sure that things are satisfactory in different regions. Where controls are lacking, competitors, especially regional ones, may find it easy to break in. If that situation comes about, the company may find itself losing business in region after region. Still, a properly implemented national-market strategy can go a long way in providing growth, market share, and profitability.

International-Market Strategy

A number of corporations have adopted international-market postures. The Singer Company, for example, has been operating overseas for a long time. The international-market strategy became a popular method for achieving growth objectives among large corporations in the post-World War II period.

In its attempts to reconstruct war-torn economies, the U.S. government provided financial assistance to European countries through the Marshall Plan. Because the postwar American economy emerged as the strongest in the world, its economic assistance programs, in the absence of competition, stimulated extensive corporate development of international strategies.

At the end of 1996, according to a U.S. Department of Commerce report, U.S. direct investment abroad was estimated at $716 billion, up from $450 billion in 1993. About 70 percent of U.S. investment overseas has traditionally been in developed countries. However, as many developing countries gained political freedom after World War II, their governments also sought U.S. help to modernize their economies and to improve their living standards. Thus, developing countries have provided additional investment opportunities for U.S. corporations, especially in more politically stable countries. It is interesting, however, that although for cultural, political, and economic reasons more viable opportunities were found in Western Europe, Canada, and, to a lesser extent, Japan, developing countries provided a better return on direct U.S. investment. For example, in 1996 developing countries accounted for about 40 percent of income but less than 30 percent of investment.[11]

In recent years, overseas business has become a matter of necessity from the viewpoint of both U.S. corporations and the U.S. government. The increased competition facing many industries, resulting from the saturation of markets and competitive threats from overseas corporations doing business domestically, has forced U.S. corporations to look to overseas markets. At the same time, the unfavorable balance of trade, partly due to increasing energy imports, has made the need to expand exports a matter of vital national interest. Thus, although in the 1950s and 1960s international business was considered a means of capitalizing on a new opportunity, in today's changing economic environment it has become a matter of survival.

Generally speaking, international markets provide additional opportunities over and above domestic markets. In some cases, however, a company may find the international market an alternative to the domestic market. Massey-Ferguson decided long ago to concentrate on sales outside of North America rather than compete with powerful U.S. farm equipment producers. Massey's entire organization, including engineering, research, and production, is geared to market changes overseas. It has learned to live with the instability of foreign markets and to put millions of dollars into building its worldwide manufacturing and marketing networks. The payoff for the company from its emphasis on the international market has been encouraging. The company continues to outperform both Deere and International Harvester. Similarly, the Colgate-Palmolive Company has flourished through concentration in markets abroad despite tough competitors, i.e., Procter & Gamble and Unilever, at home.

With the world's biggest private inventory of commercial softwood, Weyerhaeuser has been able to build an enviable export business—a market its competitors have virtually ignored until recently. This focus has given Weyerhaeuser a unique advantage in a rapidly changing world market. Consumption of forest products overseas in the 1990s has been increasing at double the domestic rate of 2 to 3 percent annually. Future prospects overseas continue to be attractive. Particularly dramatic growth is expected in the Pacific Basin, which Weyerhaeuser is ideally located to serve. Moreover, dwindling timber supplies and high oil costs are putting European and Japanese producers at an increasing disadvantage even in their own markets, creating a vacuum that North American producers are now rushing to fill. With a product mix already heavily weighted toward export commodities and with unmatched access to deep-water ports, Weyerhaeuser is far ahead of its competitors in what is shaping up to be an export boom in U.S. forest products. Exports, which in 1998 accounted for 40 percent of Weyerhaeuser's sales and an even higher percentage of its profits, could account for fully half of the company's total revenues by the year 2000.[12]

Other Dimensions of Market-Geography Strategy

A company may be regional or national in character, yet it may not cover its entire trading area. These gaps in the market provide another opportunity for growth. For example, the Southland Corporation has traditionally avoided putting its 7-Eleven stores (now a division of the Yokado Group of Japan) in downtown areas. About 6,500 of these stores in suburban areas provide it with more than $2 billion in sales. A few years ago, the company opened a store at 34th and Lexington in New York City, signaling the beginning of a major drive into the last of the U.S. markets that 7-Eleven had not yet tapped. Similarly, Hyatt Corp. has hotels in all major cities but not in all resort and suburban areas. To continue to grow, this is the gap the company plans to fill in the 1990s.

Gaps in the market are left unfilled either because certain markets do not initially promise sufficient potential or because local competition appears too strong to confront. However, a corporation may later find that these markets are easy to tap if it consolidates its position in other markets or if changes in the environment create favorable conditions.

