

CHAPTER 3
MARKETING STRATEGIES FOR NEW PRODUCTS
THE CHOICE AND SCOPE OF FRAMEWORK,
THE PRODUCT, THE TOOLS :
A RESEARCH FRAMEWORK

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3.1 Rationale

The framework for the present study is governed by the consideration viz. to try and attempt to integrate what was proposed by earlier studies with what the marketers are currently practising in terms of marketing their products especially new products. The attempt is thus to bridge the gap between what is theoretically proposed and what is actually practised. In other words the aim is to ensure that the present study is close to what the Marketing Executives or the Managers are actually practising in marketing these new products and not an ideal method or model that evinced little support when it came to actually implementing it in the market place because the data after all were proposed to be gathered on what these marketing managers actually practised or implemented in the market place. More importantly, the choice of the framework was governed by the objective of the present study which was to analyse the marketing strategies followed by the marketers in marketing their new products to the market. It essentially involved examining these strategies right from the targets received, the type of the new product, through to the competitive marketing strategies followed by the firms under consideration including the growth strategies of the firm and stage of industry as perceived by the responding marketing managers.

3.2 Marketing Strategies : Scope of Framework Defined.

The framework followed therefore is the one proposed by Boyd and Larreche¹ in their review of the history of marketing strategy. While pointing out that marketing strategy is both common and unique, the authors argue that marketing strategy is common in the sense that today everything that is done in marketing has to be strategically undertaken in view of the growing competition and with a view to beating the same. Unique in the sense that despite its direct or indirect use so often by the firms it is difficult if not impossible to arrive at one common definition of marketing strategy as the concept of the term keeps on expanding/spreading with its many uses. **One of the approaches²** in defining marketing strategy for instance refers to “strategy” as used in marketing, to the marketing strategies per se meaning the management of the marketing-mix variables namely the product, price, place and promotion. This is also reiterated by

Lawless and Fisher³ who differ in their approach and prefer to divide the new product innovation strategies into components that can resist imitation and give the firm the much needed competitive advantage. The components being product form, product function, product intagibles, pricing, promotion, distribution and lastly, the firm characteristics indicating the marginal difference in the two approaches. However the four P's remain common. Extending on the attempt to define marketing strategy, in suggesting the **second approach**, the authors⁴ further point out that in a restricted sense deals with just one of these form elements also qualifies as a marketing strategy. Take for instance a push versus pull strategy, intensive versus selective strategy, skimming versus penetration strategy with respect to promotion, distribution and pricing respectively. The **third approach** as viewed by the authors is with reference to specific marketing decisions and therefore propose product market entry strategies such as offensive versus defensive strategies, building or harvesting market share strategies to state a few.

The scope of marketing strategy therefore has broadened over the passage of time and finds applications in areas such as selecting target audience, defining target audience, over the passage of time. strategic market planning process (defining the business, setting a mission, selecting functional plans, budgetting for these plans), environment analysis and so on. Views of various authors who have worked in this or related areas as also the evolution of this concept over the passage of time have been discussed earlier in the study, the discussion of this chapter therefore is confined to the 4 P's framework chosen for the present study.

3.3 The Product

The Foremost among the tools or components of marketing strategy is the product. Among the popular product classification schemes based on product charactesritics, The first is the classification based on durability or tangibility. This includes **Nondurable goods** which involves consumption in one or few uses and the product is tangible. **Durable goods** last over several consumptions and are tangible. **Services** are perishable and therefore variable, intangible activities. The second classification is based on consumer shopping habits which brings it close to being affected by/due to marketing strategy. These include : **Convenience Goods** which as the name implies involve frequent, impulse purchase without much comparision involved. **Shopping Goods** indicative of its name involves consumers time and comparisions on aspects such as quality, price, style, suitability and so on, with the quality more or less the same but with a price difference in case of homogeneous goods as against the difference in product features which becomes more significant than price difference in case of

heterogeneous goods. **Speciality Goods**, because of their unique features or characteristics and/or brand image involve a special purchase effort. **Unsought Goods** because the consumer is either not aware of or even if she/he is, will not consider buying in a normal routine, calls for a push strategy either through advertising, marketing or salesmanship. Each one of the above calls for a different marketing effort be it advertising, personal selling or distribution. **The products covered in the present study therefore are durable goods and services with elements of shopping speciality and unsought goods.**

Most of the New Products fall in either of these classifications and marketing strategies are a fall-out of these.

