Chapter-2

MARKETING STRATEGY
Chapter 2
Marketing Strategy

Chapter Outline

This chapter presents an exhaustive study of the theory in literature about Marketing Strategy. The first section depicting it as a process for gaining competitive advantage by firms. Also, the different stages of a product in its lifecycle used strategy differently. The next section studies the details of the strategy hierarchy from corporate to functional strategies. Moving further to Strategy planning, its development and modelling literature are studied. This is followed by competitive advantage of the firm defined by Porter’s 5 force industry structure model. Finally, the quest being for identifying the generic strategy adopted by the firm towards differentiating itself in the highly competitive market, which delineated out of this section establishing the research direction aimed at exploring the relative Generic strategy followed by the competing car companies towards obtaining competitive advantage for themselves.

2.1 Marketing strategy – A process

Strategy can be defined as a firm’s positioning to gain a competitive advantage in the marketplace (Juga, 1999). The primary objective of a strategy being to secure organizational effectiveness by performing the right activities at the right time. The central focus for a strategy being for the organisation achieving the right fit with the external environment. Building upon this, a marketing strategy allows firms to develop a plan that enables them to offer the right product to the right market with the intent of gaining a competitive advantage. In other words, a marketing strategy provides an overall vision of how to correctly position products in the marketplace while accounting for both internal and external environments.

Marketing Strategy is the process outcome of a framework involving three different levels of treatment. The first two levels arising out of the overall strategic planning of the company and providing the framework out of which marketing strategy should be
developed as stated by Greenly (1983). However as these two levels provide the framework for developing the actual marketing strategy, they are not considered to be part of it. The third level of the process is the actual marketing strategy, which is considered to be composed of five component parts.

From literature it was observed most writers started with a broad encompassing statement of what they consider marketing strategy to be. For example, Chang & Campo-Floress (1980) referred to marketing strategy as being crucial and central issues to the use of the marketing function. Similarly Baker (1978) sees it as being a broad means of achieving given aims, Luck & Farrel (1979) as being fundamental means or schemes and Kotler (1965) referred to marketing strategy as being the grand design to achieve objectives. Similar broad statements were also given by organisations claiming that their marketing strategy was a long-term activity, while some organisations stated that it provided for the overall achievement of objectives and others that marketing strategy provided a broad plan of action. Other comments were given as even wider statements such as to sell as large a quantity as possible or towards maximising profits.

Most writers then moved on to explain the detailed issues, means or schemes which they prescribed as constituting a marketing strategy. They emphasised four major bases that was used in the literature to explain the details of marketing strategy, those being the marketing mix, the product life cycle, market share and competition, and positioning.

2.1.1 The marketing mix base

A common approach followed in the literature was simply linking these issues to the elements of the marketing mix. Foxall (1981), defined marketing strategy as being an indication of how each element of the marketing mix would be used to achieve the marketing objectives. This definition gave a complete reliance on mix and therefore the utilisation of the elements in the strategy. It was, however, a very simplified and restricted approach to marketing strategy. Chang & Campo-Floress (1980) also developed this theme, suggesting a range of marketing component strategies which constituted the total marketing strategy. These they give as product strategy, distribution strategy, sales promotion strategy and pricing strategy. This approach was
also followed by Jain (1981) who gave the same breakdown, again following a simple approach of relating marketing strategy to the mix elements. A modification of this approach was prescribed by Udell (1968), who divided the issues into pricing and non-pricing strategies. Yet another modification by Foster (1970), emphasised on the companies’ product mix and in particular, allowing firms to develop a plan that enabled them offering the right products to the right markets with the intent of gaining a competitive advantage.

2.1.2 The Product Life Cycle base

Other writers extend this theme of the marketing mix to the concept of the product life cycle. For example, Kotler (1976), Baker (1978) and Doyle (1976) outlined that marketing strategy for a particular product needed to be modified as the product moved through the various stages of its Product Life Cycle. This was based upon a change of the mix at the different stages, so that a change was made in the relative degree of reliance of each element, giving a different mix, and hence a different marketing strategy, at each stage. This treatment was extended by other writers, such as Scheuing (1969), who defined a specific strategy for each stage of the Product Life Cycle, labelling them life cycle marketing strategies. However, there were two major problems associated with the approach. The first being that it was difficult for the company to be able, at a particular point in time, to identify the stage at which a product was, within its life cycle. The other problem being that the specific strategies for each stage did not always allow for application to all products, given the wide variations experienced by companies in market and product conditions.

2.1.3 The Market Share base

Another approach used in the literature to explain the issues involved in marketing strategy was linking the latter to market share and competition. A major example here was depicted in the work of Bloom and Kotler (1975). Their approach was firstly to explain how a company could identify its optimal market share, given a particular set of conditions. Having identified that level the company needed a marketing strategy to achieve the optimum. The second stage was to select a strategy from a range of strategies that were designed to build, maintain or even reduce market share. However, within each of these share-linked marketing strategies they also advocated a
range of further strategies, again based upon the elements of the marketing mix. A similar approach was advocated by Buzzell, Gale and Sultan (1975), although they labelled the alternatives as building, holding and harvesting strategies. Alternatively, strategies for companies with low market shares were given by Woo and Cooper (1981). Similarly Doyle (1975) also linked marketing strategy to market share. There the approach was simply to equate one strategy as the pursuit of market share and another strategy as its non pursuit. However, overall the approach of linking marketing strategy to market share appeared to be merely the utilisation of the elements of the marketing mix, linked with an objective or aim (and therefore not a strategy) which was concerned with a pre-determined level of market share.

Kotler (1965), has also described, competitive marketing strategies in addition to the market share link, in a later publication Kotler (1980). In his earlier works, he prescribed a range of nine competitive marketing strategies, prescribing that the company chooses, at a particular point in time, that which related directly to the activities of its competitors. In another work he advocated an approach in which the company had a range of competitive marketing strategies from which to choose, depending upon which, a four strategy ranges, the company's market share dictated that it belonged to. Here the word 'strategy' was used liberally; there were strategies within strategies and application of the approach was perhaps not immediately apparent in the prevailing context.

2.1.4 The Positioning base

Another approach in the explanation of marketing strategy, from the literature, was utilising the concept of positioning. The major overall problem being the variation given in the literature as to the meaning of positioning. For example, Wind and Claycamp (1976) explained a product's position as its overall situation in the market relative to its sales, market share and profitability. Cravens (1975) detailed positioning as being the selection of a marketing strategy from a range of alternatives, although the later could be considered to be component parts of corporate strategy, as developed by Ansoff (1968). Yet another variation of the interpretation of product positioning was reflected in the articles of Alpert & Gatty (1969) and Holmes (1973).
There a product’s position was related to its customers. In that the user profile was explained and how they perceived the image of the product.