MARKET-ENTRY STRATEGY

Market-entry strategy refers to the timing of market entry. Basically, there are three market-entry options from which a company can choose: (a) be first in the market, (b) be among the early entrants, or (c) be a laggard. The importance of the time of entry can be illustrated with reference to computers. Experience has shown that if new product lines are acceptable to users and if their impact is properly controlled through pricing and contractual arrangements, sales of an older line can be stimulated. Customers are more content to upgrade within the current product line if they know that a more advanced machine is available whenever they need it. A successful introduction, therefore, requires that the right product is announced at the right time. If it is announced too early, the manufacturer will suffer a drop in revenues and will lose customers to the competition.

First-In Strategy

To be the first in the market with a product provides definite advantages. The company can create a lead for itself that others will find difficult to match. Following the experience curve concept, if the first entrant gains a respectable share of the market, across-the-board costs should go down by a fixed percentage every time experience doubles. This cost advantage can be passed on to customers in the form of lower prices. Thus, competitors will find it difficult to challenge the first entrant in a market because, in the absence of experience, their costs and hence their prices for a similar product will be higher. If the new introduction is protected by a patent, the first entrant has an additional advantage because it will have a virtual monopoly for the life of the patent.

The success story of Kinder-Care Learning Centers illustrates the significance of being first in the market. In 1968 a real estate developer, Perry Mendel, had an idea that many people thought was outrageous, impractical, and probably immoral. He wanted to create a chain of child care centers, and he wanted to use the same techniques of standardization that he had seen work for motels and fast-food chains. Convinced that the number of women working outside the home would continue to increase, Mendel started Kinder-Care Learning Centers. In its brief history, the company has become a dominant force in the commercial child care industry.

The strategy to be the first, however, is not without risks. The first entrant must stay ahead of technology or risk being dethroned by competitors. Docutel Corporation provides an interesting case. This Dallas-based company was the first to introduce automated teller machines (ATMs) in the late 1960s. These machines made it possible for customers to withdraw cash from and make deposits to their savings and checking accounts at any time by pushing a few buttons. Docutel had virtually no competition until 1975, and as recently as 1976, the company had a 60 percent share of the market for ATMs. Then the downfall began. Market share fell to 20 percent in 1977 and to 8 percent in 1978. Docutel's fortunes changed because the company failed to maintain its technological lead. Its second-generation ATM failed miserably and thus made room for competitors. Diebold was the major beneficiary of Docutel's troubles: its share of the market jumped to 70 percent in 1978 from barely 15 percent in 1976. Although Docutel's comeback efforts have been encouraging, the company may never again occupy a dominant position in the ATM industry.

Similarly, Micro Instrumentation and Telemetry Systems invented the PC in the mid-1970s, but ceded market leadership to latecomers (such as Apple computers and IBM) that invested heavily to turn the PC into a mass-market product. Royal Crown was a pioneer in the consumer market for diet colas, a product that had previously been sold only to diabetics. However, PepsiCo and Coca-Cola were able to use their vast financial muscle in other parts of the cola market to crush Royal Crown, despite their late arrival. Indeed, it took Diet Coke only a year to establish market leadership after Coca-Cola launched it in 1983.[13]

A company whose strategy is to be the first in the market must stay ahead no matter what happens because the cost of yielding the first position to someone else later can be very high. Through heavy investment in promotion, the first entrant must create a primary demand for a product where none exists. Competitors will find it convenient to piggyback because by the time they enter the market, primary demand is already established. Thus, even if a company has been able to develop a new product for an entirely new need, it should carefully evaluate whether it has sufficient technological and marketing strength to command the market for a long time. Competitors will make every effort to break in, and if the first company is unsure of itself, it should wait. Apple Computer, for example, was the first company in the personal computer field. Despite its best efforts, it could not compete against IBM. The upstart company that always talked confrontation with IBM finally decided to play second fiddle. If properly implemented, however, the strategy to be first can be highly rewarding in terms of growth, market share, and profitability.

Early-Entry Strategy

Several firms may be working on the same track to develop a new product. When one introduces the product first, the remaining firms are forced into an early-entry strategy, whether they had planned to be first or had purposely waited for someone else to take the lead. If the early entry takes place on the heels of the first entry, there is usually a dogfight between the firms involved. By and large, the fight is between two firms, the leader and a strong follower (even though there may be several other followers). The reason for the fight is that both firms have worked hard on the new product, both aspire to be the first in the market, both have made a strong commitment to the product in terms of resources. In the final phases of their new-product development, if one of the firms introduces the product first, the other one must rush to the market right away to prevent the first company from creating a stronghold. Ultimately, the competitor with a superior marketing strategy in terms of positioning, product, price, promotion, and distribution comes out ahead.

