CHAPTER III

STRATEGIC ALTERNATIVES – A CONCEPTUAL FRAMEWORK
STRATEGIC ALTERNATIVES –
THE CONCEPTUAL FRAMEWORK

Introduction

Business environment is changing at a very fast pace owing to globalized industrial production, predominance of market forces, policy initiatives of the governments and the new set of expectations of the employees, proprietors, creditors and consumers. Only those organizations which are prepared to adapt themselves to changed conditions can survive and grow. So manufacturers are compelled to switch over from traditional marketing to new generation marketing, which calls for more than developing a product, pricing, promoting and making it accessible to the target customers. The established framework, 4Ps (Product, Price, Place and Promotion), is found to be inadequate to explain the complexities of the emerging scenario. What is emerging is a relationship paradigm, which stresses on customer relationship at the individual level. The new developments in the market such as quality management, services marketing, business to business marketing and strategic management have contributed a great deal to the change of marketing.

The concept of ‘strategy’ is central to the understanding of the process of strategic management. There is a considerable confusion in management literature regarding the various terms used in strategic management. People find it difficult to define and distinguish between ‘objective,’ ‘policy’ and ‘strategy’. Objectives are the open-ended attributes denoting a future state or outcome that an organization strives for. Policies are considered to be guidelines for action, where as strategy is concerned with the direction in which human and physical resources are deployed and applied in order to maximize the chances of achieving organization’s objectives in the face of environmental variables.
Behind every successful company/business lies a successful strategy. Strategy may be developed by design, by default, by circumstances or by intuition. But the need for strategy cannot be questioned. Good companies do not leave designing their strategy to chance. They look at strategic management as a science rather than as an art. They raise relevant questions. They ponder over issues from different angles. They keep experimenting in a flexible way and show courage to change tracks according to situation.

Origin

‘Strategy’ is a term that can be traced back to the ancient Greeks, who used it to mean a chief magistrate or a military commander-in-chief. The term was derived from the ancient Athenian position of ‘strategos.’ ‘Strategos’ was a compound of ‘stratos’ which meant ‘army’ or more properly an encamped army spread out over ground and ‘agein’ which meant ‘to lead.’ The emergence of the term paralleled increasing military complexity. The academic origins of strategic management came from the fields of economics and company theory.

Meaning and Definition

People talk about defense strategy, business strategy, national strategy, global strategy, religious strategy, strategy for games and the like. Perhaps strategy is a much used, but much misunderstood, concept in management. The word ‘strategy’ means several things to several people at different points of time. The Collins Dictionary gives the following three meanings for the same word.

1. A plan you adopt in order to get something done, especially in politics, economics or business.
2. The art of planning armies and weapons in order to get the best military advantage.
3. The art of planning the best way to achieve something or to be successful in a particular field.
Strategy in the general sense should not be confused with general interpretation of the term strategies. When we use the term ‘strategies’ in the general sense we are pointing towards the specific methods, processes or steps used to accomplish goals and objectives. Strategy can be defined in a number of ways. Following are some of the definitions for the term ‘strategy.’

“Strategy is the determination of basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to carry out these goals.”

– Alfred D. Chandler

“The pattern of objective, purposes, goals and the major policies and plans for achieving these goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be.”

– Kenneth Andrews

“A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.”

– William F. Glueck

“Strategy is a mediating force between the organization and its environment; there are consistent patterns of streams of organizational decisions to deal with the environment.”

– Mintzberg

“The job of a strategist is to achieve superior performance, relative to competition, in the key factors for success of business.”

– Kenichi Ohmae

“Central vehicle for achieving competitive advantage.”

– Michael E. Porter
"A plan or course of action which is of vital, pervasive or continuing importance to the organization as a whole.

– Arthur Sharplin

"Without a strategy, the organization is like a ship without a rudder."

– Joel Rose and Michael Kami

The ‘design school’ strategy theorists, who consider strategy to be a part of a well formed, logical planning process (Ansoff, 1965, Porter, 1980, 1985) defined strategy as “moving from where you are to where you want to be in future-through sustainable competitive advantage.”

Even these definitions do not lead us to better clarity. This gives us a broad idea that strategy has something to do with planning to achieve something. To conclude, strategy is a set of long-term choices made by the programme leaders in terms of goals, services, policies and action plans. Successful strategies must meet both the broad programme objectives set by government and by the environment.