The concept of positioning could also be explained in terms of both market and product positioning, as illustrated, for example, by Kotler (1980). There the company investigated the segmentation of a particular market and then decided which segment or segments to participate in. The selection was referred to as market positioning. For each segment the company required a product or products, and the number of products developed, plus their overall nature, was referred to as product positioning. This was developed for a range of products in an article by Warwick and Sands (1975) and the application of market segmentation in marketing strategy as illustrated by Doyle and Newbould (1975).

Hence marketing mix, the product life cycle, market share and competition, and positioning were the four major bases that were used in the literature to explain the detail of marketing strategy.

2.2 Hierarchy of strategy

In a hierarchical view, strategy takes place at three different levels: corporate, business, and functional. These levels correspond with the activities of managers in different parts of the organization.

Corporate strategy is the set of explicit or implicit decision rules that determines what business(es) a firm will be in and not be in, and how it will allocate resources among them.

Business strategy is how a firm develops and sustains a competitive advantage within an industry.

Functional strategy is the set of decisions made in marketing, operations, finance, research and development, and human resources that supports the business strategy.

2.3 Contingency Approaches

It has been observed that organization performance differs with respect to the strategy-making approaches used as stated by Fredrickson & Mitchell, (1984); Hart (1992). Consistent with general systems theory by Thompson (1967), organizations
would need to choose appropriate strategy-making approaches with internal and external considerations in mind, such as organization size and the competitive volatility of its environment as stated by Porter (1990).

Mintzberg mentions that there are two main sides of Configuration school; one describes states of the organization and its surrounding context as configurations. The other describes the strategy-making process as transformation. If an organization adopts states of being, then strategy making becomes a process of leaping from one state to another. In one sense, the premises of the configuration school encompass those of the prescriptive and descriptive approaches, a composition of context, content, and process factors determines the approach which probably works better in an organization.

Mintzberg mentions that prescriptive approaches suit a context that is rather stable or at least predictable or, what amounts to the same thing, controllable by the organization, that is, the situation has to remain relatively stable or at least predictable.

2.4 Alternate Approaches to Strategy Making

However, Barbuto suggests five approaches in strategy-making. He proposed that each of his five approaches — autocratic, transformational, rational, learning, and political — can succeed if the appropriate contingent factors exist. It would help researchers and practitioners alike understand organizational direction and individual organizations' strategy-making processes as identified by Barbuto (2002).

<table>
<thead>
<tr>
<th>Contingency Factors</th>
<th>Command (Autocratic)</th>
<th>Symbolic (Transformational)</th>
<th>Rational</th>
<th>Transactive (Learning)</th>
<th>Generative (Political)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Simple: Low-level complexity</td>
<td>Dynamic: High velocity or radical changes</td>
<td>Stable: Low degree of change</td>
<td>Complex: Many stakeholders</td>
<td>Turbulent: Dynamic and complex</td>
</tr>
<tr>
<td>Firm size</td>
<td>Small</td>
<td>Medium-Large</td>
<td>Medium-Large</td>
<td>Large</td>
<td>No-relation</td>
</tr>
<tr>
<td>Stage of Firm Development</td>
<td>No-relation</td>
<td>Rapid growth: Reorientation</td>
<td>Steady Growth</td>
<td>Mature</td>
<td>No-relation</td>
</tr>
<tr>
<td>Strategic Orientation</td>
<td>No-relation</td>
<td>Proactive change (Prospector/ Analyzer)</td>
<td>Solidify position (Defender)</td>
<td>Continuous Improvement (Analysers)</td>
<td>Innovation (Prospector)</td>
</tr>
</tbody>
</table>

Source: Barbuto (1992, p 13)
The autocratic approach to strategic decision process will be most prevalent and effective in small organizations competing in relatively simple (non-changing) environments.

The transformational approach to strategic decision process will be most prevalent and effective in fast growing or rapidly changing organizations competing in highly volatile (changing frequently) environments.

The rational approach to the strategic process will be most prevalent and effective in large companies with established markets competing in fairly stable environments.

2.5 The Learning Approach

The learning approach to the strategic process will be most prevalent and effective in complex environments with fairly large organizations positioned in several mature markets.

The political approach to the strategic process will be most prevalent and effective in flat, hierarchical organizations engaged in high technology processes, competing in highly innovative industries.

2.6 Strategic Planning

2.6.1 Transformational Approach to Strategy

Car industry, in India can be considered as a mature industry with the demand of the industry growing steadily, production technology being complex and technological advances incremental, and finally its know-how can be conveyed easily and high-skilled labour are employed to handle car production.

In India, specifically, car manufacturers work in a dynamic liberalized environment. The environment is undergoing change with the economy. The overall government policy promoting and facilitating increased investment participation by loosening tight control policies.

Hence it can be presumed that transformational approaches are more effective in Indian car industry where the environment is volatile and the internal processes are more dynamic.
2.6.2 Generic Models of Strategic planning

One of the outputs of strategic planning is company's strategies. So, according to previous sections strategic planning must be considered as a part of prescriptive approaches to strategy-making.

Strategic planning has a fairly well-established history. The first book on strategy was written in 1965 by Igor Ansoff titled Corporate Strategy. It presented an extraordinarily logical, step-by-step set of concepts and approaches to making diversification decisions [Strategic Thinking [Online] [Cited: Feb 28, 2008].]

Although different models might have different steps or maybe they vary in the sequence of the steps, the strategic planning process essentially involves three stages:

Where are we now?
Where do we want to be?
How are we to get there? Herman, [Online][Cited: Jan 23, 2008.]

All strategic planning approaches attempt to find an optimal match between the resources and capabilities available within the firm (Strengths and Weaknesses) and the external market conditions and environmental trends (Opportunities and Threats). This match or co alignment (often called a SWOT analysis) results in a strategy, whose efficacy translates into some level of corporate performance. [Strategic Thinking [Online] [Cited: Feb 28, 2008].]

2.6.3a Review of strategic planning

As level one and two of the marketing strategy process evolved from the company’s strategic planning, a review of both the nature of, and stages involved in, strategic planning was necessary. It would further provide a basis for developing levels one and two, being the framework for developing the actual marketing strategy at level three.

Corporate planning being a concept which represented the summation of the total planning to be carried out in a company, and writers such as Taylor and Sparks (1979) and Hussey (1979) divided corporate planning into strategic marketing and operational planning. Strategic planning was seen by Hussey to be the process which defined the overall objectives of the company and the means by which these objectives were to be obtained. The emphasis given by Ackoff (1970) was that strategic planning is differentiated from other planning in that its consequences had an
enduring effect on the firm and were broad issues which related to the long term. Due
to the influence of the effects of strategic planning, Higgins (1980) identified the
responsibility of strategic planning as associated with top management, as opposed to
the functional managers. The stages involved in strategic planning will be discussed
as follows.