3.4.i The Tools : The New Product

Any product that is actually new or perceived to be new due to minor or major modifications, changes etc. is a new product and includes products new to the market, new to the firm, technologically new product, an innovation, modification etc. Depending upon their newness to the company and to the customer, new products are classified into categories such as product line additions, product improvements, new product lines, cost reductions, new-to-the-world and repositionings as has been done in Booz, Allen and Hamiltons study involving 700 Manufacturing Companies⁶. **The present study examines therefore, the new product marketing strategy implicit in the types of new products within the frame work of four P's.**

3.4 ii Price

The second tool in the hands of the marketer is Price. The significance of pricing is evident from the fact that pricing can enhance a marketing strategy or impede it. Psychological pricing is an example of this. Pricing strategies are implicitly evident in the pricing objectives. Profit Maximisation, Sales Growth, Market Share Growth etc. are a few examples in this direction. Therefore while examining the types of pricing followed by the firms, the study attempts to analyse it as an element of marketing strategy. Among the pricing strategies suggested by various authors^{7 to 10} include Profit Maximization Pricing aimed at maximising current profits, Market share pricing wherein price is set such that it maximizes market share penetration at the cost of current profits and as such foregoes current profits; Market Skimming Pricing which involves setting a high price initially for those consumers who attribute high present value to the product, current revenue pricing which aims at maximising current sales revenue, target profit pricing which seeks to achieve satisfactory rate of return, promotional pricing wherein the

product is priced either high or low to build product image or enhance sales respectively for the entire product line than merely the product; pricing to maintain dealer loyalty, to maintain competitive parity, high or low price to discourage potential new entrants, to maintain price leadership, to improve sales of other weaker products, to carve a niche, to create consumer acceptance, perceived value pricing, demand differential pricing depending on the product accessories the consumer chooses, value for money based pricing and so on. Pricing has several meanings to a consumer. It connotes cost, quality, product image, value, status, brand image, company image etc. The present study therefore examines pricing as one of the elements of the four P's strategy.

3.4 iii Place

Distribution or place as it is popularly referred to, is the **third significant component** of a marketing strategy because while promotion especially advertising builds product image as perceived by the consumer, distribution gives the consumer a feel of the product, it reinforces the image of a product and removes apprehensions or doubts about a product or a service. It is the vital link with the consumers. It is also the culmination point where the image of a service/product translates into an opinion, attitude and ultimately into a purchase decision. It can contribute or inhibit the push to a new service/product and thereby enhance or impede the performance of a product. The crucial role and the significance of this component of marketing strategy is evident in the foreign MNC's tie-up with Indian partners because of the latter's distribution network. Besides it has implications for investment, product availability, product and company image and building customer relationships. Evolving from the French word canal, "Channel" in marketing refers to the route taken by the services/products from the source of its origin through the intermediaries to the consumers. Among the most commonly used classifications of channels is the zero level channel, one level channel, two level channel, three level channel and so on implying and meaning thereby the involvement of no intermediary, one intermediary, two intermediaries and three intermediaries respectively for the distribution of services/goods. What is essentially done here is to consider the channel flow and (the number of) intermediaries involved. This will indicate the distribution strategy followed. These being **Intensive distribution** an option widely followed and common to find where the number of intermediaries are more and products are available in several outlets, **Selective distribution** involves fewer intermediaries in number and products are available in limited number of outlets which restricts the exposure of the products to promising markets unlike the former option where product exposure is not restricted, **Exclusive distribution** as the name implies usually restricts

the number of intermediaries as well as the product lines carried to restricted outlets. It is against this suggested backdrop^{12,13} that the present study examines the distribution strategy as followed by the firms under consideration.

3.4 iv. Promotion

Potentially one of the most potent elements of marketing-mix¹⁴ that represents huge ad spends in the area of marketing and budget of millions for some companies, the promotional element of marketing strategy is the **fourth and the final component** among the tools in the hands of a marketer. "The ad industry in India is slated to be around Rs. 3000 crores. Although challenging, promotion and advertising also happen to be difficult areas for the marketer, because the ad spend does not necessarily guarantee an equivalent success while some find it to be wasteful expenditure. The significance of this marketing strategy element is evident from the fact that apart from word-of-mouth or publicity, advertising is a tool in the hands of marketers to inform consumers about new arrivals including new products. Besides, consumers initial idea or image about a new product is formed by advertising and the new-product occupies her/his "awareness set" which forms a starting point for image building, attitude formation, opinion formation, trial or a purchase decision, post-purchase feelings, as well as word-of-mouth publicity. "Advertising can build product awareness and comprehension, develop sales leads, offer legitimisation and reassure buyers..... Advertising combined with personal selling increased sales 23 percent over when there was no advertising. The total promotional costs as a percent of sales were reduced by 20 percent"¹⁵. However, advertising is just one among the promotional elements. Promotion finds applications in building a corporate image, building public opinion, creating awareness, building an image for a public cause etc. Among its audiences one can find Investors, Stockholders, Government, General Public and Consumers. Apart from advertising, it includes sales promotion, publicity and personal selling among its tools. All the four find varied uses and applications. While advertising may be used among other things for building company name, company image, brand image etc., personal selling may be used for sales calls by field representatives, creating product awareness, arousing interest, inducing trial, build corporate or executive clubs and so on. Similarly sales promotion includes consumer promotion such as samples, coupons, price off etc. and trade promotions such as buying allowances, co-operative advertising, dealer sales- contests etc. Promotion as an element of marketing strategy is exhaustive. Its classification, scope, objectives, areas, of applications, tools, are vast. The promotion-mix as examined here is therefore rather brief to serve if not anything else but a framework of reference for the present study and as one

of the elements contributing to marketing strategy. The present study examines therefore, at a macro level the promotional strategy as reflected in the promotional measures undertaken by the participating firms, as the fourth element in marketing strategy.

3.5 Factors Influencing The Choice Of Strategies

For each of the marketing strategies and the choice thereof, certain factors have influenced the choice of strategy in as much as there are objectives and a rationale for following a particular strategy. Therefore, for each of the element of the four suggested strategies, the factors influencing the choice of strategy and/or objectives sought to be fulfilled have been examined in this study.

3.6 Success And Failure Factors

Several studies have examined the success and failure rates and factors contributing to the success/failure of new products.^{16 to 20} The other studies form a part of discussion elsewhere in the present study. However, because of the significance of these success and failure factors and its implications for marketing strategies, the present study has examined these for each of the products under consideration for various firms.

3.7 The Many Meanings Of New Product Success And Failure

“Success” and “Failure” mean different things to different people at different levels in different departments. For some, achieving set targets, achieving set ROI (Return on Investments), favourable word-of-mouth, or vice-versa may connote success and failure respectively. Therefore the present study examines, for the new products under consideration, what success and failure mean to these marketing executives/managers.

3.8 Reasons For the Company to have a New Product

The reason(s) to have a new product may be to provide a better product to the consumer, to enhance brand image, to enhance company image, to respond to the market need and so on. Therefore the present study also examines these reasons for the given products.

3.8 Dimensions of Positioning & Differentiation

As stated earlier in the study, products in a given category are apparently seen to be the same and companies seek to position them distinctly based either on features, attributes, service, packaging, after-sales-service and such dimensions. Because positioning according to chairman-Trout & Ries Inc., Al Ries and President-Trout & Ries Inc., Jack Trout, “is not what you do to a product. Positioning is what you do to the mind of the prospect.. You position the product in the mind of the prospect.”²¹ This study examines the various dimensions/attributes firms use to position their product. The

same argument is extended to differentiation; and also examined in the study are the various ways in which the responding firms seek to differentiate their products.

3.9 Company Competitive position vis-à-vis Industry Stage and Market Attractiveness

As discussed earlier in the study that marketing strategies flow from the stage of product life cycle, it is also possible that they flow from the stage of industry, the company competitive position (given the industry stage), the market attractiveness, the company competitive position (given the market attractiveness). These dimensions have been examined in the later part of the present work.

3.10 Competitive Marketing Strategies

Having examined the marketing strategies individually at each of the four elements level it is possible that the firm is following a market leader, market share expansion, market challenger, market follower or market richer strategies as their competitive marketing strategies. Examined therefore in this study are the competitive marketing strategies or the combinations of the same followed by the responding firms for their respective new products.

3.11 Company Growth Strategies

These strategies however do not work in isolation. They flow from and are integrated with the corporate goals, philosophies, mission and growth strategies. The corresponding company growth strategies as applicable to the responding firms forms a part of this study as it indicates how well these are integrated with each other in achieving the firms goals.

3.12 Rationale / Benefit Sought

Lastly, for each of the strategies followed, both the company and the marketer have a rationale to follow the strategy/ies or seek to achieve a benefit or fulfill an objective. Examined therefore in this study are the benefits sought to be achieved, objectives sought to be fulfilled in following the stated strategy/ies.

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