A strategy should be documented in detail, easily understood and readily communicated statement of how the firm will use its competencies to satisfy its customers more effectively than its competitors in the context of its environment, in order to achieve its strategic intent. This specifies the three key determinants of a strategy: customers, competitors and competencies (“3Cs” Model). It is essential that the elements of the “3Cs” Model are evaluated collectively and not in isolation. The core of “3Cs” Model comprises the relationships between leadership, strategy and success. Leadership is responsible for the strategy and success of an organization. The model confirms that leaders have two primary responsibilities, i.e., they are responsible for developing their organization’s strategy and for implementing this strategy successfully. The second key proposition is that business success depends fundamentally on having a strategy to achieve that success. Well developed
strategies will allow the business to mobilize and deploy their resources to satisfy their customers and to achieve the competitive advantage that will ensure their success. Success is defined by a collection of outcomes or positions that a firm wishes to achieve in future. In short, the starting point for leaders developing organization strategies is the identification of clear measures of success. The following figure (Figure 3.1) shows the complete version of “3Cs” Model.

Figure 3.1

“3Cs” Model

CUSTOMERS

COMPETITORS

LEADERSHIP

STRATEGY

SUCCESS

COMPETENCIES

The environment:
- Political
- Economic
- Socio – cultural
- Technological

Need and Importance

There exists a controversy regarding the need for strategy in an organization. Those who favour setting strategies, argue that strategies are needed to direct the organizations towards its objectives. According to them,
without strategies incorporating objectives, organizations would be adrift, where as, those not in favour argue that setting strategies may block our peripheral vision, keeping companies sharply focused on the course of action, thereby limiting the company’s ability. But strategists hit back arguing that early commitment of a course of action is highly beneficial. Strategies also facilitate optimal resource allocation and have the benefit of coordinating all strategic initiatives within a company into a single cohesive pattern. Further strategies are a means for programming all organizational activities in advance. The organization has to be evaluated from different perspectives and its readiness to cope with the changing environment and the chosen strategy are important considerations.

Classification of Strategies (Strategic Alternatives)

Environmental appraisal as well as organizational appraisal leads to the generation of strategic alternatives. ‘Strategic alternatives’ means the possible strategies that an organization can consider for adoption.

Although classification of strategies by organization levels (corporate, business and functional) is the primary scheme, there are many other types of classifications also. The classification can be according to time horizons, thrust areas, whether the strategy in question is in response to an external force like competition or originates within the company and the strategy during the different stages of product life cycle. Finally international strategies can also be taken into account. These different types and classifications of strategy clearly show that there are many ways of thinking about strategies.

I. Strategies based on Organizational Levels

Business firms usually consider three strategies, viz., corporate level strategy to provide overall direction towards growth and management of business, business level strategy to improve competitive position of business in
the market and functional level strategy to approach in a functional area to achieve business and corporate objective.

**a) Corporate Level Strategy** – An organization’s corporate level strategy is an action taken to gain a competitive advantage through the selection and management of a mix of businesses competing in several industries or product markets. The corporate level strategy should be expected to contribute a given amount to the returns of all business units that exceeds what those returns would be without the implementation of such a strategy. When managed effectively, corporate level strategies enhance a firm’s strategic competitiveness and contribute to its ability to earn above-average return. The nature of strategic decisions at the corporate level tends to be value-oriented, conceptual and less concrete than decisions at business or functional level. Acquisition, diversification and restructuring are the important approaches to corporate strategy.

An acquisition is a strategy through which one firm buys a controlling or cent per cent interest in another firm making the acquired firm a subsidiary business within its portfolio. It is different from the strategy of merger and takeover. A merger is a strategy through which two firms agree to integrate their operations on a relatively co-equal basis to create a stronger competitive advantage. Takeover is a type of an acquisition strategy wherein the target firm did not solicit the acquiring firm’s bid.

The diversification strategy helps the managers of the diversified firms to possess unique general management skills that can be used to develop multi-business strategies and enhance a firm’s strategic competitiveness. It is a strategy in which the growth objective is sought to be achieved by adding new products or services to the existing product or service line. Diversified firms vary according to their level of diversification from low to high. There are two types of diversification strategies, related and unrelated.
Related diversification is a strategy through which the firm intends to build upon or extend its existing resources, capabilities and core competencies in pursuit of strategic competitiveness. An unrelated diversification strategy can create value through two types of financial economies, one being efficient internal capital allocation and the second being purchasing other corporations and restructuring their assets. The diversification strategy can again be classified as horizontal diversification involving the addition of parallel new products or services to the existing product line, concentric diversification involving either the introduction of new products or services to serve similar customers in similar markets or using technologies similar to the present product or service line and conglomerate diversification involving addition of dissimilar products or services to the existing line of business.

Restructuring is a strategy through which a firm changes its set of businesses or financial structure. Firms can adopt three types of restructuring strategies, downsizing, down-scoping and leveraged buyouts. Downsizing refers to a reduction in the number of firm’s employees or its operating units while down-scoping refers to divestiture or other means of eliminating businesses that are unrelated to a firm’s core businesses. A leveraged buyout is a strategy in which a party buys all of a firm’s assets in order to take the firm private.

b) Business Level Strategy – This strategy encompasses the overall competitive theme chosen by a company, the way it positions itself in the market place to gain competitive advantage and the different positioning strategies that can be used in different industry settings. It is concerned with a company’s position in an industry in relation to its competitors. Companies can choose from among four generic business level strategies, viz., cost leadership, differentiation, focused cost leadership and focused differentiation strategy. A fifth generic business level strategy, the integrated cost leadership/
differentiation strategy, has also evolved through company’s efforts to find the most effective ways to exploit their competitive advantage.