Operational planning, however, was seen by Denning (1971) to be a projection into
the future of plans which covered existing company operations. There the plans were
the responsibility of functional managers as the concerned was seen to be the
operation of these functions into the future. The marketing function was seen to
predominate in this area of planning. As for example given by Higgins (1980), and
therefore marketing planning was taken as being part of operational planning.
Although strategic planning was seen by Ackoff (1970) to be concerned with the long
term, operational planning, due to its very nature, it necessarily related to the short
term, in that it was based on the firm’s present operational base of resources.
However, looking into the long term future necessitated not only the setting of
objectives and strategies, but also included, as suggested by the Society for Long-
programmes’, which was very much the responsibility of operational planning.
Therefore, operational plans were also needed in the long term situation which led
Scott (1965) to identify both strategic long-range plans and operational long-range
plans. Short-term operational planning was also labelled tactical planning by many
writers, such as Hussey (1979), although Higgins (1980) described operational
planning and tactical planning as being synonymous. However, tactical planning was
detailed by Winkler (1972) as being specific actions and by Chang and Campo-
Floress (1980) as being specific action designed to execute strategies. Hence
marketing strategy was seen as being part of the long-term operational planning of the
marketing function. The relationship of marketing strategy to these forms of planning
being illustrated in figure 6.
2.6.3b Review of the stages of Strategic Planning

Although the literature gave various stages within the strategic planning process, writers such as Taylor & Sparks (1975), Hussey (1980) and Kollst (1972) et al. tend to follow the stages given in figure 7.

Source: An understanding of marketing strategy (2002, p 45)
The approach started with a specification of the overall direction which the firm wished to pursue, given in the form of a corporate mission and corporate objectives. The latter related to certain levels of achievement or performance, referred to the total company and were applicable to the long run. After determining the strengths and weaknesses of both its internal and external environments, and any goals between its objectives and current base like performance, the company moved on to consider its corporate strategy. This was seen by Hovell (1979) as being the means of directing resources to achieve the objectives. The strategic planning process given advocated the identification and evaluation of alternative strategies, before the company selected that to be pursued. Within these stages of strategic planning, level one of the marketing strategy process was seen as being the corporate mission and level two is seen as being the corporate strategy. Therefore, in order to develop these levels as being the overall framework for determining the marketing strategy, further consideration would be given to both corporation mission and strategy.

Kollst (1972) et al. explained the concept of corporate mission as being concerned with a long-term vision of what the business was, or was striving to become. Chang and Campo-Floress (1980) described it as being the scope and direction of business endeavours. The scope of business being taken to be defined in terms of customers, products and business areas. Therefore, the purpose of establishing a mission was to develop an encompassing understanding of the companies’ purpose and overall direction. In developing the mission, Drucker (1973) suggested that a series of questions about the company about the company need to be posed, such as; ‘What is our business? What will be our business? What should our business be?’ The establishment of such a mission in which these areas are defined was seen by Kotler (1980) as providing personnel with a shared sense of opportunity, direction, significance and achievement.

A major contribution to the understanding of corporate strategy was the well known work of Ansoff (1968). The view taken of Ansoff was that corporate strategy being made of four component parts, from which it were possible to develop a range of alternative strategies. These four components summarised as.
1. **Product-Market scope:** this specified the particular industries to which the firm was to restrict its business, defining the broad areas of product and market participation.

2. **Growth vector:** this was related to the alternatives available to the firm to achieve growth of sales and output, giving the alternatives of market penetration, market development, product development and diversification.

3. **Competitive advantages:** concerned with how the firm will be able to develop advantages over its competitors within these industries and vectors.

4. **Synergy:** this was concerned with evaluating how the firm’s strengths and weaknesses would effect its market participation. In the words of (Ansoff, 1968) ‘it is concerned with the desired characteristics of fit between the firm and its products-markets.’

This detailed strategic planning as a basis for developing levels one and two of the marketing strategy processes and these levels were identified as corporate mission and corporate strategy.

### 2.7 Developing the Marketing Strategy

The corporate mission provided an encompassing understanding of the company’s purpose and overall direction, it was considered as being level one of the process of developing a market strategy. Hence the mission provided the broad scope of the business in terms of customers, product and business area, which was the starting point for making decisions on marketing strategy. In that the central issues were of the total marketing operation following the company’s central theme. Within that scope the framework was prescribed, in the form of classes of customers the firm wished to serve, giving the scope for market positioning and examining suitability of variations in the market mix. Similarly the scope of products provided a framework for product positioning as well as giving subdivisions within the marketing mix. The scope of business also gives a framework to market positioning, in that the supply of products to different areas (such as industrial, consumer or international business areas) would each have different focus on the decisions to be made on marketing strategy. The theme of purpose also needed to be reflected on the marketing strategy. It varied from
company to company as it could be based upon the development of a particular technology, a particular raw material, a particular section of society, or indeed on any other similar theme. However, whatever the specification of the purpose was, the components of the marketing strategy should support it. Finally, the direction of the company also had effects on planning marketing strategy. Directions aimed at growth, stability or contraction would each result in different decisions being made in the components of marketing strategy, as would a diversification direction as opposed to a non-diversification direction.

Level two being corporate strategy, which was considered to be the second part of marketing strategy framework. The product-market scope component of corporate strategy was itself an extension of the corporate mission as it gave more detail in specifying the scope of the business. Although that component was narrower in its definition of scope than the corporate mission it still allowed for decision making within marketing strategy, in the selection of market, market segments, product-lines and individual products. However the point was that the product-market scope component defined the framework for these decisions, giving the range to be pursued. The growth-vector component also provides a decision-making framework for marketing strategy. Hence the selected alternatives for pursuing growth would each affect the marketing mix to be determined within the marketing strategy. Each growth alternative would also affect decisions on product positioning and the very nature of the market within each growth alternative would require a different approach to market positioning. The component of competitive advantage would dictate the approach to be taken in each element of the marketing mix and finally affect their interrelation. Overall approaches to competitors may also necessitate making decisions on both market and product positioning. Finally, the corporate strategy component of synergy would affect marketing strategy in that identified company in strengths and weaknesses, in relation to the approaches the company was to take towards these, may provide either restrictions to the development of marketing strategy or, indeed, may provide an improvement to its effectiveness.
The third level was the actual marketing strategy. The approach taken was to specify marketing strategy as being composed of five component parts, which related to market positioning, product positioning, marketing mix, market entry and timing.