After the first two firms find their natural positions in the market and the market launches itself on a growth course, other entrants may follow. These firms exist on the growth wave of the market and exit as the market matures.

When Sara Lee Corp. introduced its new Wonderbra in the United States in 1994, the rival VF Corp. watched closely. Only after American shoppers began buying it in large numbers did VF offer up its own It Must Be Magic version. But once VF decided to enter the market, it moved swiftly using state-of-the-art distribution, surging with nationwide distribution ahead of Sara Lee. VF's "second-to-the-market" approach, bringing high technology to the nitty-gritty details of distribution, have helped it avoid the financial risk that beset clothing makers.[14]

Early entry on the heels of a leader is desirable if a company has an across-the-board superior marketing strategy and the resources to fight the leader. As a matter of fact, the later entrant may get an additional boost from the groundwork laid by the leader (in the form of the creation of primary demand). A weak early entrant, however, will be conveniently swallowed by the leader. The Docutel case discussed above illustrates the point. Docutel was the leader in the ATM market. However, being a weak leader, it paved the way for a later entrant, Diebold, to take over the market it had developed. The disposable diaper was introduced in the mid-1930s by a small company under the brand name Chux. Although it was probably the best product in the early 1960s, it was relatively expensive, limiting the market to wealthy households, or for use while traveling. However, P&G's experience in grocery marketing and its early research with Pampers prompted it to aim at the mass market. Through making huge investments, P&G expanded the market from $10 million to $370 million in seven years.[15]

As the market reaches the growth phase, a number of other firms may enter it. Depending on the length of the growth phase and the point at which firms enter the market, some could be labeled as early entrants. Most of these early entrants prefer to operate in specific market niches rather than compete against major firms. For example, a firm may concentrate on doing private branding for a major retailer. Many of these firms, particularly marginal operations, may be forced out of the market as growth slows down. In summary, an early-entry strategy is justifiable in the following circumstances:

1. When the firm can develop strong customer loyalty based on perceived product quality and retain this loyalty as the market evolves.
2. When the firm can develop a broad product line to help discourage entries and combat competitors who choose a single-market niche.
3. When either current investment is not substantial or when technological change is not anticipated to be so rapid and abrupt as to create obsolescence problems.
4. When an early entrant can initiate the experience curve and when the amount of learning is closely associated with accumulated experience that cannot readily be acquired by later entrants.
5. When absolute cost advantages can be achieved by early commitment to raw materials, component manufacture, distribution channels, and so forth.
6. When the initial price structure is likely to be high because the product offers superior value to products being displaced.
7. When prospective competitors can be discouraged as the market is not strategically crucial to them and existing competitors are willing to see their market shares erode.

Early entry, therefore, can be a rewarding experience if the entry is made with a really strong thrust directed against the leader's market or if it is carefully planned to serve an untapped market. Early entry can contribute significantly to profitability and growth. For the firm that takes on the leader, the early entry may also help in gaining market share.

Laggard-Entry Strategy

The laggard-entry strategy refers to entering the market toward the tail end of the growth phase or in the maturity phase of the market. There are two principal alternatives to choose from in making an entry in the market as a laggard: to enter as imitator or as initiator. An **imitator** enters the market as a me-too competitor; that is, imitators develop a product that, for all intents and purposes, is similar to one already on the market. An **initiator**, on the other hand, questions the status quo and, after doing some innovative thinking, enters the market with a new product. Between these two extremes are companies that enter stagnant markets with modified products.

Entry into a market as an imitator is short-lived. A company may be able to tap a portion of a market initially by capitalizing on the customer base of the major competitor(s). In the long run, however, as the leader discards the product in favor of a new or improved one, the imitator is left with nowhere to go. When Enterprise Rent-a-Car Inc. entered the business, it had to decide whether to follow the strategy that the early starters, Hertz and Avis, had pursued or consider an alternative strategy. It decided to go against all the conventional wisdom. Not only has it ceded the bread-and-butter airport business to Hertz, Avis and others, but it has also done without celebrity-driven advertisements and catchy slogans. Sticking close to the niche it developed—providing rentals for customers whose cars are being repaired or who need an extra car—Enterprise is the leader in fleet size and locations. Its sales in 1996 were $3.1 billion versus $3.8 billion for Hertz, but it probably was number one in profits, estimated to be $500 million (Hertz, a division of the Ford Motor Company, does not disclose earnings).[16]

Imitators have many inherent advantages that make it possible to run a profitable business. These advantages include availability of the latest technological improvements; feasibility of achieving greater economies of scale; ability to obtain better terms from suppliers, employees, or customers; and ability to offer lower prices. Thus, even without superior skills and resources, an imitator may perform well.