Companies that choose a cost leadership strategy offer relatively standardized products with features acceptable to customers, with a minimum level of differentiation and at the lowest competitive price. Customers receive value when a company successfully implements a cost leadership strategy. In contrast to the cost leadership strategy, differentiation strategy means that value is provided to customers through the unique features and characteristics of a company’s products rather by the lowest price. The companies can charge premium price for the differentiated products as they satisfy customer’s unique needs or preferences. Through cost leadership or differentiation strategy, companies choose to compete by exploiting their core competencies on an industry wide basis. Alternatively, companies can choose to follow focus strategy by seeking to use their core competencies to serve the needs of a particular customer group in an industry. Companies that compete by following cost leadership strategies to serve narrow market niches generally target the smallest buyers in an industry. Companies following focused differentiation strategies produce customerised products for small market segments. The new hybrid, integrated cost leadership/differentiation strategy, pursues the cost leadership and differentiation strategies simultaneously. Here the company is able to achieve a competitive advantage by delivering value to the customers based on both product features and low price.

c) Functional Level Strategy (Operational Strategy) – Each functional unit of the organization has a strategy for achieving its own mission and for helping the organization reach its overall vision. All organizations perform three basic functions, production/operation, marketing and finance, as they create goods and services. These three basic functions are typically expanded into manufacturing, marketing, financial, procurement, human resource management, research and development and technology.
Manufacturing is a very special function because all relationships with external markets are mediated through other functions. The major categories of decisions involved in manufacturing strategy include manufacturing intelligence, facilities, capacity, quality management, process technologies and suppliers relations.

Marketing is oriented towards the satisfaction of consumer needs and includes all the logistics of distribution and after-sales services. The key areas in marketing strategy decisions are defining and analyzing markets, market intelligence, distribution strategy, pricing strategy, promotion and advertising strategy.

Finance is the most centralized of functions. Its strategic categories are mostly in the sphere of corporate decision making and include capital budgeting, equity management and dividend policy, long term debt financing, working capital management, tax management and risk management.

Procurement strategies participate in supplying all the needs of raw materials, goods and services for a smooth operation of the firm’s businesses, at minimum cost and with a high level of service and quality.

Human resource management is the most decentralized and pervasive of functions. The overall objective of human resources strategy is to strike the best match between people and organization in order to contribute to the successful survival and growth of the organization and help people in achieving satisfaction. The major categories of decisions involved in human resource management strategy are selection, promotion, placement, appraisal, rewards and labour relations.

Technology is considered to be one of the central functions for achieving competitive advantage in the present era of fast-paced technological transformations. Selection of technologies, timing of new technology
introduction, and modes of technology acquisition are the key areas in technology strategies

An organization’s research and development strategies reflect its philosophy about innovation and emphasize on basic scientific research, product development and process development. Current research development strategies being used by organizations include employee suggestion systems and organizational cultures that encourage innovation and risk taking.

II. Strategies Based on Time Horizon

The two sets of strategies, long term and short term, have different objectives. Long term strategies or robust strategies are about survival in the longer term ensuring that all the potential threats are covered. Short term or corporate or conventional strategies are about optimizing current performance. In terms of basic characteristics, short term strategies usually follow a rational approach, where as long term strategies are evolutionary in nature.

III. Strategies based on Key Thrust Areas

A strategy is a game plan for achieving the company’s long term objectives. There are different ways of looking at this concept of strategy. One may define it in terms of various marketing mix elements or “key thrust areas.”

a) Product based Strategy: This strategy is evolved through some innovation in the product that may offer some tangible or intangible benefits to the consumer. It may also involve introduction of a range of products to satisfy every segment or class of customers.

b) Positioning based Strategy: This relies on the positioning of the products in the customer’s mind. The thrust is aimed at improving the perceived value of the product to the customer. In other words, it induces the customer to think about the product in a particular way.
c) **Distribution related Strategy**: This involves keeping the product within the nearest reach of the customer at all times. The strategy aims at maintaining ‘top of mind’ awareness of the product in the customer’s mind and at the same time making sure that the product is easily available to the customer.

d) **Pricing based Strategy**: This involves pricing the product in such a way that it gives the product an advantage over other products. Though it is usually followed only in under-pricing the product as compared to competing ones, it may also be used in creating an image of quality for the product.

e) **Promotion and Advertising based Strategies**: Here the key thrust area is communication. The company spends huge sums of money in making the customers aware of the product, forcing them to think about it, converting intention of purchase to actual action and generally maintaining ‘top of mind’ awareness of the customer.