2.7.1 Market positioning

This part of strategy was concerned with deciding which approach to adopt relative to the segmentation of the market and the selection of the segments in which the company was to participate. Depending upon the range of product-market scopes or strategic business units (SBUs) adopted, each scope may require a different approach to segmentation within the market. In selecting the segments for participation the company had the choice of pursuing either all segments, only one segment or several. That choice could well be affected by the rate of growth required, the nature of competitors within the segments and the corporate approach to them, plus the synergy developed by the relative strengths and weaknesses. That component was seen as being logically the first decision to be made in establishing a marketing strategy.

2.7.2 Product positioning

Having selected the market segments for each products-market scope, the number of products which the firm was to offer to each segment would have to be determined and their overall nature specified. Again that decision area could be affected by the corporate strategy component of growth, competition and synergy. However, the major considerations being the market requirements within each segment. The understanding of these requirements obviously provided a basis for deciding whether each segment of participation required one or several products, as well as determining the overall nature of each product. However, specific details of product specifications were not considered to be part of the marketing strategy, but were considered to be decisions relative to the tactical planning of marketing.

2.7.3 Marketing mix

Having determined the range of segments, in which they would participate, plus the nature and the number of products to be offered, the next decision in formulating the marketing strategy was towards determining the utilisation of the individual elements of the mix, plus the relative degree of reliance to be place upon each. Again the
distinction needed to be made between the role of the marketing mix within marketing strategy and its role within marketing tactics. In the former decisions were required to determine which of the elements given by McCarthy (1981) were to be used in order to market the selected products as well as deciding the relative degree of importance or reliance to be placed on each in order to satisfy the market requirements. However, the role of the marketing mix within marketing tactics was in the specification of details, such as product features, brand name and image, price structure, copy platform and selling techniques. Again the finalisation of the components were affected by market requirements, so that the marketing strategy may need to be varied with product market scope. In addition, the corporate approach to competitors might also affect decisions, as could the corporate approach to growth, plus effective synergy.

2.7.4 Market entry

This component was concerned with how the company intends to enter, re-enter, position itself, or re-position itself within each of the selected market segments. Here Kotler (1997) gave the alternatives of acquisition, collaboration and internal development. In the former the approach of acquiring an existing product(s) or company were well documented, as, for example, given by Fogg (1976). The selection of that strategy would be affected by the overall direction of the company as specified within the corporate mission. Also the corporate strategy components of growth, competitive advantage and synergy would also relate to such a decision. Collaboration with another company that could provide expertise in marketing, or indeed any other business area, could be similarly affected by corporate strategy. The purpose element of the corporate mission would provide the guideline for such a strategy, but the overall level of synergy within the company would give a major indication of the need to adopt a collaboration strategy. Finally, internal development meant that the company did not need to involve other companies, so that the marketing operations were developed by the company through its own resources. Adoption of such a strategy would again be affected by the purpose element of the corporate mission, the level of synergy and also the stipulated rates of growth.
2.7.5 Timing

Here the component related to the point in time at which the other components of the marketing strategy were to be implemented, and the points in time when particular tactics within the marketing mix were to be implemented. One approach here is was to link the strategy of competitor’s activity, as, for example, outlined by Jain (1981). Here the strategy could be, to be first to implement, or to be early but following the first company, or to take a laggard position, being one of the last companies to implement. Here the competitive advantage of corporate strategy was likely to have a bearing, as was the purpose element of the corporate mission. Another approach of selecting time was to follow relevant indicators from the external environment. These could range from economic indicators to industry trends to seasonal trends to trade exhibitions. Here there was probably less effect from the corporate mission and strategy, although the immediacy of required growth would be needed, to be considered. The timing component of marketing strategy also related to selecting the optimum time required to exploit a particular market or market segment. Abel (1978) identified the importance of recognising the time period associated with a particular opportunity within a market, which he labelled as the ‘strategic window’. Here he offered an approach in the decision-making process, to determine when the particular implementation of strategy or tactics should take place. Here there could be consideration of the corporate strategy, in relation to the immediacy of required growth, the impact on such a strategic window of the corporate approach to competitors and the level of synergy within the company.

2.8 Marketing Strategy Research

Marketing Strategy research has primarily been focussed in either one of two arenas: marketing strategy formulation or market strategy implementation. Marketing strategy formulation research examined the impact of certain variables on the development of marketing strategies themselves. In addition, the stream of research tends to focus on what should be done in practise or what role strategy played in practise as stated by Mintzberg (1994). On the other hand, marketing strategy implementation research treated the strategy as given, and examined the outcomes attributed to successful implementation of strategy. The focus of this research falls within the marketing
strategy analysis domain and concentrates on the ability to effectively study marketing strategies for emerging competitive scenarios in the Indian car industry. Effectiveness of marketing strategy analysis comprised of three components: (1) marketing strategy performance. (2) marketing strategy creativity, and (3) marketing strategy improvisation.

2.8.1 **Marketing strategy performance** was defined as the extent to which a firm was able to develop a comprehensive marketing strategy for their product and services.

2.8.2 **Marketing strategy creativity** was defined as the extent to which the strategic plan developed by the firm in an effort to commercialize a new idea represented a meaningful difference from marketing practices within the industry as illustrated by Andrews and Smith (1996). The process of creativity has been shown towards enhancing performance through a focus on identifying problems, developing hypotheses, opening communication of ideas with others, and challenging the status quo as identified by Gilson and Shalley (2004).

2.8.3 **Marketing strategy improvisation** was defined as the degree of change in the marketing strategy formulation over time and was built around and earlier definition by Brown and Eisenhardt (1997) that described improvisation as a means of creating while simultaneously adapting to changing markets and technologies. Improvisation occurred when an organisation faced a situation that it was perceived as being unexpected and without a pre planned course of action and yet perceived, as requiring a course of action. (Moorman and Miner 1998a, 1998 b; Weick 1993, 1998). Thus, improvisation was influenced by both environmental uncertainty and real-time information flows. In uncertain environments, firms may find improvisation necessary in order to survive. Organisations that maintain access to internal and external information were more likely to be exposed to unexpected real-time information that may trigger improvisation.
2.9 Marketing Strategy Models

At the organizational level, marketing provides both perspectives and information to help management decide on what the mission of the corporation should be, what strategies of growth it might have, and how it must develop and manage its portfolio of business. The resulting corporate policies provide guidelines for development of strategy at each business division. And, at the lowest level the managers of each product and/or market within each division develop their own marketing strategies within the context of the policies and constraints developed at divisional levels.

The evaluation and selection of strategic options at (1) the product market level; (2) the strategic business unit level (which include a number of product/market units); and (3) the corporate level (which can include a number of strategic business units)

The models and processes that are often employed in the development of marketing strategy and marketing-driven business (and corporate strategy) can be divided into three sets of models.