The initiator starts by seeking ways to dislodge the established competitor(s) in some way. Consider the following examples:

> The blankets produced by an electrical appliance manufacturer carried the warning: "Do not fold or lie on this blanket." One of the company's engineers wondered why no one had designed a blanket that was safe to sleep on while in operation. His questioning resulted in the production of an electric underblanket that was not only safe to sleep on while in operation, but was much more efficient: being insulated by the other bed clothes, it wasted far less energy than conventional electric blankets, which dissipate most of their heat directly into the air.
>
> A camera manufacturer wondered why a camera couldn't have a built-in flash that would spare users the trouble of finding and fixing an attachment. To ask the question was to answer it. The company proceeded to design a 35mm camera with built-in flash, which has met with enormous success and swept the Japanese medium-priced single-lens market.[17]

These two examples illustrate how a latecomer may be able to make a mark in the market through creativity and initiative. In other words, by exploiting technological change, avoiding direct competition, or changing the accepted business structure (e.g., a new form of distribution), the initiator has an opportunity to establish itself in the market successfully.

The Wilmington Corporation adopted the middle course when entering the pressed glass-ceramic cookware market in 1977. Until that time, Corning Glass Works was the sole producer of this product. Corning held a patent that expired in January 1977. The Wilmington Corporation opted not to enter the market with a me-too product. It sought entry into the market with a modified product line: round containers in solid colors. Corning's product was square-shaped and white, with a cornflower design. The company felt that its product would enlarge the market by appealing to a broader range of consumer tastes.[18]

Whatever course a company may pursue to enter the market, as a laggard, it cannot expect much in terms of profitability, growth, or market share. When laggards enter the market, it is already saturated; only established firms can operate profitably. As a matter of fact, their built-in experience affords the established competitors an even greater advantage. An initiator, however, may be able to make a profitable entry, at least until an established firm adds innovation to its own line.

MARKET-COMMITMENT STRATEGY

The **market-commitment strategy** refers to the degree of involvement a company seeks in a particular market. It is widely held that not all customers are equally important to a company. Often, such statements as "17 percent of our customers account for 60 percent of our sales" and "56 percent of our customers provide 11 percent of our sales" are made, which indicate that a company should make varying commitments to different customer groups. The commitment can be in the form of financial or managerial resources or both. Presumably, the results from any venture are commensurate with the commitment made, which explains the importance of the commitment strategy.

Commitment to a market may be categorized as strong, average, or light. Whatever the nature of the commitment, it must be honored: a company that fails to regard its commitment can get into trouble. In 1946, the Liggett and Myers Tobacco Company had a 22 percent share of the U.S. cigarette market. In 1978, its share of the market was less than 3.5 percent; in 1989, slightly less than 3 percent.[19] A variety of reasons has been given for the company's declining fortunes, all amounting to a lack of commitment to a market that at one time it had commanded with an imposing market share. These reasons included responding too slowly to changing market conditions, using poor judgment in positioning brands, and failing to attract new and younger customers. The company lagged behind when filters were introduced and missed industry moves to both king-size and extra-long cigarettes. It also missed the market move toward low-tar cigarettes. Its major entry in that category, Decade, was not introduced until 1977, well after competitors had established similar brands. Liggett and Myers illustrates that a company can lose a comfortable position in any market if it fails to commit itself adequately to it.

Strong-Commitment Strategy

The strong-commitment strategy requires a company to operate in a market optimally by realizing economies of scale in promotion, distribution, manufacturing, and so on. If a competitor challenges a company's position in the market, the latter must fight back aggressively by employing different forms of product, price, promotion, and distribution strategies. In other words, because the company has a high stake in the market, it should do all it can do to defend its position.

A company with a strong commitment to a market should refuse to be content with the status quo. It should foresee its own obsolescence by developing new products, improving product quality, and increasing expenditures for sales force, advertising, and sales promotion relative to the market's growth rate.