**IV. Company Strategies**

Company strategies can be classified into three types, viz., external economic strategies, external social strategies and internal organizational strategies.

External economic strategies pertain to the economic conditions of the company which depends on various factors like capital resources, technical know-how, source of raw materials, availability of plant and machinery and company customer relations. External social strategies cover the wide field of social responsibilities that a company is expected to fulfill. Strategies should be set in this regard so that the companies can fulfill social responsibilities maintaining the profit making motto as per policies and objectives. Internal organizational strategy relates to the internal organization of the company which includes assignment of work according to aptitudes and qualification of
employees, proper delegation of authority and timely fulfillment of office requirements.

V. Strategies during the Product Life Cycle

The concept of product life cycle assumes that a product will go through five stages during its lifetime: development, introduction, growth, maturity and decline. Each life cycle stage is accompanied by a particular industry environment, presenting different opportunities and threats. The risks of pursuing a strategy change from one stage to another.

Development stage – A firm has no sales revenue during the product development stage. This stage usually begins with a product concept. Although marketing activities do not typically occur in this stage, planning efforts at this point can greatly influence marketing activities in later stages of the life cycle. The high product failure rate underscores the need to identify target customer needs correctly before developing a marketing strategy.

Introduction stage – The introduction stage begins when the development is complete and ends when sales indicate that target customers are widely accepting the product. The firm uses ‘share building strategy’ which aims to build market share by developing a stable and unique competitive advantage to attract customers who have no knowledge of the company’s products.

Growth stage – At the growth stage, the task facing a company is to consolidate its position and provide the base it needs to survive the coming shakeout. The appropriate strategy is the ‘growth strategy.’ The goal is to maintain and, if possible, to increase the firm’s relative competitive position in a rapidly expanding market.

Maturity stage – By the maturity stage, the firm has learned how their competitors will react to their competitive moves. At this stage the firms adopt a ‘hold-and-maintain strategy’ to support their generic strategies and expend
resources to develop their distinctive competency so as to remain the market leaders.

Decline stage – The decline stage of a firm’s life cycle begins when the demand for its product starts to fall. The decline stage and the product’s life end when the product is terminated. The initial strategies that firms can adopt are ‘market concentration strategy’ or ‘asset reduction strategy’. The former attempts to consolidate its product and market choices, and the latter, otherwise called ‘harvest strategy,’ attempts to limit its investment in a business and to extract the investment as much as it can.

At any stage of the product life cycle, firms that are in weak competitive positions may apply ‘turn around strategy’ if they have sufficient resources to develop a viable business level strategy to compete in the industry. If the turn around strategy is not possible, either for competitive or life cycle reasons, the two alternative strategies are ‘liquidation’ and ‘divestiture’ in which the firm moves to exit the industry either by liquidating its assets or by selling the whole business.

VI. Strategies for New Product/Business

When a company starts a new business or introduces a new product, it can opt either of the two strategies –

Rifle strategy in which the company defines the target market, understands its needs and develop products according to its tastes; or

Shotgun strategy in which the company develops good products as defined by the technologists of the company and makes them available in the market so that whoever likes them can buy them.
VII. Strategy based on Formulation

Here the major options are stability strategy, growth strategy, retrenchment strategy and combination strategy.

Stability strategy means that the firm will continue in the in the same or similar business as it pursues with the same or similar objective. It is also called stable growth strategy and includes incremental sub-strategy, sub-strategy with stable growth, profit sub-strategy and sustainable growth sub-strategy.

When a firm increases the level of objectives, improves functional performance, adds new products to the existing product line or expands business through mergers, acquisitions etc, the firm is said to be following a growth strategy. This includes intensive growth strategy and diversification strategy.

Retrenchment strategy is a strategic option which involves reduction of any existing product or service line along with the level of objectives. The sub-strategies of retrenchment strategy are turn around strategy, divestment strategy and liquidation strategy.

When a single strategy does not fit all products or all markets, the firm uses combination or mixed strategy. Here the firm allocates resources to the high growth and high potential areas of business while reducing investments in less profitable areas.

VIII. International Strategies

An international strategy refers to the selling of products in markets outside a firm’s domestic market. It may be either one of the two basic types, business or corporate level strategy. At the business level, firms follow generic strategies, viz., cost leadership, differentiation, focused cost leadership, focused differentiation and integrated cost leadership/differentiation. At the corporate
level, there are three types of strategies, multidomestic, global and transnational.

IX. Strategies based on Competition

The traditional view of competition focused on the variables of market strategy such as production, quality, keeping delivery schedule, attractive prices and aggressive promotion. But the changed business scenario has made it essential for firms to go beyond these boundaries. Michael Porter identifies that an organization is most concerned with the intensity of competition within the industry. According to Porter in order to cope up with competition, firms adopt three generic strategy approaches, overall cost leadership, differentiation and focus.