1) A traditional assessment of marketing opportunities and business strengths, including:
   a) analysis of opportunities and threats;
   b) analysis of business strengths and weaknesses.

2) Marketing strategy analysis including:
   c) segmentation and positioning analysis which provide the foundation for the selection of target segments and product-positioning.
   d) opportunity analysis linking the segments/positioning to market opportunities and business strengths/weaknesses;
   e) synergy analysis focusing on the positive and negative synergies in advertising, distribution, manufacturing and so on, among products, segments and marketing mix components;
f) functions requirements analysis which include the specification of the key success factors in each segment/positioning and the companies competencies and abilities to satisfy those requirements;

g) portfolio analysis, the analytical core of the process providing an integrated view of the product, market segments and business.

3) Generation and evaluation of objectives and strategies, including:

h) generation of objectives and strategies;

i) evaluation of objectives and strategies;

j) implementation, monitoring and control of the program.

The range of analytical approaches and models that underlie these ten phases highlight the broad scope of marketing strategy models. (Lilen, Kotler and Moorthy 1992) discussed seven types of models that were designed to overcome the seven key limitations of current marketing strategy efforts. The seven model category they discussed and the limitations they attempted to overcome are highlighted in Table 3. The types of models that (Lilen, Kotler and Moorthy, 1992) discussed, included BRANDAID, ADVISOR, the PIMS ROI PAR model, the Analytical Hierarchy Process, portfolio modes and others. A number of leading marketing scholars aimed at identifying key marketing strategy models elicited these models and other models such as ASSESSOR (Silk and Urban, 1978; IRI, 1985), BASES (Burke Marketing Services, 1984), NEWPROD (Cooper, 1988), and POSSE (Green, Carroll & Goldberg, 1981).
Table 3: Limitations of typical Marketing Strategy and Modeling Solutions

<table>
<thead>
<tr>
<th>Limitation of typical marketing strategy (Wind and Robertson 1993)</th>
<th>The modeling solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improper analytic focus</td>
<td>Market definition and market structure</td>
</tr>
<tr>
<td>2. Functional isolation</td>
<td>Integration, especially models of cost dynamics (scale and experience effects)</td>
</tr>
<tr>
<td>3. Ignoring synergy</td>
<td>Marketing-mix/product-line methods</td>
</tr>
<tr>
<td>4. Short run analysis</td>
<td>Dynamic models, especially product lifecycle analysis models</td>
</tr>
<tr>
<td>5. Ignoring competition</td>
<td>Competitive-analysis models</td>
</tr>
<tr>
<td>6. Ignoring interactions</td>
<td>Proper market-definition models</td>
</tr>
<tr>
<td>7. Lack of integrated view</td>
<td>Integrated models including shared-experience models such as PIMS, product-portfolio models and normative resource-allocation models</td>
</tr>
</tbody>
</table>

(source: adapted from Lilien, Kotler and Moorthy [1992, pp.508-509])

Most of these models have been around for at least a decade. They include both models that focus on a specific element of the marketing mix and models that address business strategy issues. But they are not commonly used by management as they do not address the key strategic issues facing management. The most challenging part of strategy are problem definition and generation of strategic options where these models fail to help.

Many of the models and especially those based on market data, may provide some useful input to the decision, but do not facilitate the process of making the strategic choice. Most of the models do not address the current key concerns of top management such as the introduction of quality, 'engineering' key processes, becoming customer-driven, time-based competition, capitalizing on the enormous
advances in information technology, globalization of customer and resource markets, and the shift from hierarchical to less hierarchical cross-functional team-empowered organizations.

These concerns have led to a growing gap between the supply of marketing-science-based strategy models and the demand for and use of these models. The gap is especially striking given the advances in marketing science, and the increasing receptivity and concern by management with the need to become more customer-oriented.

Following is a taxonomy of strategy models referred to as traditional OR/MS models. And a review of what is currently available. Also some non-traditional models, aimed at addressing some of the barriers to use, are highlighted. This further demonstrates the value of some of these non-traditional approaches providing a vision for strategy models which can be applicable in the 21st century management scenario.

2.9.1 Concepts of Competitive Advantages

Concept of competitive advantage being central in discussions of business strategy has been reviewed in strategy literature mostly with the common theme of value creation for the firm.

Porter says “competitive advantage is at the heart of a firm’s performance in competitive markets” and further states “how a firm can actually create and sustain a competitive advantage in an industry and how it can implement the broad generic strategies”. Thus, competitive advantage means having low cost, differentiation advantage or a successful focus strategy. In, addition Porter also adds that “competitive advantage grows fundamentally out of a value, a firm is able to create for its buyers that exceeds the firm’s cost of creating it”.

Peteraf (1993) defines competitive advantage as a “sustained above normal returns”, defining imperfectly mobile resources as those that are specialized to the firm and notes that such resources “can be source of competitive advantage” because, “any Ricardian or monopoly rents generated by the asset will not be offset entirely by accounting for the asset’s opportunity cost” (i.e., its value to other)
Barney (2002: 9) states that “a firm experiences competitive advantages when its actions in an industry or market actions in an industry or market create economic value and when few competing firms are engaging in similar actions”. Barney further goes on to link competitive advantage to performance, arguing “a firm obtains above-normal performance when it generates greater than expected value from the resources it employs.”

Saloner, Shepard and Podolny say “most forms of competitive advantage mean either that a firm can produce some service or product that its customer value than those produced by competitors or that it can produce its service or products at a lower cost than its competitors.” They also state that “In order to prosper, the firm must also be able to capture the value it creates. In order to create and capture value the firm must have a sustainable competitive advantage.”

John Kay (1993:14) defines distinctive capabilities as ones derived from characteristics that other lack and which are also sustainable and appropriable. “A distinctive capability becomes a competitive advantage when it is applied in the industry or brought to the market.” Kay [p. 194] measures the value of competitive advantage as valued added, with the costs of physical assets measured as the cost of capital applied to replacement costs.