This point may be illustrated with reference to the Polaroid Corporation. The company continues to do research and development to stay ahead of the field. The original Land camera, introduced in 1948, produced brown-and-white pictures. Thereafter, the company developed film that took truly black-and-white pictures with different ASA speeds. Also, the time involved in the development of film was reduced from the original 60 seconds to 10 seconds. In 1963 the company introduced color-print film with a development time of 60 seconds; in the early 1970s, the company introduced the SX-70 camera, which made earlier Polaroid cameras obsolete. Since its introduction, a variety of changes and improvements have been made both in the SX-70 camera and in the film that goes into it. A few years later, the company introduced yet another much-improved camera, Spectra. In 1976 Kodak introduced its own version of the instant camera. Polaroid charged Kodak with violating seven Polaroid patents and legally forced Kodak out of the instant photography business.[20] The result: Polaroid has retained its supremacy in the instant photography field, a field to which it has been solely committed. Porsche continues to excel in the crowded auto industry by making a firm commitment to a well-defined market niche (a 40-something male college graduate earning over $200,000 per year). The company sells only about 6000 cars a year (each costing between $40,000 and $82,000), but does well in terms of profits.[21] RCA pioneered color television in 1954, yet their product did not sell well since the vast majority of programs were broadcast in black and white. But RCA did not give up and made a long-term commitment to the business. It started broadcasting color TV programs through its NBC subsidiary at a time when the majority of consumers owned black-and-white TVs. RCA's persistence over ten years was rewarded with long-term market leadership of color TVs.

The nature of a company's commitment to a market may, of course, change with time. Consider Levi Strauss & Co. Its brand name is synonymous with rebellious youth. But while it retains its hold over the baby boomers who built the brand into mythic proportions, it has neglected the whims of the new generation of youth, and these are the future customers. This lack of commitment has cost the company dearly. Its sales have been declining since 1990, forcing it to close many factories. As a company executive put: "It was, in part, the classic corporate goof: taking your eyes off the ball. Projects during the last decade, such as expanding the casual clothing line Dockers and launching its upscale cousin Slates distracted executives from the threat to Levi's core jeans brand."[22]

Strong commitment to a market can be highly rewarding in terms of achieving growth, market share, and profitability. A warning is in order, however. The commitment made to a market should be based on a company's resources, its strengths, and its willingness to take risks to live up to its commitment. For example, Procter & Gamble could afford to implement its commitment to the Pittsburgh market because it had a good rapport with distributors and dealers and the resources to launch an effective promotional campaign. A small company could not have afforded to do all of that.

Average-Commitment Strategy

When a company has a stable interest in a market, it must stress the maintenance of the status quo, leading to an only average commitment to the market. Adoption of the average-commitment strategy may be triggered by the fact that a strong-commitment strategy is not feasible. The company may lack the resources to make a strong commitment; a strong commitment may be in conflict with top management's value orientation; or the market in question may not constitute a major thrust of the business in, for example, a diversified company.

In April 1976, when the Eastman Kodak Company announced its entry into the instant photography field, the company most worried about this move was Polaroid. Because Polaroid had a strong commitment to the instant photography market, it did not like Kodak being there just for the sake of competition. As Polaroid's president commented, "This is our very soul that we are involved with. This is our whole life. For them it's just another field."[23] Similarly, when Frito-Lay (a division of PepsiCo) entered the cookie business in 1982, the industry leader, Nabisco, had to adopt a new strategy to defend its title in the business. As an executive of the company noted, "We aren't going to sit on our haunches and let 82 years of business go down the drain."[24]

A company with an average commitment to a market can afford to make occasional mistakes because it has other businesses to compensate for them. Essentially, the average-commitment strategy requires keeping customers happy by providing them with what they are accustomed to. This can be accomplished by making appropriate changes in a marketing program as required by environmental shifts, thus making it difficult for competitors to lure customers away. Where commitment is average, however, the company becomes vulnerable to the lead company as well as the underdog. The leader may wipe out the average-commitment company by price cutting, a feasible strategy because of the experience effect. The underdog may challenge the average-commitment company by introducing new products, focusing on new segments within the market, trying out new forms of distribution, or launching new types of promotional thrusts. The best defense for a company with an average commitment to a market is to keep customers satisfied by being vigilant about developments in its market.

An average commitment may be adequate, as far as profitability is concerned, if the market is growing. In a slow-growth market, an average commitment is not conducive to achieving either growth or profitability.

Light-Commitment Strategy

A company may have only a passing interest in a market; consequently, it may make only a light commitment to it. The passing interest may be explained by the fact that the market is stagnant, its potential is limited, it is overcrowded with many large companies, and so on. In addition, a company may opt for light commitment to a market to avoid antitrust difficulties. GE maintained a light commitment in the color television market because the field was overcrowded, particularly by Japanese companies. (In 1988, GE sold its television business to Thomson, a French company.) In the early 1970s, Procter & Gamble adopted the light-commitment strategy in the shampoo market, presumably to avoid antitrust difficulties such as those it had encountered with Clorox several years previously; Procter & Gamble let its share of the shampoo market slip from around 50 percent to a little over 20 percent, delayed reformulating its established brands (Prell and Head & Shoulders), introduced only one new brand in many years, and substantially cut its promotional efforts.[25]

A company with a light commitment to a market operates passively and does not make any new moves. It is satisfied as long as the business continues to be in the black and thus seeks very few changes in its marketing perspectives. Overall, this strategy is not of much significance for a company pursuing increasing profitability, greater market share, or growth.

MARKET-DILUTION STRATEGY

In many situations, a company may find reducing a part of its business strategically more useful than expanding it. The **market-dilution strategy** works out well when the overall benefit that a company derives from a market, either currently or potentially, is less than it could achieve elsewhere. Unsatisfactory profit performance, desire for concentration in fewer markets, lack of top management knowledge of the market, negative synergy vis-à-vis other markets that the company serves, and lack of resources to develop the market fully are other reasons for diluting market position.

There was a time when dilution of a market was considered an admission of failure. In the 1970s, however, dilution came to be accepted purely as a matter of strategy. Different ways of diluting a market include demarketing, pruning marginal markets, key account strategy, and harvesting strategy.

Demarketing Strategy

Demarketing, in a nutshell, is the reverse of marketing. This term became popular in the early 1970s when, as a result of the Arab oil embargo, the supply of a variety of products became short. **Demarketing** is the attempt to discourage customers in general or a certain class of customers in particular on either a temporary or permanent basis.

The demarketing strategy may be implemented in different ways. One way involves keeping close track of time requirements of different customers. Thus, if one customer needs the product in July and another in September, the former's order is filled first even though the latter confirmed the order first. A second way of demarketing is rationing supplies to different customers on an equitable basis. Shell Oil followed this route toward the end of 1978 when a gasoline shortage occurred. Each customer was sold a maximum of 10 gallons of gasoline at each filling. Third, recommending that customers use a substitute product temporarily is a form of demarketing. The fourth demarketing method is to divert a customer with an immediate need for a product to another customer to whom the product was recently supplied and who is unlikely to use it immediately. The company becomes an intermediary between two customers, providing supplies of the product to one customer whenever they are needed if present supplies are transferred to the customer in need.

The demarketing strategy is directed toward maintaining customer goodwill during times when customer demands cannot be adequately met. By helping customers in the different ways discussed above, the company hopes that the situation requiring demarketing is temporary and that, when conditions are normal again, customers will be inclined favorably toward the company. In the long run, the demarketing strategy should lead to increased profitability.

Pruning-of-Marginal Markets Strategy

A company must undertake a conscious search for those markets that do not provide rates of return comparable to those rates that could be attained if it were to shift its resources to other markets. These markets potentially become candidates for pruning. The pruning of marginal markets may result in a much higher growth rate for the company as a whole. Consider two markets, one providing 10 percent and the other 20 percent on original investments of $1 million. After 15 years, the first market will show an equity value of $4 million, as opposed to $16 million for the second one. Pruning can improve return on investment and growth rate by ridding the company of markets that are growing more slowly than the rest of its markets and by providing cash for investment in faster-growing, higher-return markets. Several years ago, A&P closed more than 100 stores in markets where its competitive position was weak. This pruning effort helped the company to fortify its position and to concentrate on markets where it felt strong.

Pruning also helps to restore balance. A company may be out of balance when it has too many diverse and difficult markets to serve. By pruning, the company may limit its operations to growth markets only. Because growth markets require heavy doses of investment (in the form of price reductions, promotion, and market development) and because the company may have limited resources, the pruning strategy can be very beneficial. Chrysler Corporation, for example, decided in 1978 to quit the European market so that it could use its limited resources to restore its position in the U.S. market. The pruning strategy is especially helpful in achieving market share and profitability.

Key-Markets Strategy

In most industries, a few customers account for a major portion of volume. This characteristic may be extended to markets. If the breakdown of markets is properly done, a company may find that a few markets account for a very large share of its revenues. Strategically, these key markets may call for extra emphasis in terms of selling effort, after-sales service, product availability, and so on. As a matter of fact, the company may decide to limit its business to these key markets alone.

The key-markets strategy requires:

1. A strong focus tailored to environmental differences (i.e., don't try to do everything; rather, compete in carefully selected ways with the competitive emphasis differing according to the market environment).
2. A reputation for high quality (i.e., turn out high-quality products with superior performance potential and reliability).
3. Medium to low relative prices complementing high quality.
4. Low total cost to permit offering high-quality products at low prices and still show high profits.

Harvesting Strategy

The harvesting strategy refers to a situation where a company may decide to let its market share slide deliberately. The harvesting strategy may be pursued for a variety of reasons: to increase badly needed cash flow, to increase short-term earnings, or to avoid antitrust action. Usually, only companies with high market share can expect to harvest successfully.

If a product reaches the stage where continued support can no longer be justified, it may be desirable to realize a short-term gain by raising the price or by lowering quality and cutting advertising to turn an active brand into a passive one. In any event, the momentum of the product may continue for years with sales declining but with useful revenues still coming in.

Because they reduce a firm's strategic flexibility, exit barriers may prevent a company from implementing a harvesting strategy. Exit barriers refer to circumstances within an industry that discourage the exit of competitors whose performance in that particular business may be marginal. Three types of exit barriers are (a) a thin resale market for the business's assets, (b) intangible strategic barriers as deterrents to timely exit (e.g., value of distribution networks, customer goodwill for the other products of the company, or strong corporate identification with the product), and (c) management's reluctance to terminate a sick line. When exit barriers disappear or when their effect ceases to be of concern, a harvesting strategy may be pursued.

SUMMARY

This chapter illustrated various types of market strategies that a company may pursue. Market strategies rest on a company's perspective of the customer. Customer focus is a very important factor in market strategy. By diligently delineating the markets to be served, a company can effectively compete in an industry even with established firms.

The five different types of market strategies and the various alternatives under each strategy that were examined in this chapter are outlined below:

1. Market-scope strategy.
   a. Single-market strategy
   b. Multimarket strategy
   c. Total-market strategy
2. Market-geography strategy.
   a. Local-market strategy
   b. Regional-market strategy
   c. National-market strategy
   d. International-market strategy
3. Market-entry strategy.
   a. First-in strategy
   b. Early-entry strategy
   c. Laggard-entry strategy
4. Market-commitment strategy.
   a. Strong-commitment strategy
   b. Average-commitment strategy
   c. Light-commitment strategy
5. Market-dilution strategy.
   a. Demarketing strategy
   b. Pruning-of-marginal-markets strategy
   c. Key-markets strategy
   d. Harvesting strategy

Application of each strategy was illustrated with examples from marketing literature. The impact of each strategy was considered in terms of its effect on marketing objectives (i.e., profitability, growth, and market share).

DISCUSSION QUESTIONS

1. What circumstances may lead a business unit to change the scope of its market?
2. Under what conditions may a company adopt across-the-board market strategy?
3. Can a company operating only locally go international? Discuss and give examples.
4. Examine the pros and cons of being the first in a market.
5. What underlying conditions must be present before a company can make a strong commitment to a market?
6. Define the term *demarketing*. What circumstances dictate the choice of demarketing strategy?
7. List exit barriers that may prevent a company from implementing a harvesting strategy.

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APPENDIX | *Perspectives of Market Strategies*

I. Market-Scope Strategy

A. Single-Market Strategy

Definition: Concentration of efforts in a single segment.

Objective: To find a segment currently being ignored or served inadequately and meet its needs.

Requirements: (a) Serve the market wholeheartedly despite initial difficulties. (b) Avoid competition with established firms.

Expected Results: (a) Low costs. (b) Higher profits.

B. Multimarket Strategy

Definition: Serving several distinct markets.

Objective: To diversify the risk of serving only one market.

Requirements: (a) Carefully select segments to serve. (b) Avoid confrontation with companies serving the entire market.

Expected Results: (a) Higher sales. (b) Higher market share.

C. Total-Market Strategy

Definition: Serving the entire spectrum of the market by selling differentiated products to different segments in the market.

Objective: To compete across the board in the entire market.

Requirements: (a) Employ different combinations of price, product, promotion, and distribution strategies in different segments. (b) Top management commitment to embrace entire market. (c) Strong financial position.

Expected Results: (a) Increased growth. (b) Higher market share.

II. Market-Geography Strategy

A. Local-Market Strategy

Definition: Concentration of efforts in the immediate vicinity.

Objective: To maintain control of the business.

Requirements: (a) Good reputation in the geographic area. (b) Good hold on requirements of the market.

Expected Results: Short-term success; ultimately must expand to other areas.

B. Regional-Market Strategy

Definition: Operating in two or three states or over a region of the country (e.g., New England).

Objectives: (a) To diversify risk of dependence on one part of a region. (b) To keep control centralized.

Requirements: (a) Management commitment to expansion. (b) Adequate resources. (c) Logistical ability to serve a regional area.

Expected Results: (a) Increased growth. (b) Increased market share. (c) Keep up with competitors.

C. National-Market Strategy

Definition: Operating nationally.

Objective: To seek growth.

Requirements: (a) Top management commitment. (b) Capital resources. (c) Willingness to take risks.

Expected Results: (a) Increased growth. (b) Increased market share. (c) Increased profitability.

D. International-Market Strategy

Definition: Operating outside national boundaries.

Objective: To seek opportunities beyond domestic business.

Requirements: (a) Top management commitment. (b) Capital resources. (c) Understanding of international markets.

Expected Results: (a) Increased growth. (b) Increased market share. (c) Increased profits.

III. Market-Entry Strategy

A. First-In Strategy

Definition: Entering the market before all others.

Objective: To create a lead over competition that will be difficult for them to match.

Requirements: (a) Be willing and able to take risks. (b) Be technologically competent. (c) Strive to stay ahead. (d) Promote heavily. (e) Create primary demand. (f) Carefully evaluate strengths.

Expected Results: (a) Reduced costs via experience. (b) Increased growth. (c) Increased market share. (d) Increased profits.

B. Early-Entry Strategy

Definition: Entering the market in quick succession after the leader.

Objective: To prevent the first entrant from creating a stronghold in the market.

Requirements: (a) Superior marketing strategy. (b) Ample resources. (c) Strong commitment to challenge the market leader.

Expected Results: (a) Increased profits. (b) Increased growth. (c) Increased market share.

C. Laggard-Entry Strategy

Definition: Entering the market toward the tail end of growth phase or during maturity phase. Two modes of entry are feasible: (a) Imitator—Entering market with me-too product; (b) Initiator—Entering market with unconventional marketing strategies.

Objectives: Imitator—To capture that part of the market that is not brand loyal. Initiator—To serve the needs of the market better than present firms.

Requirements: Imitator—(a) Market research ability. (b) Production capability. Initiator—(a) Market research ability. (b) Ability to generate creative marketing strategies.

Expected Results: Imitator—Increased short-term profits. Initiator—(a) Putting market on a new growth path. (b) Increased profits. (c) Some growth opportunities.

IV. Market-Commitment Strategy

A. Strong-Commitment Strategy

Definition: Fighting off challenges aggressively by employing different forms of product, price, promotion, and distribution strategies.

Objective: To defend position at all costs.

Requirements: (a) Operate optimally by realizing economies of scale in promotion, distribution, manufacturing, etc. (b) Refuse to be content with present situation or position. (c) Have ample resources. (d) Be willing and able to take risks.

Expected Results: (a) Increased growth. (b) Increased profits. (c) Increased market share.

B. Average-Commitment Strategy

Definition: Maintaining stable interest in the market.

Objective: To maintain the status quo.

Requirements: Keep customers satisfied and happy.

Expected Results: Acceptable profitability.

C. Light-Commitment Strategy

Definition: Having only a passing interest in the market.

Objective: To operate in the black.

Requirements: Avoid investing for any long-run benefit.

Expected Results: Maintenance of status quo (no increase in growth, profits, or market share).

V. Market-Dilution Strategy

A. Demarketing Strategy

Definition: Discouraging customers in general or a certain class of customers in particular, either temporarily or permanently, from seeking the product.

Objective: To maintain customer goodwill during periods of shortages.

Requirements: (a) Monitor customer time requirements. (b) Ration product supplies. (c) Divert customers with immediate needs to customers who have a supply of the product but no immediate need for it. (d) Find out and suggest alternative products for meeting customer needs.

Expected Results: (a) Increased profits. (b) Strong customer goodwill and loyalty.

B. Pruning-of-Marginal-Markets Strategy

Definition: Weeding out markets that do not provide acceptable rates of return.

Objective: To divert investments in growth markets.

Requirements: (a) Gain good knowledge of the chosen markets. (b) Concentrate all energies on these markets. (c) Develop unique strategies to serve the chosen markets.

Expected Results: (a) Long-term growth. (b) Improved return on investment. (c) Decrease in market share.

C. Key-Markets Strategy

Definition: Focusing efforts on selected markets.

Objective: To serve the selected markets extremely well.

Requirements: (a) Gain good knowledge of the chosen markets. (b) Concentrate all energies on these markets. (c) Develop unique strategies to serve the chosen markets.

Expected Results: (a) Increased profits. (b) Increased market share in the selected markets.

D. Harvesting Strategy

Definition: Deliberate effort to let market share slide.

Objectives: (a) To generate additional cash flow. (b) To increase short-term earnings. (c) To avoid antitrust action.

Requirements: High-market share.

Expected Results: Sales decline but useful revenues still come in.