The overall cost leadership strategy entails the firm to make all possible attempts to achieve the lowest cost in production and marketing so as to gain an increased market share. In differentiation strategy the emphasis is to achieve class leadership by providing unique characteristics to the product or service, whereas, the focus strategy attempts to serve a narrow strategic target effectively and efficiently by meeting the target customer needs better.

The strategies adopted by firms may be looked upon in terms of prime competitors. Kotler has classified them into two major types such as offensive and defensive strategies and named each strategy after some wartime troop movements.

Offensive Strategies

These strategies are generally applied by firms, popularly known as “Market Challengers” that are in the second or third position in the industry. Their strategy is aimed at attacking the leader, to wrest its market-share. Their attacks are sometimes aimed at other small local firms or competitors of their own size. The various attack strategies are-
a) **Frontal Attack:** The essence of this strategy is that attack is aimed at the opponents’ strengths rather than weaknesses. The outcome depends on whoever has the greater strength and endurance.

b) **Flank Attack:** This, by its very name, is aimed at the sides of the opponent. This means that the opponent’s weaknesses are attacked. Feigning is a part of this attack in which the attacker pretends to attack the challenger head-on but shifts to the flanks at the last moment.

c) **Encirclement Attack:** This involves launching an attack all around the opponent. This means introducing a number of products to satisfy every segment of the market and by means of such an attack forcing the opponent to fight on several flanks at the same time. This will succeed if the challenger has the resources superior to that of the opponent.

d) **Bypass Attack:** This is the most indirect form of attack strategies. There is no direct attack on the opponent. The attack is aimed at segments of the market that the opponent does not serve at present and cannot serve in the current situation. The opponent is totally bypassed; the position fought for in the customers’ mind is entirely different from that of the competitors.

e) **Guerilla Attack:** Guerilla warfare consists of making small intermittent attacks on different territories of the opponent aiming to harass and demoralize the opponent. The tactics include price cuts, promotional bursts etc. Usually these are practiced by a small firm against a larger one. The attack is localized in terms of market segment. This type of strategy drains resources very easily and the results are likely to be very slow in coming.

**Defensive Strategies**

These are followed mainly by the market leader who is generally attacked by all while they strive to innovate, remove weaknesses, anticipate
attacks against their strengths and in general, keep an eye on all competitors, whether big or small. Some of the defensive strategies are-

a) **Position Defense**: This strategy is to build a wall of fortification around one’s position. But it correspondingly implies that constant innovation must be ensured too, so that the position does not become easy to imitate.

b) **Flanking Defense**: This is basically guarding one’s flank - be it specific segments or some element of the marketing mix so that flanking attacks are neutralized. The important flanks may be consumers’ choice criteria and emerging segments of the market.

c) **Pre-emptive Defense**: This strategy involves anticipation of competitor’s moves and pre-emptively foiling them by taking proper action.

d) **Counter Offensive Defense**: This defense is an attack aimed straight at the competitor. This is very effective in the case of a strong position and weak opponents.

e) **Mobile Defense**: The leader moves to new territories so that the opponents cannot concentrate on one point. It may involve market expansion or market diversification.

f) **Contraction Defense**: This is in contrast to diversification. The leader contracts its spread to a smaller area over which it has better control, so that it can defend that easily and at the same time act more economically.

In the past, strategy was considered to be a top-down activity, where in senior management laid down what an organization’s strategy should be and the rest implemented it. Now there is a realization that effective strategy can also be bottom-up or emergent. Even in a firm that favours an emergent strategy approach, however, there will often come a time when hard choices have to be made about in which areas to invest more time, money and energy in developing, and what should be left alone. In this case, having some prior
agreement on the overall Vision or Mission for the firm can set some useful parameters or context within which such choices can be made.

Thus the strategic alternatives range from organizational level strategies to international strategies. Unfortunately, there are no universal criteria to determine the strategic fit. The choice of the best strategy from among several alternatives is based on years of experience with the product in a particular market, careful and comprehensive research and ultimately managerial intuition. Another important area is implementation of strategy. Many good strategies fail because they are badly implemented and not because they are not robust.

Every organization is a part of an industry. Almost all organizations face competition either directly or indirectly. Thus industry and competition are vital considerations in making strategic choice. The industry provides the context in which an organization operates while competitors fight for the same set of customers by offering more or less identical products. In other words what organizations are fighting for is the market share. Thus it is quite obvious that each and every organization should have an appropriate marketing strategy to market their products.

Marketing Strategy

Marketing strategy refers to a set of objectives, policies and rules that guide the firm’s marketing efforts over a period of time. It is a policy to maintain the competitive position of a firm in the market. Management shapes it with strategies for each controllable product: pricing, promotion and distribution.