Competitive Advantage- Creating and Sustaining Superior Performance introduces the concept of the value chain a general framework for thinking strategically about the activities involved in any business and assessing their relative cost and role in differentiation. The difference between value, that is, what buyers are willing to pay for a product or services and the cost of performing the activities involved in creating it, determines profits. The value chain provides a rigorous way to understand the
sources of buyer value that will command a premium price, and why one product or services substitutes for another. A strategy is an internally consistent configuration of activities that distinguishes a firm from its rival. (Competitive Advantage- Creating and Sustaining Superior Performance “, Free Press, page xvi)

The activity-based view of the firm also provides the foundation for thinking about strategy across multiple businesses. Competitive Advantage- Creating and Sustaining Superior Performance explores the role of complementary products or services in competition and competitive advantages in some industries. (Adam Brandenburger and Barry Nalebuff, in Co-opetition (Currency/Doubleday, New York, 1996)). Activities also provides the basic tools for examining the competitive advantages or disadvantages of diversification. The ability to add value through competing in multiple business can be understood in terms of sharing activities or transferring proprietary skills across activities. This allows the elusive notion of synergy to be made concrete and rigorous. Competitive Advantage- Creating and Sustaining Superior Performance explores these questions as well as the organizational challenges of cross business collaborations (these notions were developed further in M.E. Porter, “From Competitive Advantage to Corporate Strategy” Harvard Business Review, May- June 1987). (Competitive Advantage- Creating and Sustaining Superior Performance “, Free Press, page xvi)

Competitive advantage is at the heart of a firm’s performance in competitive market after several decades of vigorous expansion and prosperity, however, many firms, lost sight of competitive advantage in their Sustainable Competitive Advantages able for growth and pursuit of diversification. Competitive advantage is about how a firm puts the generic strategies into practice. Competitive advantage grows fundamentally out of the value a firm is able to create for its buyer. (Competitive Advantage- Creating and Sustaining Superior Performance “, Free Press, page xvi)

Competition is at the core of the success and failure of firms. Competition determines the appropriateness of a firm’s activities that can contribute to its performance, such as innovation, a cohesive culture, or good implementation. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Two central questions underlie the choice of competitive
strategy, the first is the attractiveness of the industry for long term profitability and the factors that determine it. The second central question in the competitive strategy is the determinants of relative position within the industry. Both the questions are dynamic; industry attractiveness and the competitive position change. Industries become less or more attractive over time, and the competitive position reflects and unending battle among competitors. (Competitive Advantage- Creating and Sustaining Superior Performance “, Free Press, Chapter-1 page 1-2)

The first fundamental determinants of a firm’s profitability are industry attractiveness. In any industry, whether it is domestic or international or produces a product or services, the rules of competition are embodied in five competitive forces: the entry of new competitors, the threat of substitute, the bargaining power of buyers, the bargaining power of suppliers and the rivalry among the existing competitors. (Competitive Advantage- Creating and Sustaining Superior Performance “, Free Press, Chapter 1 page 4)

The collective strength of these five competitive forces determines the ability of firms in an industry to earn, on average, rates of return on investment in excess of the cost of capital the strength of the five forces varies from industry to industry, and can change as an industry evolves. The result is that all industries are not alike from the standpoint of inherent profitability. In industries where the five forces are favorable many competitors earn attractive returns. Industry profitability is not a function of what the product look like or whether it embodies high or low technology, but of industry structure.

The five forces determine the industry profitability because they influence the prices, costs and required investment of firms in an industry-the elements of return on investment. The strength of each of the five competitive forces is a function of industry structure or the underlying economic and technical characteristics of an industry. Industry structure is relatively stable, but can change over time as an industry evolves. Structural change shifts the overall and relative strength of the competitive forces, and can thus positively or negatively influence industry profitability. In any particular industry, not all the five forces will be equally important and the particular structural factors that are important will differ. Every industry is
unique and has its own unique structure. (Competitive Advantage- Creating and Sustaining Superior Performance, Free Press, Chapter 1, page 6-7).

2.9.2 Porter’s 5 Forces and Industry Analysis

Porter’s Industry Analysis is providing a framework using the outside-in perspective. The analysis starts with an investigation of the external environment. It argues that companies have to understand the rules of competition that determine industry attractiveness in order to be successful on the market. The crucial goal of each company is to be able to deal with the rules of competition and if possible to change them in order to make them fit to their own objectives. According to Porter (1980), the rules of competition are presented in five competitive forces:

- The entry of new competitors
- The threat of substitutes
- The bargain power of buyers
- The bargaining power of suppliers
- The rivalry among the existing competitors

In general, the five forces are the same for all industries on domestic and international markets; however, their strengths may differ in each context. Their power can also change as an industry evolves. “The five forces determine the industry’s profitability because they influence the prices, costs and required investment of firms in an industry – the elements of return on investments” (Porter, 1980, p. 28).

As can be seen in the figure illustrated below, the five forces have an impact on competition. They will be introduced regarding Porter’s ideas.
2.9.2a The entry of new competitors

Prices and investment structures are influenced by the threat of new entrants. It depends on the current entry barriers and reaction of present competitors if new entrants have a chance to enter the existing market.

There are seven major entry barriers:

- Economies of Sustainable Competitive Advantages
- Product differentiation
- Capital requirements
- Switching costs
- Access to distribution channels
- Cost disadvantages independent of Sustainable Competitive Advantages
- Government policy
Newcomers are in a very difficult position if the entry barriers are high (which makes the threat of entry low) (Porter 1980).

2.9.2b The threat of substitutes

All firms in the industry are competing with industries producing substitute products. Substitutes limit the potential returns of an industry by offering replacement for the original products. Substitutes are very dangerous especially if they can serve the needs as well as the original product for lower price (Porter 1980).

2.9.2c The bargaining power of buyers

Buyers compete in the industry by pushing down the prices, bargaining for higher quality and more service and placing competitors against each other. According to Porter (1980), buyers are powerful if the following circumstances arise:

- They are concentrated or purchase large volumes relative to seller sales
- The products they purchase from the industry represents a significant fraction of the buyer’s costs or purchases
- The products they purchase from the industry are standard or undifferentiated
- They face low switching costs
- They earn low profits (with the purchased goods)
- They pose a credible threat of backward integration
- The industry’s product is unimportant to the quality of the buyers’ products or services
- They have full information

The power of buyers depends on the market and industry situation.

2.9.2d The bargaining power of suppliers

The suppliers can use bargaining power by raising prices or reducing the quality of goods and services that they are providing. Supplier groups possess control if the following apply (Porter, 1980):
• It is dominated by a few companies and is more concentrated than the industry it sells to
• It is not obliged to contend with other substitute products for sale to industry
• The industry is not an important customer of the supplier group
• The suppliers’ product is an important input to the buyer’s business
• The supplier group’s products are differentiated or it has built up switching costs
• The supplier group poses a credible threat of forward integration.

The conditions making suppliers powerful are very similar to the ones that were mentioned in the buyers power case.

2.9.2e The rivalry among existing competitors

Rivalry among competitors takes place when competitors feel the pressure or see the opportunity to improve their position.

As stated in Porter (1980), intense rivalry is the result of a number of interacting structural factors:

• Numerous or equally balanced competitors
• Slow industry growth
• High or fixed storage costs
• Lack of differentiation of switching costs
• Capacity augmented in large increments
• Diverse competitors
• High strategic stakes
• High exit barriers

The companies use the traditional tools as price competition, advertising battles, and product introductions, increase customer service and warranties to achieve the best position on the market (Porter, 1980).
Firms through their strategies can influence the five forces. If a firm can shape structure, it can fundamentally change an industry’s attractiveness for better or for worse. Many successful strategies have shifted the rules of competition this way (de Wit & Meyer, 2001).