Product: To be successful, a product must reach the buying places. The marketers must try to reach his goods at the required place at the time when needed. Through the methods applied, the marketers must stimulate demand. If
the marketer is an inventor or a follower, to market his product successfully, he must be careful of competitors timing of his actions. Price must also coincide with competitor’s price of similar products. He may spend more time on advertising imparting the knowledge about qualities of his product and a comparison with that of the competitor’s product in the market. Differentiation and positioning are the two main product strategies. Under differentiation, the firm tries to differentiate its product from that of its competitors. Customer perception is of utmost importance in this case because difference between products can be based on real qualities like product characteristics and style or psychological qualities like the product image. Positioning is the process of converting an undifferentiated product into a differentiated offering. To create a positive image for a product, a marketing manager can choose from among several positioning strategies, including strengthening the current position, moving to new positions or attempting to reposition the competition.

**Pricing:** Price is an important element of marketing mix as it influences the profit margin and the sales volume. Pricing a product is the process of translating into quantitative terms the value of a product to customers. Pricing involves not only fixing the base price but also deciding the discount structure, mode of payment, currency to be used etc. Before formulating the pricing policy it is necessary to determine the pricing objective. Pricing policies and strategies form the general framework within which pricing decisions should be made in order to achieve the pricing objectives. Firms should follow different pricing strategies with regard to different markets for different customers and includes cost oriented pricing strategy, demand oriented pricing strategy and competition oriented pricing strategy.

**Promotion:** Promotion element of marketing mix comprises advertising, personal selling, publicity and sales promotion. Advertising consists of all activities involved in presenting to a group of persons a non-personal, oral or visual, openly sponsored message regarding a product, service or idea. Personal
selling or salesmanship refers to oral face to face interaction or conversation between a sales representative and a prospective customer for the purpose of making sales. Publicity, also called marketing public relation is not paid for by the organization. It comes from news reporters, columnists and journalist people. Sales promotion is referred to as the promotional activities other than advertising, personal selling and publicity, which stimulate consumer purchasing and dealer effectiveness and includes displays, showrooms, free samples, coupons, contests and so on. The promotion strategy deals with the decisions regarding the blend of promotional activities, amount allocated for various forms of promotion and the kind of promotion to be used.

**Distribution:** Almost all entrepreneurs require a channel that can distribute their products to the right customers at the right place, at the right time and at the right cost. The distribution mix consists of two major components – physical distribution concerned with transportation, storing, warehousing and handling of goods and channel of distribution consisting of all the middlemen who participate in the distribution of goods and who serve as a link between the manufacturer and the consumer. Whether a firm will sell its product or service directly to the consumers or make use of middlemen for the purpose constitutes a major strategic issue. The firm’s pricing decision depends on whether it chooses wholesalers or retailers for distribution of its products and the firm’s promotion decision depends upon the degree of co-operation from the agencies in the channel of distribution. Distribution is now recognized as a vital area to cut costs and improve considerably customer service and satisfaction.

**Formulation of Marketing Strategy**

Having identification of the nearest competitors, formulation of strategy involves an assessment of various competitive actions for each product or strategic business unit. This can be done in the following manner.

a) Product-market analysis: To assess the product’s sales, profits and market share positions by market segment based on actual sales and profit data.
b) Product positioning analysis: To assess how various consumer segments and other relevant people perceive and evaluate the firm’s products vis-à-vis those of competitors.

c) Product vulnerable/opportunity analysis: To identify the firm’s consumers who are vulnerable to competitors and potential consumers who can be attracted by the firm.

There are a variety of factors a firm must keep in mind in selecting and developing a marketing strategy for a product or group of products. The strategists need to pay explicit attention to a series of factors including the organization’s objectives and resources, managerial attitude to risk, the structure of the market, competitors’ strategies and, very importantly, the organization’s position within the market. The market position of the organization ranges from market leaders to market nichers and the strategies to be adopted differs at each position.

**Strategies of market leaders**

A market leader wants to remain number one. For this company may find out ways to expand total market demand, protect its current market share or try to increase its market share further, even if the total size of the market remains constant. Introduction of new variants, improving perceived quality, reinforcing brand names, upgrading technology and keeping constant touch with the customers, channels and suppliers are some of the strategies followed by market leaders. In general, the market leaders try to find out new users, cultivate new applications and encourage more usage of its offering.

**Strategies of market challengers**

Companies who occupy the second or third position in terms of market share are called “market challengers.” They try to attack the leader in an aggressive bid to earn more market share. A challenger may also attack firms
of its own size, local or regional firms. According to Porter, the challenger may adopt a variety of attack strategies, such as frontal attack, flanking attack, encirclement attack, bypass attack, guerrilla attack and so on.