Porter’s described analysis provides an uncomplicated overview of the competitive environment of an industry. It can also be used to generally introduce an industry structure. However, it does not provide the researcher with a framework that can be used to study the complete range of existing interacting relationships, e.g. for the supply chain. It does not cover the issues of partnerships and networks within an industry nor does it mention the importance of resources in depth. Consequently, the model may not be deep enough for some purposes. However, it offers a practical base to briefly introduce the Indian car industry.

2.9.2. Government as a force in Industry Competition

Government has been discussed in terms of its possible impact on entry barriers, but in the 1970s and the 1980s government at all level must be recognized as potentially influencing many, if not all aspects of industry structure both directly and indirectly. In many industries government is the supplier or buyer and can influence industry competition by the policies it adopts. Many times government’s role as a supplier or buyer is determined more by political factors than by economic circumstances, and this is probably a fact of life. Government regulation can also set limits on the behavior of firms as suppliers or buyer.

Government can also affect the position of an industry with substitutes through regulations, subsidies or other means. Government can also affect rivalry among competitors by influencing industry growth, the cost structure through regulations, and so on.

2.10 Generic Strategies by Porter

“Firm’s relative position within an industry is another important question when it comes to competitive strategy. Positioning determines whether a firm’s profitability is above or below the industry average” (Porter, 1985, p. 40). In other words, a company that is able to position itself well may be very profitable even though the industry
structure is unfavorable. Such situation can be achieved by following one of the three generic strategies (Porter, 1985):

1. Cost leadership
2. Differentiation
3. Focus

Basically, strategy is about two things: deciding where you want your business to go, and deciding how to get there. A more complete definition is based on competitive advantage, the object of most corporate strategy:

*Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation.*

-- Michael Porter, *Competitive Advantage*, 1985, p.3

**Figure 9. Competitive Advantage of Firm – Generic Strategies**

<table>
<thead>
<tr>
<th>Competitive Advantage</th>
<th>lower cost</th>
<th>differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competitive Scope</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>broad target</td>
<td>Cost Leadership</td>
<td>Differentiation</td>
</tr>
<tr>
<td>narrow target</td>
<td>Cost Focus</td>
<td>Differentiation Focus</td>
</tr>
</tbody>
</table>

*source: Porter, 1985, p.46*

Generic Strategies (as adapted from: Porter, 1985, p. 46)

As can be seen in the figure above, the first two generic strategies, Cost Leadership and Differentiation, apply to a broad target segment whereas the last generic strategy
concentrates on a narrow target segment. However, only the focus strategy may be applied to both, low cost position and differentiation.

2.10.1 Cost Leadership

In cost leadership strategy the aim is to become the low cost producer in the industry. When following a cost leadership strategy a company typically operates on a broad scope, providing various products/services in many industry segments. “This strategy requires aggressive construction of efficient facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising etc. (Porter 1980, p. 48).”

Achieving a low cost position and maintaining it brings along above average returns in its industry even if strong competitors exist. Cost leadership provides the firm with competitive advantage as lower costs imply higher returns. A low cost position also defends the firm against powerful buyers as they can make use of their power only to the level of the lowest price on the market. It provides a protection against suppliers as the low cost makes the company more flexible to fight increasing costs. The facts leading to the favorable low cost position also offer significant entry barriers due to cost advantages and economies of Sustainable Competitive Advantages (Porter, 1985).

In short, low cost position can be successfully applied to protect firm against all five competitive forces. According to Porter (1985), once the low cost leadership is achieved it provides high margins, which can be invested in new equipment and modern facilities in order to sustain the leading position.

2.10.2 Differentiation

The second generic strategy is differentiation. In a differentiation strategy, a company is also operating at a broad scope but looking for a product or service that is perceived as unique in the industry and is widely valued by customers. A firm is compensated for its exclusivity by a premium price. The types of differentiation are diverse in each industry. It can be based on the product itself, the delivery system or a wide range of
other factors. It is very important to say that this approach does not allow the firm to ignore costs, however, the costs are rather a secondary strategy target (Porter, 1985).

According to Porter (1985), the company that achieves differentiation is a possible candidate for earning the above average returns in the industry as it creates a relatively secure position in the market. A ‘differentiation position’ protects a company against competitors due to customer loyalty, which results in low price sensitivity. It also increases margins that keep the firm away from the need for low cost position and makes it possible to deal with supplier power. Furthermore, the customer faithfulness and the need for a competitor to overcome uniqueness provide high entry barriers.

In comparison to cost leadership there can be more than one player pursuing differentiation strategy within one industry if there are a number of elements that are broadly valued by customers (Porter, 1985).

2.10.3 Focus

The last generic strategy is called ‘focus’. This strategy is to some extent different from the other two because it focuses on a very narrow competitive range within an industry. The companies pursuing this approach (the focusers) select a segment or group of segments within the industry. They shape their strategy to serve their narrow strategic target more effectively and efficiently than the players that are competing on a broader Sustainable Competitive Advantages. Therefore, firms achieve differentiation either because of being able to meet the needs of a certain target or due to lower cost in serving this target or even both. Even though the focus strategy does not achieve low cost strategy or differentiation from the perspective of the market as a whole, it does achieve one or both of these positions vis-à-vis its narrow market target (Porter, 1985).

A focuser takes advantage of competitors that are either under-performing or over performing the market in meeting the needs of certain segment. This gap in the industry opens opportunities for focus strategies. However, the focus strategy always involves some limitations on the overall market share. Focus necessarily comes along with trade-offs between profitability and sales volume. Similarly as the differentiation
strategy the overall cost position is very tricky to achieve at this level of strategy (Porter, 1985).

2.10.4 Stuck in the Middle

There are certain dangers/risks embedded in each of the three generic strategies. One of them is called ‘Stuck in the Middle’.

A firm that tries to be successful in all generic strategies at the same time but fails to achieve any of them is ‘Stuck in the Middle’ and has no competitive advantage. A firm that ends up in such a position is in a great disadvantage as the cost leader, differentiators and focusers will be in a better position to compete in any segment (Porter, 1985).

According to Porter (1985), becoming ‘Stuck in the Middle’ is often a manifestation of firm’s unwillingness to make choices about how to compete. The company stuck in the middle has to make a major strategic decision and choose one of the generic strategies. It either has to achieve cost leadership or else it must change direction and look for a particular target (focus) or accomplish some uniqueness (differentiation). The choice between these options depends on the firm’s abilities, limitations and opportunities (Porter, 1985).

Traditionally, researchers argued that a high relative market share leads to a high return on investment (de Wit & Meyer, 2001). However, Porter pointed out that companies with a low relative market share had a great chance to be successful. These could achieve a higher return on investment by providing niche products for premium prices. This relationship is illustrated in the figure above.

Out of the three mentioned generic strategies the focuser is most likely the one that ends up being ‘Stuck in the Middle’. Focus brings along a limited potential sales volume, which can lead to loss of control and forgetting what stands behind the success. In general, a firm is usually better off finding new industries where it can use its generic strategy again focusing on medium price targeting customers who are not able to purchase the premium price product but do not want to resign from the whole range of services and features (Buzzel & Bradely, 1997 in: de Wit & Meyer, 2001). Hence, this idea of being ‘Stuck in the Middle’ should not be taken as a general rule.
Porter also provides a connection between positioning strategies and the three generic strategies (cost leadership, differentiation and focus). He states, “each position can form the basis for a narrow- or broad based approach” (Porter, 1996, p. 5). Companies may have a broad target and serve a wide range of customers with common needs and wants. These companies ignore the specific needs of particular customer groups. On the other hand, companies may be focused and serve customers who are over-served and over-charged or even under-served and hence under-charged by broadly based competitors.

2.10.5 Discussion on the Generic Strategies

Requirements of the Generic Strategies

Porter (1980) provides the commonly required skills and resources and common organizational requirements for implementing the strategies. The generic strategies also imply differing organizational arrangements, control procedure and inventive systems. As a result, sustained commitment to one of the strategies as the primary target is usually necessary to achieve success.
<table>
<thead>
<tr>
<th>Generic Strategy</th>
<th>Commonly Required skills and Resources</th>
<th>Common Organizational Requirement</th>
</tr>
</thead>
</table>
| Overall Cost Leadership| • Sustained capital investment and access to capital  
• Process engineering skills  
• Intense supervision of labor  
• Product designed for ease of manufacturing  
• Low cost distribution system | • Tight Cost control  
• Frequent detail control report  
• Structured organization and responsibility  
• Incentives based on meeting strict quantitative targets |
| Differentiation         | • Strong marketing abilities  
• Product engineering  
• Creative flair  
• Strong capability in basic research  
• Corporate reputation for quality or technological leadership  
• Long tradition in the industry or unique combination of skills drawn from other businesses  
• Strong cooperation’s from channel | • Strong coordination among functions in R&D , product development and marketing  
• Subjective measurement and incentives instead of quantitative measures  
• Amenities to attract highly skilled labor or creative people |
| Focus                  | • Combination of the above policies directed at the particular strategic target | • Combination of the policies directed at the particular strategic target |
Table 5. Generic Strategies and Industry Forces

<table>
<thead>
<tr>
<th></th>
<th>Cost Leadership</th>
<th>Differentiation</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Barriers</td>
<td>Ability to cut price in retaliation deters potential entrants</td>
<td>Customer loyalty can discourage potential entrants</td>
<td>Focus develop core competencies that can act as entry barriers</td>
</tr>
<tr>
<td>Buyer Power</td>
<td>Ability to offer lower price to potential buyers</td>
<td>Large buyers have less power to negotiate because of few close alternatives</td>
<td>Large buyers have less power to negotiate because of few close alternatives</td>
</tr>
<tr>
<td>Supplier Power</td>
<td>Better insulated from powerful suppliers</td>
<td>Better able to pass the supplier price to the buyers</td>
<td>Suppliers have power because of low volume but a differentiation focused firm is better able to pass on suppliers price increase</td>
</tr>
<tr>
<td>Rivalry</td>
<td>Better able to compete in price</td>
<td>Brand loyalty to keep customers from rivals</td>
<td>Rivals cannot meet differentiation focused customer needs</td>
</tr>
<tr>
<td>Threat of Substitute</td>
<td>Can use low price to defend against substitute</td>
<td>Customers become attached to differentiating attributes reducing threat of substitute</td>
<td>Specialized products and core competencies protect against substitute</td>
</tr>
</tbody>
</table>

Risk of Generic Strategies

Porter (1980) highlights on the risk in pursuing the generic strategies. They are basically two, first, failing to attain or sustain the strategy; second, for the value of the strategic advantage provided by the strategy to erode with the industry evolution.

Risk of Overall Cost Leadership

- Technological changes that nullifies past investment or learning;
• Low cost learning by industry new comers or followers through intimations or through their ability to invest in state of the art facility

• Inability to see required product or marketing change because the attention is placed on the cost;

• Inflation in costs that narrow the firms ability to maintain enough of a price differential to offset competitors brand images or other approaches to differentiation.

Risk of Differentiation

• The cost differential between low cost competitors and the differentiated firm becomes too great for differentiation to hold brand loyalty. Buyers thus sacrifice some of the features, services or image possessed by the differentiated firm for large cost saving;

• Buyer’s need for the differentiating factors falls. This can occur when buyers become more sophisticated;

• Imitation narrows perceived differentiation a common occurrence as industries matures;

Risk of Focus

• The cost differential between broad range competitors and the focus firms widens to eliminate the cost advantages of serving a narrow target or to offset the differentiation achieved by the focus;

• The differences in desired products or services between the strategic target and the market as a whole narrows;

• Competitors find submarket within the strategic target and out focus the focuser.

2.11 Competitive Advantages of Firm

Industry analysis was chosen as a tool for presenting the car manufacturing industry. The model presented would be based on Porter’s framework. It introduces five forces of competition: bargaining power of buyers and suppliers, threat of substitute
products/services, potential entrants and existing rivalry. The model was chosen in order to analyze the current stage of the Indian car industry. It easily enables the reader to get an overview of the major players within the industry and to understand its recent developments.

Following, the SWOT Analysis will be presented as it combines the external and internal view of the perspectives mentioned before.

After the examination of the general strengths and weaknesses Porter’s three generic strategies will support us in understanding the positioning of the companies in terms of their pricing policy and service standard. Therefore the aspects of cost leadership, differentiation and focus will be explained in detail

Further, some theoretical aspects of positioning will be introduced. The different MARKETING strategies of the Indian car companies will result from their favored generic strategy. Illustrating where the companies are currently positioned and presenting their strategies will provide an understanding of recent events within the whole industry. Since we are covering all the mature CAR companies we hope to be able to draw conclusions about the industry’s COMPETIVE MARKETING SENARIO.

To examine the strategies from an external perspective, positioning, SWOT Analysis and Porter’s three generic strategies are applied whereas the background knowledge of alliances are used to evaluate the strategies from an internal perspective. Porter’s framework on the industry analysis is used to demonstrate the competing players relative positioning in the small car industry.