**Strategies of Market Followers**

It is not true that market followers are without strategies. On the contrary, a market follower must know how to hold its current market and if possible, win a portion of new customers. So a follower tries to identify its distinctive advantages vis-a-vis its target market. Quite often, the follower firms are a major target of attacks by the challengers. The follower firms usually propose three distinct strategies:

'Following closely' where in the follower seems to emulate some market leader or challenger closely and try to serve the demands of the buyers who cannot afford those brands.

'Following at a distance' where in the follower maintains a bit of difference in terms of product quality, price, distribution coverage etc. offered by the leading firms and

'Following secretly' where in the company follows the leaders closely and yet avoids direct competition with them.

**Strategies of Market Nichers**

A market nicher chooses to operate in a selective segment of the market. The key strategy adopted by them is some sort of specialization. Here the nicher carefully identifies the target market where it enjoys certain distinct customer preference. The several specialist roles open to market nichers are to care to some specific end user segment, geographic area, unique product line or feature, higher quality, price level, superior service and the like.
The criteria for good marketing strategy will vary across companies, markets, products and over time. A good marketing strategy depends upon the person reviewing it, in some firms the best marketing strategy may be the one that is capable of being approved by to management.

Alternative marketing strategies need to be evolved under various marketing scenarios and contingencies. This means a statement of various decisions involving the determination of desired positioning by segments and interrelated strategy formulations regarding product, price, distribution, personal selling, advertising and promotion. It has taken a lot of time for marketing to accept the fact that the world in which the current business exists and will be operating for the rest of the century, is changing dynamically, and there is change in products, change in taste and preference, change in technology, change is inevitable.

The selection of any specific strategic plan should be consistent with:

a) The achievement of the company’s objectives like target sales, profit, and market share

b) Corporate resources and competitive advantage, and

c) The most likely future scenarios (including competitive reactions).

This process of scanning the macro environment, competitor and internal assessment to cope with environmental threats and opportunities must be done on a continuing basis.

The Indian business, proud of having so many strategists, have really understood that marketing ideas have become much easier than marketing products. Strategists look at one set of strategic alternatives in first generation planning and at multiple sets of alternatives in second generation or contingency approaches. They begin with alternatives which they know about
or which are proposed by subordinates and which they think do not involve major breaks with the past. The nature of the gap in performance and the type of environmental and internal conditions determine which of the strategic alternative dimensions receive the most attention.

**Strategies of Food Processing Industries**

Food marketing is defined as the activity that takes place within the food system from the farm gate to the consumer. These activities include processing, wholesaling, retailing, transportation and food service. Food marketing technologies are undergoing major changes with a number of global implications.

The marketing system of food processing industry breaks down logically into two major segments, processing and distribution. Processing technologies are classified under five heads, viz., preservatives, new and improved equipment and processing techniques, new and modified food products, new sources of food ingredients and packaging. Distribution techniques are classified under four heads, viz., wholesaling, transportation, retailing and food service and those techniques that cross over the above in their application and effect.

Food marketing is a well known and frequently applied designation in the management practice. In the present world, it refers to designing and executing creative, unique and effective promotion with reference to the marketing of food materials. It is important to develop dynamic food marketing presentations and promotional materials, as well as participating in industry related tradeshows and events, growing prospects lists, and establishing strong buyer relationships where utilization of food marketing services are concerned. Once a list of buyers is established, it is imperative to develop and execute a strategically planned food marketing campaign that will compel consumers along every level of the distribution chain. Promotional, advertising and
merchandising materials in the campaign must be created to maximize flexibility and minimize costs. Moreover, all types of consumers, both individual and industrial are more concerned and aware of the healthy environment. In fact, food marketing requires that consumers want a healthier environment and are willing to pay for it, possibly through higher priced goods, modified individual lifestyles, or even governmental intervention which ultimately leads towards building up of efficient relationships with the customers in the concept of food marketing. The strategies adopted so as to fulfill the desires and needs of the consumers in the context of food marketing calls for a need to implement relationship marketing strategy so as to build customer trust and ensure relationship commitment.

The fundamentals of success in being significant supplier of processed food products to the world depend on 5Ps which are (i) Place (ii) Product (iii) Practice (iv) Partner and (v) Promotion.

**Place & Products**

The exporters who respond to specific market demands are able to sustain better. The differences between developed and developing country markets are quiet significant and suppliers are required to develop different strategies in serving these two types of global markets. The global regions for export trade are mainly classified into five zones and demands for processed food vary from zone to zone.

The SAARC countries in zone one requires basic products which provide basic nutrition at affordable price. The majority of African countries in zone two is economically poor and cannot afford high valued products. They are to be supplied with processed low valued products which can take care of the malnutrition amongst children and make staple food available for the adults. The countries of Arab world listed in zone three are economically better and so their requirement is for fresh vegetables, basmati rice, meat products
and other novel products. The countries from zone four and five comprising of Europe and North America are very highly demanding on quality of processed food products. The best way to compete in these markets is to promote and popularize Indian curries and prepared ready to eat meals. The commodities which are being soled traditionally in these trade regions may now be further processed as per the market demand for value addition.

Practices and Partners

The market promotion of Indian processed foods is of vital importance. The success of the existing Indian exporters of food products has so far evolved out of their personalized relationship with the buyers, which has inculcated out of mutual trust cultivated over the years of their business relationships. Despite the inherent strengths of the products in terms of its quality, cost and compatibility, its success cannot be guaranteed. It depends on the movers and promoters of the products. Unless the brand attracts the consumer awareness, it is required to be marketed through the established market chain whose name should symbolize the assurance of product quality and cost.

Promotion

The conceptualization of a product depends on its demand, assessment of which firstly calls for market survey, product research, product innovation followed by product positioning with proper pre and post launch campaigning either directly or through the partners in alliance. Once all these 5 Ps are adopted and practiced, by the potential Indian entrepreneurs, time is not so far for them to over take the established global players in this field. For fulfillment of this dream, the country beckons its large corporate sector to venture into the virgin field of food processing industry in a big way and the governments at central and state level to provide the hassle free approvals and encouragements of the speedy implementation of the projects, so as to ensure that we do not lag behind and loose the global opportunities at hand.
A particular problem area which confronts the food processing industry is that of quality control, and in particular the growing public resistance to the use of additives in food products. This is a challenge to the industry, because some food products cannot be made without additives, others would have a shorter shelf life and hence become more expensive and less attractive to consumers, whilst yet others would be unattractive purchases without added colours. Against this some manufacturers are now following a marketing strategy of emphasizing the additive free character of their products.

The 21st century has already witnessed many trade blocks. These blocks prove to be both opportunities and uncertainties for Indian companies. Firms should learn to manage their own strategy so that the concerns of different stakeholders are addressed properly. Since many companies may face hyper competition, the time horizon in strategic management may become shorter. This requires the strategic planner to readjust to the changed situation. Competitor analysis is important because competitive forces shape the strategy adopted and because the strategies of rival firms shape the competitive forces. It is useful for a firm if it takes the result of competitive analysis into account while exercising a strategic choice. It is urged that instead of trying to compare in a market where other countries are already established and are far ahead we must break new grounds and create markets for the indigenous food products where practically no other country can compete with us.

The present study aims to consider the various existing strategies and to develop and suggest the best strategy that is useful for the food processing industries. Food Marketing is a real challenge. One out of 100 food brands in the world stay on the shelf for more than one year. Developing appropriate strategies for the placement of food products and sustaining their growth requires multi-functional expertise and in-depth understanding of the market needs. Strategic linkages, product leadership and cost competitiveness can enhance the success rate for the branded food
products. The sample units belong to tiny, small, medium and large scale industries. Theoretically it is possible to consider all the alternatives. But, in practice, it is beneficial to limit the choice to a few alternatives. The strategic alternatives should be analyzed on the basis of the objective and subjective factors. Among the various strategies discussed earlier, some strategies are applicable for all the units irrespective of scale, for instance, production and marketing strategy, product life cycle strategy and the like. But some strategies like international strategies and corporate strategies are suitable for large scale industries. There cannot be a single strategy useful for all the units, but what is important is that the strategy adopted by the unit should help it to accomplish its objective.

**SWOT Analysis of the Indian Food Industry:**

**Strengths:**

1. The abundance of exotic tropical fruits & vegetables and their aroma and taste.
2. The diverse agro-climatic conditions in the country.
3. Availability of qualified and experienced technocrats.
4. Existence of research and development laboratories dedicated to food processing industry.
5. Experience in the export of dehydrated products.
6. Capability of design, development and construction of process plant and machinery matching international standards.

**Weaknesses:**

1. Poor availability of suitable processing variety of raw materials.
2. Lack of quality control and testing in conformity with the international standards.
3. Lack of proper scientific post harvest handling and long term storage facility.
4. Use of outdated technology.
5. Poor infrastructure facilities like irregular power supply, high transportation cost, etc.
6. Lack of co-operation among the processors and exporters due to which problems cannot be tackled effectively.

**Opportunities:**

1. The processed food items based on exotic Indian raw materials are gaining consumer preference.
2. The pre-prepared meals based on Indian vegetables for large Asian ethnic population settled in developed countries are a very big opportunity for export of these products.
3. India must cater to the emerging opportunity in the South East Asia, which is presently being catered to by USA and EU, by its locational advantage.

**Threats:**

The major threats to Indian food industry is expected from the goods offered by the neighbouring countries such as China, Thailand, Indonesia and Philippines who have a distinct price advantage accruing from the production cost which includes the cost of power, liquid fuels, rate of interest on loans for fixed and working capital, import duty and export benefits.

This chapter examined the concept of strategy and the strategic alternatives for industries. A profile of the food processing industries in India in general and Kerala in specific is given in the succeeding chapter.
References:


