**LEARNER GUIDE**

**Demonstrate an understanding of product positioning**

Unit Standard 252206

Level 4 Credits 4

**Demonstrate an understanding of the competitive environment and product positioning**

Unit Standard 252211

Level 4 Credits 6

# TABLE OF CONTENTS

[TABLE OF CONTENTS 2](#_Toc127365077)

[PERSONAL INFORMATION 4](#_Toc127365078)

[INTRODUCTION 5](#_Toc127365079)

[Structure 5](#_Toc127365080)

[Programme methodology 5](#_Toc127365081)

[What Learning Material you should have 6](#_Toc127365082)

[Different types of activities you can expect 7](#_Toc127365083)

[Learner Administration 8](#_Toc127365084)

[Assessments 8](#_Toc127365085)

[Learner Support 9](#_Toc127365086)

[Learner Expectations 10](#_Toc127365087)

[UNIT STANDARD 252206 11](#_Toc127365088)

[UNIT STANDARD 252211 13](#_Toc127365089)

[PRODUCT POSITIONING STRATEGIES 16](#_Toc127365090)

[Product Positioning Strategies 17](#_Toc127365091)

[Why Is Positioning Important? 17](#_Toc127365092)

[Positioning Characteristics 18](#_Toc127365093)

[Positioning Strategies 18](#_Toc127365094)

[Step 1: Understand Your Target Market 20](#_Toc127365095)

[Step 2: Understand Your Competition 20](#_Toc127365096)

[Step 3: Map Buying Criteria Against Competitive Positioning 20](#_Toc127365097)

[Step 4: Assess Your Product’s Strengths Against The Buying Criteria 21](#_Toc127365098)

[Step 5: Analyze The Gaps 22](#_Toc127365099)

[First-Mover Strategy 22](#_Toc127365100)

[Multi-Brand Strategy 23](#_Toc127365101)

[Demographics Strategy 23](#_Toc127365102)

[How To Develop A Product Positioning Strategy 23](#_Toc127365103)

[Know What The Market Needs 24](#_Toc127365104)

[Look At Resources 24](#_Toc127365105)

[Incorporate Branding 24](#_Toc127365106)

[Utilising Staff 24](#_Toc127365107)

[PRODUCT POSITION IN RELATION TO THE MARKET 26](#_Toc127365108)

[Information Overload 27](#_Toc127365109)

[Getting Into The Mind Of The Consumer 28](#_Toc127365110)

[Positioning Of A Leader 28](#_Toc127365111)

[Positioning Of A Follower 29](#_Toc127365112)

[Repositioning The Competition 30](#_Toc127365113)

[The Power Of A Name 30](#_Toc127365114)

[The Free-Ride Trap 32](#_Toc127365115)

[PRODUCT LIFE CYCLE 34](#_Toc127365116)

[Introduction Stage 35](#_Toc127365117)

[Growth Stage 36](#_Toc127365118)

[Maturity Stage 36](#_Toc127365119)

[Decline Stage 37](#_Toc127365120)

[Limitations Of The Product Life Cycle Concept 37](#_Toc127365121)

[The Kellogg's Life Cycle 38](#_Toc127365122)

[Introduction 38](#_Toc127365123)

[The Market 39](#_Toc127365124)

[The Product Life Cycle 39](#_Toc127365125)

[Strategic use of the product life cycle 40](#_Toc127365126)

[Extending the Nutri-Grain cycle - identifying the problem 40](#_Toc127365127)

[Extension strategies 40](#_Toc127365128)

[The marketing mix 41](#_Toc127365129)

PERSONAL INFORMATION

|  |  |
| --- | --- |
| **NAME** |  |
| **CONTACT ADDRESS** |  |
|  |
| **Code** |  |
| **Telephone (H)** |  |
| **Telephone (W)** |  |
| **Cellular** |  |
| **Learner Number** |  |
| **Identity Number** |  |
|  |
| **EMPLOYER** |  |
| **EMPLOYER CONTACT ADDRESS** |  |
|  |
| **Code** |  |
| **Supervisor Name** |  |
| **Supervisor Contact Address** |  |
|  |
| **Code** |  |
| **Telephone (H)** |  |
| **Telephone (W)** |  |
| **Cellular** |  |

INTRODUCTION

#### Welcome to the learning programme

Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take notes and share information with your colleagues. Important and relevant information and skills are transferred by sharing!



This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!

Structure

### Programme methodology



The programme methodology includes facilitator presentations, readings, individual activities, group discussions and skill application exercises.

Know what you want to get out of the programme from the beginning and start applying your new skills immediately. Participate as much as possible so that the learning will be interactive and stimulating.

The following principles were applied in designing the course:

* Because the course is designed to maximise interactive learning, you are encouraged and required to participate fully during the group exercises
* As a learner you will be presented with numerous problems and will be required to fully apply your mind to finding solutions to problems before being presented with the course presenter’s solutions to the problems
* Through participation and interaction the learners can learn as much from each other as they do from the course presenter
* Although learners attending the course may have varied degrees of experience in the subject matter, the course is designed to ensure that all delegates complete the course with the same level of understanding
* Because reflection forms an important component of adult learning, some learning resources will be followed by a self-assessment which is designed so that the learner will reflect on the material just completed.

This approach to course construction will ensure that learners first apply their minds to finding solutions to problems before the answers are provided, which will then maximise the learning process which is further strengthened by reflecting on the material covered by means of the self-assessments.

#### Different role players in delivery process

* Learner
* Facilitator
* Assessor
* Moderator

### What Learning Material you should have

This learning material has also been designed to provide the learner with a comprehensive reference guide.

It is important that you take responsibility for your own learning process; this includes taking care of your learner material. You should at all times have the following material with you:

|  |  |
| --- | --- |
| **Learner Guide** | **This learner guide is your valuable possession:**This is your textbook and reference material, which provides you with all the information you will require to meet the exit level outcomes. During contact sessions, your facilitator will use this guide and will facilitate the learning process. During contact sessions a variety of activities will assist you to gain knowledge and skills. Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take and share information with your colleagues. Important and relevant information and skills are transferred by sharing!This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you! |
| **Formative Assessment Workbook** | The Formative Assessment Workbook supports the Learner Guide and assists you in applying what you have learnt. The formative assessment workbook contains classroom activities that you have to complete in the classroom, during contact sessions either in groups or individually.You are required to complete all activities in the Formative Assessment Workbook. The facilitator will assist, lead and coach you through the process.These activities ensure that you understand the content of the material and that you get an opportunity to test your understanding.  |

### Different types of activities you can expect

To accommodate your learning preferences, a variety of different types of activities are included in the formative and summative assessments. They will assist you to achieve the outcomes (correct results) and should guide you through the learning process, making learning a positive and pleasant experience.



The table below provides you with more information related to the types of activities.

| **Types of Activities** | **Description** | **Purpose** |
| --- | --- | --- |
| **Knowledge Activities** | You are required to complete these activities on your own.  | These activities normally test your understanding and ability to apply the information. |
| **Skills Application Activities** | You need to complete these activities in the workplace  | These activities require you to apply the knowledge and skills gained in the workplace |
| **Natural Occurring Evidence** | You need to collect information and samples of documents from the workplace. | These activities ensure you get the opportunity to learn from experts in the industry.Collecting examples demonstrates how to implement knowledge and skills in a practical way |

### Learner Administration



#### Attendance Register

You are required to sign the Attendance Register every day you attend training sessions facilitated by a facilitator.

#### Programme Evaluation Form

On completion you will be supplied with a “Learning programme Evaluation Form”. You are required to evaluate your experience in attending the programme.

Please complete the form at the end of the programme, as this will assist us in improving our service and programme material. Your assistance is highly appreciated.

### Assessments

The only way to establish whether a learner is competent and has accomplished the specific outcomes is through the assessment process. Assessment involves collecting and interpreting evidence about the learners’ ability to perform a task.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

This programme has been aligned to registered unit standards. You will be assessed against the outcomes as stipulated in the unit standard by completing assessments and by compiling a portfolio of evidence that provides proof of your ability to apply the learning to your work situation.



**How will Assessments commence?**

#### Formative Assessments

The assessment process is easy to follow. You will be guided by the Facilitator. Your responsibility is to complete all the activities in the Formative Assessment Workbook and submit it to your facilitator.

#### Summative Assessments

You will be required to complete a series of summative assessments. The Summative Assessment Guide will assist you in identifying the evidence required for final assessment purposes. You will be required to complete these activities on your own time, using real life projects in your workplace or business environment in preparing evidence for your Portfolio of Evidence. Your Facilitator will provide more details in this regard.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

### Learner Support

The responsibility of learning rests with you, so be proactive and ask questions and seek assistance and help from your facilitator, if required.



Please remember that this Skills Programme is based on outcomes based education principles which implies the following:

* You are responsible for your own learning – make sure you manage your study, research and workplace time effectively.
* Learning activities are learner driven – make sure you use the Learner Guide and Formative Assessment Workbook in the manner intended, and are familiar with the workplace requirements.
* The Facilitator is there to reasonably assist you during contact, practical and workplace time for this programme – make sure that you have his/her contact details.
* You are responsible for the safekeeping of your completed Formative Assessment Workbook and Workplace Guide
* If you need assistance please contact your facilitator who will gladly assist you.
* If you have any special needs please inform the facilitator

### Learner Expectations

Please prepare the following information. You will then be asked to introduce yourself to the instructor as well as your fellow learners



|  |
| --- |
| Your name:  |
|  |
|  |
| The organisation you represent:  |
|  |
|  |
| Your position in organisation:  |
|  |
|  |
| What do you hope to achieve by attending this course / what are your course expectations? |
|  |
|  |
|  |
|  |
|  |

# UNIT STANDARD 252206

#### Unit Standard Title

Demonstrate an understanding of product positioning

#### NQF Level

4

#### Credits

4

#### Purpose

The person credited with this unit standard will be able to describe and explain product positioning strategies while positioning the product for the market. They will also be able to explain and describe product life cycles.

The qualifying learner is capable of:

* Describing and explaining product positioning strategies.
* Explaining position of the product in relation to the market.
* Explaining and describing product life cycles.

#### Learning Assumed To Be In Place And Recognition Of Prior Learning

Learners accessing this qualification will have demonstrated competence in:

* Communication at NQF Level 3 or equivalent.
* Mathematical Literacy at NQF Level 3 or equivalent.

#### Unit Standard Range

* Marketing including all forms of marketing communications, direct marketing and relationship marketing, sponsorship, event marketing, sales promotions, public relations and alternative strategies.
* Standard applies to marketing management, customer management, marketing communications and marketing research.
* Product life cycles including development, introduction, growth, maturity, saturation and decline.
* Positioning and repositioning including needs, wants, features, advantages, benefits, usage, users and competition.

#### Specific Outcomes and Assessment Criteria:

**Specific Outcome 1**

Describe and explain product positioning strategies.

**Assessment Criteria**

* A target market analysis is explained in respect of existing products and competing products.
* Comparisons are made with existing products and competing products.
* Opportunities for new product development and modification of existing products are identified and assessed against market requirements.
* Customer perceptions are identified and explained in order to ascertain perceptions.
* Customer preferences are identified and explained in order to establish product positions.
* Market opportunities are identified and explained with examples.

**Specific Outcome 2**

Explain position of the product in relation to the market.

**Assessment Criteria**

* Relative target markets positions are identified and explained with examples.
* Positioning and repositioning options are identified and explained in given case studies.
* Position strategies are identified and explained, which communicate and execute the product positioning decisions taken.

**Specific Outcome 3**

Explain and describe product life cycles.

**Assessment Criteria**

* Phases of product life cycles are identified and explained in given case studies.
* Implications for marketing programs of product life cycles are identified and described in given case studies.
* Product life cycle phases are evaluated and implications are explained for new product development and modification of existing products.

#### Unit Standard Accreditation And Moderation Options

* An individual wishing to be assessed (including through RPL) against this unit standard may apply to an assessment agency, assessor or provider institution accredited by the relevant ETQA.
* Anyone assessing a learner against this unit standard must be registered as an assessor with the relevant ETQA.
* Any institution offering learning that will enable achievement of this unit standard or assessing this unit standard must be accredited as a provider with the relevant ETQA.
* Moderation of assessment will be conducted by the relevant ETQA at its discretion.

#### Unit Standard Essential Embedded Knowledge

* A broad understanding of methods and techniques for positioning products in a market.
* An all rounded understanding of product life cycle development, introduction and growth.

#### Critical Cross-field Outcomes (CCFO):

**Unit Standard CCFO Identifying**

Identify and solve problems pertaining to the determination and understanding of product positioning.

**Unit Standard CCFO Organising**

Organise oneself and one's activities so that a thorough understanding exists of product positioning and how it relates to marketing management.

**Unit Standard CCFO Collecting**

Collect, evaluate, organise and critically evaluate information, which leads to the identification and explanation of product positioning and product life cycles.

**Unit Standard CCFO Science**

Use science and technology in the understanding and gaining of evidence and knowledge for product positioning.

# UNIT STANDARD 252211

#### Unit Standard Title

Demonstrate an understanding of the competitive environment and product positioning

#### NQF Level

4

#### Credits

6

#### Purpose

The person credited with this unit standard will be able to collect information on the products and services of competitors and explain the nature of the competitive environment. The learner will be able to describe the positioning of products and the different stages of product life cycles.

The qualifying learner is capable of:

* Collecting information on the competitors products or services.
* Explaining the nature of the competitive environment.
* Describing product positioning.
* Explaining the stages of the product life cycles.

#### Learning Assumed To Be In Place And Recognition Of Prior Learning

Learners accessing this unit standard will have demonstrated competence in:

* Communication at NQF Level 3 or equivalent.
* Mathematical Literacy at NQF Level 3 or equivalent.

#### Unit Standard Range

Marketing including all forms of marketing communications, direct marketing and relationship marketing, sponsorship, event marketing, sales promotions, public relations and alternative strategies.

#### Specific Outcomes and Assessment Criteria:

**Specific Outcome 1**

Collect information on competitor's products and services.

**Assessment Criteria**

* Sources of competitive information are identified and responsibility for collection allocated to team members.
* Competitor's information, products and services are reviewed regularly.
* Marketing industry advancements and technological changes and their impact on competitive advantage are reviewed regularly.
* A competitive information collection process is established and maintained by relevant team members.

**Specific Outcome 2**

Explain the nature and the extent of a competitive environment.

**Assessment Criteria**

* The competitive environment is identified and explained in relation to organisational threats.
* Strengths and weaknesses of competitors are identified and documented for ongoing evidence reference.
* Organisational tactics to match competitive strategies are identified according to marketing requirements.
* Roles and responsibilities of team members are identified and explained as they relate to relevant defensive activities.

**Specific Outcome 3**

Describe and explain product positioning.

**Assessment Criteria**

* Target market analysis is explained in relation to existing own organisation's and competitors products.
* Comparison between existing organisational products and competitor's products are made according to relevant marketing strategies.
* Opportunities for new product development and modification of existing products are identified and assessed to meet market changes.
* Customer perceptions related to organisational products are identified and explained.
* Customer preferences for the ideal product position are identified and explained in relation to organisation and competitors products.

**Specific Outcome 4**

Explain and describe the stages of the product life cycle.

**Assessment Criteria**

* Phases of product life cycles are identified and explained for each stage.
* Product life cycle stages are evaluated and implications for new product development or modification of existing products are described.
* Implications for marketing programs related to product life cycles are identified and described for each stage.
* New marketing opportunities are identified for each stage.

#### Unit Standard Accreditation And Moderation Options

* An individual wishing to be assessed (including through RPL) against this unit standard may apply to an assessment agency, assessor or provider institution accredited by the relevant ETQA.
* Anyone assessing a learner against this unit standard must be registered as an assessor with the relevant ETQA.
* Any institution offering learning that will enable achievement of this unit standard or assessing this unit standard must be accredited as a provider with the relevant ETQA.
* Moderation of assessment will be conducted by the relevant ETQA at its discretion.

#### Unit Standard Essential Embedded Knowledge

* Methods and techniques for maintaining a competitive environment.
* Methods and techniques for obtaining competitive information.

#### Critical Cross-field Outcomes (CCFO):

**Unit Standard CCFO Identifying**

Identify and solve problems pertaining to maintaining a competitive environment.

**Unit Standard CCFO Organising**

Organise oneself and one's activities so that the competitive environment is kept up to date at all times to maximise commercial advantage.

**Unit Standard CCFO Collecting**

Collect, evaluate, organise and critically evaluate information so that a competitive environment will remain at all times.

**Unit Standard CCFO Demonstrating**

Understand the world as a set of related systems in that the competitive environment inevitably affects the success of the organisation as whole and/or marketing strategies.

# PRODUCT POSITIONING STRATEGIES

#### 252206

#### ***Specific Outcome 1***

Describe and explain product positioning strategies.

#### ***Assessment Criteria***

* A target market analysis is explained in respect of existing products and competing products.
* Comparisons are made with existing products and competing products.
* Opportunities for new product development and modification of existing products are identified and assessed against market requirements.
* Customer perceptions are identified and explained in order to ascertain perceptions.
* Customer preferences are identified and explained in order to establish product positions.
* Market opportunities are identified and explained with examples.

#### 252211

#### ***Specific Outcome 3***

Describe and explain product positioning.

#### ***Assessment Criteria***

* Target market analysis is explained in relation to existing own organisation's and competitors products.
* Comparison between existing organisational products and competitor's products are made according to relevant marketing strategies.
* Opportunities for new product development and modification of existing products are identified and assessed to meet market changes.
* Customer perceptions related to organisational products are identified and explained.
* Customer preferences for the ideal product position are identified and explained in relation to organisation and competitors products.

## Product Positioning Strategies

Positioning is what the customer believes about your product's value, features, and benefits; it is a comparison to the other available alternatives offered by the competition.

These beliefs tend to based on customer experiences and evidence, rather than awareness created by advertising or promotion.

Marketers manage product positioning by focusing their marketing activities on a positioning strategy.

Pricing, promotion, channels of distribution, and advertising all are geared to maximize the chosen positioning strategy. Generally, there are six basic strategies for product positioning:

**1. By attribute or benefit**- This is the most frequently used positioning strategy. For a light beer, it might be that it tastes great or that it is less filling. For toothpaste, it might be the mint taste or tartar control.

**2. By use or application**- The users of Apple computers can design and use graphics more easily than with Windows or UNIX. Apple positions its computers based on how the computer will be used.

**3. By user**- Facebook is a social networking site used exclusively by college students. Facebook is too cool for MySpace and serves a smaller, more sophisticated cohort. Only college students may participate with their campus e-mail IDs.

**4. By product or service class**- Margarine competes as an alternative to butter. Margarine is positioned as a lower cost and healthier alternative to butter, while butter provides better taste and wholesome ingredients.

**5. By competitor**- BMW and Mercedes often compare themselves to each other segmenting the market to just the crème de la crème of the automobile market. Ford and Chevy need not apply.

**6. By price or quality**- Tiffany and Costco both sell diamonds. Tiffany wants us to believe that their diamonds are of the highest quality, while Costco tells us that diamonds are diamonds and that only a chump will pay Tiffany prices.

Positioning is what the customer believes and not what the provider wants them to believe. Positioning can change due the counter measures taken at the competition.

Managing your product positioning requires that you know your customer and that you understand your competition; generally, this is the job of market research not just what the entrepreneur thinks is true.

Product positioning is what comes to mind when your target market thinks about your product compared to your competitor’s products.

When you hear Rolls Royce automobile, what do you think? Probably: highest-end luxury and exclusivity.

That’s their positioning. There’s no confusing the positioning of Rolls Royce and Hyundai.

## Why Is Positioning Important?

Product positioning is a crucial ingredient in the buying process and should never be left to chance.

It’s your opportunity to influence the market’s perception of your products. Failure to proactively address product positioning is unlikely to end well.

With or without your input, customers will position your product—probably based on information from your competitors, which will not flatter you.

Clear, concise, meaningful product positioning also helps you cut through the relentless advertising and marketing noise of the marketplace.

In your customer’s mind, product positioning gives your messages some context so they can be better heard and accepted.

### Positioning Characteristics

The goal of product positioning is to keep your product on top of your customers’ mind when they’re considering a purchase. To be successful, product positioning must achieve three objectives:

* Differentiate your product from the competitions
* Address important customer buying criteria
* Articulate key product (or company) characteristics

**Marketing messages and positioning have a lot in common**

During the process of generating product positioning strategies, periodically review each one against the following list of characteristics. Is your product positioning strategy?

**Single-minded**—does it convey one primary message at a time?

**Meaningfu**l—will it connect with the target audience?

**Differentiating**—does it contrast your strengths against the competition?

**Important**—is it pertinent and significant to the target audience?

**Sustainable**—will it resonate with the target audience well into the future?

**Believable**—will it ring true with the target audience?

**Credible**—can you clearly substantiate your claims?

## Positioning Strategies

The following is a list of some established product positioning strategies. Think about your product in terms of each one and see how they fit.

#### ***Against a Competitor***:

Positioning your product directly against a competitor’s typically requires a specific product superiority claim. A memorable example is Avis Rental Cars’ We’re #2. We try harder.

#### ***Away from a Competitor***:

Positioning yourself as the opposite of your competitor can help you get attention in a market dominated by some other product. A famous example is 7-UP calling itself the Uncola.

#### Benefits:

This strategy focuses on a benefit your product provides to your target audience. Examples include Volvo’s emphasis on safety and Crest toothpaste’s focus on reducing cavities.

#### ***Product Attributes***:

Highlighting a specific attribute of your product can also be compelling. For example, Ritz Carlton hotels focus on luxury; Formula 1 focuses on economy.

#### Product Categories:

Comparing your product to a product in a different category can be an effective way to differentiate yourself. In a soap-compares-itself-to-lotion example, Palmolive dishwashing liquid claims that it softens you hands while you do the dishes.

#### Usage Occasions:

This kind of positioning stresses when or how your product is used by your target audience. Jeep’s focus on off-road driving is an excellent example.

#### Users:

Focusing on the unique characteristics of specific users can also be effective. The …For Dummies series of instruction books are attractive to people who want to learn about a topic from a source that doesn’t assume any prior knowledge on the reader’s part.

#### Let’s get into position

Recall that successful product positioning strategies should differentiate your product, address important customer buying criteria, and articulate key product attributes.

To achieve all three objectives, you must have an in-depth understanding of:

* How your target market makes purchasing decisions
* How your competition positions their products
* What your product has to offer

These three interrelated elements of the Positioning

Triangle must be in balance for you to attain competitive advantage.

If you only understand two of the three, you still don’t know enough.

Conducting the following Positioning Triangle Analysis will help you develop much more effective product positioning strategies.



### Step 1: Understand Your Target Market

Use the Target Audience Profile (TAP) template to gather and interpret this information.

Learn which buying criteria your target audience uses:

* Which product features (i.e. size, speed…), if any, do they emphasize?
* Which product benefits (i.e. safety, comfort…), if any, do they emphasize?

List their buying criteria, in order of priority; if you can assign a quantitative weight to each criterion, do so.

|  |
| --- |
| **Target Market Buying Criteria** |
| 40% - Colour selection |
| 30% - Length of warranty |
| 20% - Service reputation  |
| 5% - Makes me happy/feel good  |
| 5% - High tech gadgetry |

Uncovering this information typically requires primary research. If gathering data directly from your target audience is not feasible, consult with your sales force and industry experts to generate best-guess assumptions.

### Step 2: Understand Your Competition

Conduct primary and secondary research to determine how your competitors are positioning themselves, the strategies they’re using, and how successful they’ve been.

### Step 3: Map Buying Criteria Against Competitive Positioning

Add a column to the right of your list of buying criteria to note each competitor that positions its product against that criterion.

|  |  |
| --- | --- |
| **Target Market Buying Criteria** | **Competitive Positioning** |
| 40% - Colour selection | Company C |
| 30% - Length of warranty | Company B |
| 20% - Service Reputation |  |
| 5% - Makes me happy | Company A |
| 5% - High Tech Gadgetry | Company B and D |

Don’t be surprised to discover that:

* Two or more competitors are battling for the same position
* A competitor is trying to position itself on multiple buying criteria (thereby risking muddy product positioning)
* One or more buying criteria are not being addressed by any competitor
* The market share leader is strongly positioned within the top priority buying criteria

### Step 4: Assess Your Product’s Strengths Against The Buying Criteria

Now add a column to the left of your buying criteria list to write your product’s relative strengths. Ask your customers how they rank your various strengths. Otherwise, just use your best judgment

|  |  |  |
| --- | --- | --- |
| **Your Product Strength** | **Target Market Buying Criteria** | **Competitive Positioning** |
|  | 40% - Colour selection | Company C |
| #2 | 30% - Length of warranty | Company B |
| #1 | 20% - Service reputation |  |
| #3 | 5% - Makes me happy/feel good | Company A |
|  | 5% - High tech gadgetry | Company B & D |

### Step 5: Analyze The Gaps

Review the completed Positioning Triangle analysis to determine if there are any vacant positions in the market.

Is there one your product satisfies effectively? Would successfully positioning yourself there yield the returns you seek?

If there are no unfilled positions (or there are but you’re not interested in any of them), then you will have to decide which competitor to battle and which position you can most effectively win.

Positioning Triangle Analysis: let’s get specific. The above table reveals a variety of positioning opportunities.

1. Company C has positioned itself as having the best colour selection, which is not your strong suit. Best bet is not to compete there (even though it is the primary criterion for purchase selection). However, you might consider improving your colour selection over the long-term.
2. No one has claimed the best at customer service position yet. This is an attractive situation and one that aligns with your strength.
3. Company B holds the higher priority length of warranty position and the high tech gadgetry position. Are they vulnerable to attack? Have they muddied their position by focusing on two areas? Could you prevail in a head-to-head battle for length of warranty supremacy? Is it worth changing your warranty policies to do so?

Once you have determined where you want your product to be positioned, use all the elements of marketing (communications, pricing, distribution, product features, etc.) to make it happen.

#### Some parting advice

* The better you understand your market and competitors, the better you will be at positioning.
* Assess your products’ positioning routinely to adapt to marketplace changes.

**Product positioning** is a marketing strategy that helps place a product perceptually in the minds of consumers.

Positioning typically requires creating differences between your products or services and your competitors' offerings, but can be extended to your own products if they are marketed under different brands.

Successful product positioning strategies help gain market dominance and increase sales and profits for your company.

### First-Mover Strategy

Position your product by being first to market. This first-mover strategy allows you to quickly gain market share. Typically, customers view the first product on the market as the leader. Once you have positioned yourself as the market leader, you must deliver a quality product that supports your market-leading status.

If you are first to market, but your product obtains a reputation for bad quality, you risk tarnishing your brand image, which can have a long-term negative impact on sales for all products you offer.

Consider the first-mover positioning strategy if it helps build a positive company image or allows access to limited resources or distribution channels. For example, if you need a raw material that is in short supply to manufacture your new product, you can contract the materials before your competitors know they need the material.

You can also consider a first-movers strategy if customers are loyal or stick to their first purchase, and there are built-in change barriers like contracts or installation requirements.

### Multi-Brand Strategy

A multi-branding strategy can help you create the market positioning of similar products. For a multi-branding strategy, you create multiple products you market under different brand names.

In effect, you are creating your own competition with your own products and disallowing space for competitors to easily enter the market. You can differentiate the products by price, features or quality differences.

This positioning strategy can allow you to dominate the market by offering options for customers at all price points and feature requirements, while obtaining economies of scale for your business.

**Consider using a multi-brand strategy** if there are low barriers for entering your market, or if customers like to experiment with different products or features. This strategy works best for a product that is purchased on a frequent basis. For example, a multi-brand strategy could be used for a new line of hair care products based on natural earth minerals.

You could introduce the high-end, heavily marketed product under a luxury brand name and introduce a low-cost option under a brand name that is barely marketed. The marketing effort you exert for the high- end product will translate into purchases for both products.

By offering a high-end and a low-cost product, you leave little room for competitors to find a market niche to introduce a third product.

### Demographics Strategy

Position your products by targeting your products to different demographic groups than your competitors.

You can differentiate based on age, income, education, gender, home ownership status or other demographic distinction.

For example, if your competitor offers a generic deodorant product, consider positioning your deodorant as a deodorant for women.

Support your positioning strategy through advertising and packaging.

Consider using a demographic positioning strategy if you are introducing your product after market leadership has been established, or if a niche market could command a premium price.

### How To Develop A Product Positioning Strategy

Lots of business leaders and others may be looking at product positioning as the way to grow a business, to get market share and to a support a company that is dealing with tough competition.

A product positioning strategy is something that each enterprise has to craft on its own, but some basic guidelines apply to getting good product positioning ideas into play.

### Know What The Market Needs

Although some marketing experts may differ on what exactly a product positioning plan consists of, the general consensus is that product placement deals with developing specific kinds of goods or services for a market, and getting them noticed according to the role that they play in a consumer market.

For this, it's crucial to do in-depth market research and know what markets need.

* What is missing in an existing product line-up?
* What does the competition not currently have for sale?
* What are people looking for that they can't often find?

These are all good questions for "knowing a market" and using the laws of supply and demand to get your product positioning ideas on the table.

### Look At Resources

It's important to look at what your businesses has available when developing a product positioning plan. Business owners should not try to stretch their shop beyond what it can handle.

Instead, use your current operational restriction to guide your product positioning or brand marketing

strategy sessions, and focus on what your company is good at.

Even if products or services already exist on the market, identifying your strengths and playing to them in development can lead to a company that offers a "top tier" product that has good positioning in a specific audience.

### Incorporate Branding

Many marketers agree that brand management and product positioning often go hand in hand.

While trying to develop the best set of products or services, company reps can use outreach events to test markets and get visibility at the same time.

Taste testing, free samples at community events, and similar programs can do so much for nearly any kind of business that some experts recommend adding these kinds of tactics first to a product positioning scheme.

### Utilising Staff

A mistake that a lot of business leaders make is to disregard the great ideas that may exist at various levels of the company. It's fine to bring in consultants, but before that, a business owner may want to listen to what's coming from the people who are working in the business every day.

Sometimes, in-house talent can steer the rudder just as well as someone coming in from the outside. That's not to diminish the role of professionals with marketing credentials.

It's not unusual for a top management team to use both resources in developing robust product positioning programs.

All of these ideas encourage product positioning that can really help a business expand, even in a tough economy, by playing to its strengths, doing its homework, and generally creating effective initiatives, regardless of what it is selling

# PRODUCT POSITION IN RELATION TO THE MARKET

#### 252206

#### ***Specific Outcome 2***

Explain position of the product in relation to the market.

#### ***Assessment Criteria***

* Relative target markets positions are identified and explained with examples.
* Positioning and repositioning options are identified and explained in given case studies.
* Position strategies are identified and explained, which communicate and execute the product positioning decisions taken.

#### 252211

#### ***Specific Outcome 1***

Collect information on competitor's products and services.

#### ***Assessment Criteria***

* Sources of competitive information are identified and responsibility for collection allocated to team members.
* Competitor's information, products and services are reviewed regularly.
* Marketing industry advancements and technological changes and their impact on competitive advantage are reviewed regularly.
* A competitive information collection process is established and maintained by relevant team members.

In their 1981 book, Positioning: The Battle for your Mind, Al Ries and Jack Trout describe how positioning is used as a communication tool to reach target customers in a crowded marketplace.

Jack Trout published an article on positioning in 1969, and regular use of the term dates back to 1972 when Ries and Trout published a series of articles in Advertising Age called "The Positioning Era."

Not long thereafter, Madison Avenue advertising executives began to develop positioning slogans for their clients and positioning became a key aspect of marketing communications.

Positioning: The Battle for your Mind has become a classic in the field of marketing. The following is a summary of the key points made by Ries and Trout in their book.

## Information Overload

Ries and Trout explain that while positioning begins with a product, the concept really is about positioning that product in the mind of the customer.

This approach is needed because consumers are bombarded with a continuous stream of advertising, with advertisers spending several hundred dollars annually per consumer in the U.S.

The consumer's mind reacts to this high volume of advertising by accepting only what is consistent with prior knowledge or experience.

It is quite difficult to change a consumer's impression once it is formed. Consumers cope with information overload by oversimplifying and are likely to shut out anything inconsistent with their knowledge and experience.

In an over-communicated environment, the advertiser should present a simplified message and make that message consistent with what the consumer already believes by focusing on the perceptions of the consumer rather than on the reality of the product.

## Getting Into The Mind Of The Consumer

The easiest way of getting into someone's mind is to be first. It is very easy to remember who is first, and much more difficult to remember who is second.

Even if the second entrant offers a better product, the first mover has a large advantage that can make up for other shortcomings.

However, all is not lost for products that are not the first. By being the first to claim a unique position in the mind the consumer, a firm effectively can cut through the noise level of other products.

For example, Miller Lite was not the first light beer, but it was the first to be positioned as a light beer, complete with a name to support that position.

Similarly, Lowenbrau was the most popular German beer sold in America, but Beck's Beer successfully carved a unique position using the advertising, "You've tasted the German beer that's the most popular in America. Now taste the German beer that's the most popular in Germany."

Consumers rank brands in their minds. If a brand is not number one, then to be successful it somehow must relate itself to the number one brand. A campaign that pretends that the market leader does not exist is likely to fail.

Avis tried unsuccessfully for years to win customers, pretending that the number one Hertz did not exist. Finally, it began using the line, "Avis in only No. 2 in rent-a-cars, so why go with us? We try harder."

After launching the campaign, Avis quickly became profitable. Whether Avis actually tried harder was not particularly relevant to their success.

Rather, consumers finally were able to relate Avis to Hertz, which was number one in their minds.

Another example is that of the soft-drink 7-Up, which was No. 3 behind Coke and Pepsi.

By relating itself to Coke and Pepsi as the "Uncola", 7-Up was able to establish itself in the mind of the consumer as a desirable alternative to the standard colas.

When there is a clear market leader in the mind of the consumer, it can be nearly impossible to displace the leader, especially in the short-term.

On the other hand, a firm usually can find a way to position itself in relation to the market leader so that it can increase its market share. It usually is a mistake, however, to challenge the leader head-on and try to displace it.

### Positioning Of A Leader

Historically, the top three brands in a product category occupy market share in a ratio of 4:2:1. That is, the number one brand has twice the market share of number two, which has twice the market share of number three.

Ries and Trout argue that the success of a brand is not due to the high level of marketing acumen of the company itself, but rather, it is due to the fact that the company was first in the product category.

They use the case of Xerox to make this point. Xerox was the first plain-paper copier and was able to sustain its leadership position.

However, time after time the company failed in other product categories in which it was not first.

Similarly, IBM failed when it tried to compete with Xerox in the copier market, and Coca-Cola failed in its effort to use Mr. Pibb to take on Dr. Pepper.

These examples support the point that the success of a brand usually is due to its being first in the market rather than the marketing abilities of the company. The power of the company comes from the power of its brand, not the other way around.

With this point in mind, there are certain things that a market leader should do to maintain the leadership position.

First, Ries and Trout emphasize what it should not do, and that is boast about being number one. If a firm does so, then customers will think that the firm is insecure in its position if it must reinforce it by saying so.

If a firm was the first to introduce a product, then the advertising campaign should reinforce this fact. Coca-Cola's "the real thing" does just that, and implies that other colas are just imitations.

Another strategy that a leader can follow to maintain its position is the multi-brand strategy. This strategy is to introduce multiple brands rather than changing existing ones that hold leadership positions.

It often is easier and cheaper to introduce a new brand rather than change the positioning of an existing brand.

Ries and Trout call this strategy a single-position strategy because each brand occupies a single, unchanging position in the mind of the consumer.

Finally, change is inevitable and a leader must be willing to embrace change rather than resist it. When new technology opens the possibility of a new market that may threaten the existing one, a successful firm should consider entering the new market so that it will have the first-mover advantage in it.

For example, in the past century the New York Central Railroad lost its leadership as air travel became possible.

The company might have been able to maintain its leadership position had it used its resources to form an airline division. Sometimes it is necessary to adopt a broader name in order to adapt to change.

For example, Haloid changed its name to Haloid Xerox and later to simply Xerox. This is a typical pattern of changing Name 1 to an expanded Name 1 - Name 2, and later to just Name 2.

## Positioning Of A Follower

Second-place companies often are late because they have chosen to spend valuable time improving their product before launching it. According to Ries and Trout, it is better to be first and establish leadership.

If a product is not going to be first, it then must find an unoccupied position in which it can be first. At a time when larger cars were popular, Volkswagen

introduced the Beetle with the slogan "Think small." Volkswagen was not the first small car, but they were the first to claim that position in the mind of the consumer.

Other positions that firms successfully have claimed include:

**Age** - Geritol

**High price** - Mobil 1 synthetic engine lubricant

**Gender** - Virginia Slims

**Time of day** – Vics-Acta Plus night-time cold remedy

**Place of distribution** - L'eggs in supermarkets

**Quantity - Schaefer** - "the one beer to have when you're having more than one"

It most likely is a mistake to build a brand by trying to appeal to everyone. There are too many brands that already have claimed a position and have become entrenched leaders in their positions.

A product that seeks to be everything to everyone will end up being nothing to everyone.

## Repositioning The Competition

Sometimes there are no unique positions to carve out.

In such cases, Ries and Trout suggest repositioning a competitor by convincing consumers to view the competitor in a different way.

Tylenol successfully repositioned aspirin by running advertisements explaining the negative side effects of aspirin.

Consumers tend to perceive the origin of a product by its name rather than reading the label to find out where it really is made. Such was the case with vodka when most vodka brands sold in the U.S. were made in the U.S. but had Russian names.

Stolichnaya Russian vodka successfully repositioned its Russian-sounding competitors by exposing the fact that they all actually were made in the U.S., and that Stolichnaya was made in Leningrad, Russia.

When Pringle's new-fangled potato chips were introduced, they quickly gained market share.

However, Wise potato chips successfully repositioned Pringle's in the mind of consumers by listing some of Pringle's non-natural ingredients that sounded like harsh chemicals, even though they were not. Wise potato chips of course, contained only "Potatoes. Vegetable oil. Salt."

As a resulting of this advertising, Pringle's quickly lost market share, with consumers complaining that Pringle's tasted like cardboard, most likely as a consequence of their thinking about all those unnatural ingredients.

Ries and Trout argue that is usually is a lost cause to try to bring a brand back into favour once it has gained a bad image, and that in such situations it is better to introduce an entirely new brand.

Repositioning a competitor is different from comparative advertising.

Comparative advertising seeks to convince the consumer that one brand is simply better than another. Consumers are not likely to be receptive to such a tactic.

## The Power Of A Name

A brand's name is perhaps the most important factor affecting perceptions of it. In the past, before there was a wide range of brands available, a company could name a product just about anything.

These days, however, it is necessary to have a memorable name that conjures up images that help to position the product.

Ries and Trout favour descriptive names rather than coined ones like Kodak or Xerox. Names like Die Hard for a battery, Head & Shoulders for a shampoo, Close- Up for a toothpaste, People for a gossip magazine.

While it is more difficult to protect a generic name under trademark law, Ries and Trout believe that in the long run it is worth the effort and risk.

In their opinion, coined names may be appropriate for new products in which a company is first to market with a sought after product, in which case the name is not so important.

Margarine is a name that does not very well position the product it is describing. The problem is that it sounds artificial and hides the true origin of the product.

Ries and Trout propose that "soy butter" would have been a much better name for positioning the product as an alternative to the more common type of butter that is made from milk.

While some people might see soy in a negative light, a promotional campaign could be developed to emphasize a sort of "pride of origin" for soy butter.

Another everyday is example is that of corn syrup, which is viewed by consumers as an inferior alternative to sugar. To improve the perceptions of corn syrup, one supplier began calling it "corn sugar", positioning it as an alternative to cane sugar or beet sugar.

Ries and Trout propose that selecting the right name is important for positioning just about anything, not just products. For example, the Clean Air Act has a name that is difficult to oppose, as do "fair trade" laws.

Even a person's name impacts his or her success in life. One study showed that on average, schoolteachers grade essays written by children with names like David and Michael a full letter grade higher than those written by children with names like Hubert and Elmer.

Eastern Airlines was an example of a company limited by its name. Air travel passengers always viewed it as a regional airline that served the eastern U.S., even though it served a much wider area, including the west coast.

Airlines such as American and United did not have such a perception problem. (Eastern Airlines ceased operations in 1991.)

Another problem that some companies face is confusion with another company that has a similar name. Consumers frequently confused the tire manufacturer B.F. Goodrich with Goodyear.

The Goodyear blimp had made Goodyear tires well-known, and Goodyear frequently received credit by consumers for tire products that B.F. Goodrich has pioneered. (B.F. Goodrich eventually sold its tire business to Uniroyal.)

Other companies have changed their names to something more general, and as a result create confusion with other similar-sounding companies.

Take for instance The Continental Group, Inc. and The Continental Corporation. Few people confidently can say which makes cans and which sells insurance. The No-Name Trap

People tend use abbreviations when they have fewer syllables than the original term. GE is often used instead of General Electric and IBM instead of International Business Machines.

In order to make their company names more general and easier to say, many corporations have changed their legal names to a series of two or three letters.

Ries and Trout argue that such changes usually are unwise. Companies having a broad recognition may be able to use the abbreviated names and consumers will

make the translation in their minds. When they hear "GM", they think "General Motors".

However, lesser known companies tend to lose their identity when they use such abbreviations. Most people don't know the types of business in which companies named USM or AMP are engaged.

The same applies to people's names as well. While some famous people are known by their initials (such as FDR and JFK), it is only after they become famous that they begin using their initials.

Ries and Trout advise managers who aspire for name recognition to use an actual name rather than first and middle initials.

The reason that initials do not lead to recognition is that the human mind works by sounds, not by spellings.

Most companies began selling a single product, and the name of the company usually reflected that product. As the successful firms grew in to conglomerates, their original names became limiting.

Ries and Trout advise companies seeking more general names to select a shorter name made of words, not individual letters.

For example, for Trans World Airlines, they favoured truncating it simply to Trans World instead removing all words and using the letters TWA; or SAA instead of South African Airways.

## The Free-Ride Trap

A company introducing a new product often is tempted to use the brand name of an existing product, avoiding the need to build the brand from scratch.

For example, Alka-Seltzer named a new product Alka-Seltzer Plus. Ries and Trout do not favour this strategy since the original name already in positioned in the consumer's mind.

In fact, consumers viewed Alka-Seltzer Plus simply as a better Alka-Seltzer, and the sales of Alka-Seltzer Plus came at the expense of Alka- Seltzer, not from the market share of the competition.

Some firms have built a wide range of products on a single brand name. Others, such as Procter & Gamble have selected new names for each new product, carefully positioning the product in a different part of the consumer's mind.

Ries and Trout maintain that a single brand name cannot hold multiple positions; either the new product will not be successful or the original product bearing the name will lose its leadership position.

Nonetheless, some companies do not want their new products to be anonymous with an unrecognized name.

However, Ries and Trout propose that anonymity is not so bad; in fact, it is a resource.

When the product eventually catches the attention of the media, it will have the advantage of being seen without any previous bias, and if a firm prepares for this event well, once under the spotlight the carefully designed positioning can be communicated exactly as intended.

This moment of fame is a one-shot event and once it has passed, the product will not have a second chance to be fresh and new.

#### The Line Extension Trap

Line extensions are tempting for companies as a way to leverage an existing popular brand. However, if the brand name has become near generic so that consumers consider the name and the product to be one and the same, Ries and Trout generally do not believe that a line extension is a good idea.

Consider the case of Life Savers candy. To consumers, the brand name is synonymous with the hard round candy that has a hole in the middle.

Nonetheless, the company introduced a Life Savers chewing gum. This use of the Life Savers name was not consistent with the consumer's view of it, and the Life Savers chewing gum brand failed.

The company later introduced the first brand of soft bubble gum and gave it a new name: Bubble Yum.

This product was very successful because it not only had a name different from the hard candy, it also had the advantage of being the first soft bubble gum.

Ries and Trout cite many examples of failures due to line extensions. The consistent pattern in these cases is that either the new product does not succeed, or the original successful product loses market share as a result of its position being weakened by a diluted brand name.

**When Line Extensions Can Work**

Despite the disadvantages of line extensions, there are some cases in which it is not economically feasible to create a new brand and in which a line extension might work.

Some of the cases provided by Ries and Trout include:

**Low volume product** - if the sales volume is not expected to be high.

**Crowded market** - if there is no unique position that the product can occupy.

**Small ad budget** - without strong advertising support, it might make sense to use the house name.

**Commodity product** - an undifferentiated commodity product has less need of its own name than does a breakthrough product.

**Distribution by sales reps** - products distributed through reps may not need a separate brand name. Those sold on store shelves benefit more from their own name.

#### Positioning Has Broad Applications

The concept of positioning applies to products in the broadest sense. Services, tourist destinations, countries, and even careers can benefit from a well-developed positioning strategy that focuses on a niche that is unoccupied in the mind of the consumer or decision-maker.

# PRODUCT LIFE CYCLE

#### 252206

#### ***Specific Outcome 3***

Explain and describe product life cycles.

#### ***Assessment Criteria***

* Phases of product life cycles are identified and explained in given case studies.
* Implications for marketing programs of product life cycles are identified and described in given case studies.
* Product life cycle phases are evaluated and implications are explained for new product development and modification of existing products.

#### 252211

#### ***Specific Outcome 4***

Explain and describe the stages of the product life cycle.

#### ***Assessment Criteria***

* Phases of product life cycles are identified and explained for each stage.
* Product life cycle stages are evaluated and implications for new product development or modification of existing products are described.
* Implications for marketing programs related to product life cycles are identified and described for each stage.
* New marketing opportunities are identified for each stage.

A product's life cycle (PLC) can be divided into several stages characterized by the revenue generated by the product. If a curve is drawn showing product revenue over time, it may take one of many different shapes, an example of which is shown below:



The life cycle concept may apply to a brand or to a category of product. Its duration may be as short as a few months for a fad item or a century or more for product categories such as the petrol-powered car.

Product development is the incubation stage of the product life cycle. There are no sales and the firm prepares to introduce the product.

As the product progresses through its life cycle, changes in the marketing mix usually are required in order to adjust to the evolving challenges and opportunities.

## Introduction Stage

When the product is introduced, sales will be low until customers become aware of the product and its benefits.

Some firms may announce their product before it is introduced, but such announcements also alert competitors and remove the element of surprise.

Advertising costs typically are high during this stage in order to rapidly increase customer awareness of the product and to target the early adopters.

During the introductory stage the firm is likely to incur additional costs associated with the initial distribution of the product.

These higher costs coupled with a low sales volume usually make the introduction stage a period of negative profits.

During the introduction stage, the primary goal is to establish a market and build primary demand for the product class.

The following are some of the marketing mix implications of the introduction stage:

**Product** - one or few products, relatively undifferentiated Price - Generally high, assuming a skim pricing strategy for a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly. In some cases a penetration pricing strategy is used and introductory prices are set low to gain market share rapidly.

**Distribution** - Distribution is selective and scattered as the firm commences implementation of the distribution plan.

**Promotion** - Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product.

### Growth Stage

The growth stage is a period of rapid revenue growth.

Sales increase as more customers become aware of the product and its benefits and additional market segments are targeted.

Once the product has been proven a success and customers begin asking for it, sales will increase further as more retailers become interested in carrying it.

The marketing team may expand the distribution at this point.

When competitors enter the market, often during the later part of the growth stage, there may be price competition and/or increased promotional costs in order to convince consumers that the firm's product is better than that of the competition.

During the growth stage, the goal is to gain consumer preference and increase sales.

The marketing mix may be modified as follows:

**Product** - New product features and packaging options; improvement of product quality.

**Price** - Maintained at a high level if demand is high, or reduced to capture additional customers.

**Distribution** - Distribution becomes more intensive. Trade discounts are minimal if resellers show a strong interest in the product.

**Promotion** - Increased advertising to build brand preference.

### Maturity Stage

The maturity stage is the most profitable.

While sales continue to increase into this stage, they do so at a slower pace.

Because brand awareness is strong, advertising expenditures will be reduced.

Competition may result in decreased market share and/or prices. The competing products may be very similar at this point, increasing the difficulty of differentiating the product.

The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers.

Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products. During the maturity stage, the primary goal is to maintain market share and extend the product life cycle.

Marketing mix decisions may include:

**Product** - Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced.

**Price** - Possible price reductions in response to competition while avoiding a price war.

Distribution - New distribution channels and incentives to resellers in order to avoid losing shelf space.

**Promotion** - Emphasis on differentiation and building of brand loyalty.

**Incentives** - To get competitors' customers to switch between products

### Decline Stage

Eventually sales begin to decline as the market becomes saturated, the product becomes technologically obsolete, or customer tastes change.

If the product has developed brand loyalty, the profitability may be maintained longer. Unit costs may increase with the declining production volumes and eventually no more profit can be made.

During the decline phase, the firm generally has three options:

**Maintain** the product in hopes that competitors will exit. Reduce costs and find new uses for the product. Harvest it, reducing marketing support and coasting along until no more profit can be made.

**Discontinue** the product when no more profit can be made or there is a successor product.

The marketing mix may be modified as follows:

Product - The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.

**Price** - Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.

**Distribution** - Distribution becomes more selective. Channels that no longer are profitable are phased out.

**Promotion** - Expenditures are lower and aimed at reinforcing the brand image for continued products.

## Limitations Of The Product Life Cycle Concept

The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and

the specific life cycle curves followed by different products vary substantially.

Consequently, the life cycle concept is not well-suited for the forecasting of product sales. Furthermore, critics have argued that the product life cycle may become self-fulfilling.

For example, if sales peak and then decline, managers may conclude that the product is in the decline phase and therefore cut the advertising budget, thus precipitating a further decline.

Nonetheless, the product life cycle concept helps marketing managers to plan alternate marketing strategies to address the challenges that their products are likely to face.

It also is useful for monitoring sales results over time and comparing them to those of products having a similar life cycle.

Let’s look at an example and thereafter a case study:

Example

Set out below are some suggested examples of products that are currently at different stages of the product life-cycle:

|  |  |  |  |
| --- | --- | --- | --- |
| **INTRODUCTION** | **GROWTH** | **MATURITY** | **DECLINE** |
| Third generation mobile phones | Portable DVD Players | Personal Computers | Typewriters |
| E-conferencing | Email | Faxes | Handwritten letters |
| All-in-one racing skin-suits | Breathable synthetic fabrics | Cotton t-shirts | Shell Suits |
| iris-based personal identity cards | Smart cards | Credit cards | Cheque books |

## The Kellogg's Life Cycle



### Introduction

Businesses need to set themselves clear aims and objectives if they are going to succeed. The Kellogg Company is the world’s leading producer of breakfast cereals and convenience foods, such as cereal bars, and aims to maintain that position.

Product lines include ready-to-eat cereals (i.e. not hot cereals like porridge) and nutritious snacks, such as cereal bars.

Kellogg’s brands are household names around the world and include Rice Krispies, Special K and Nutri-Grain, whilst some of its brand characters, like Snap, Crackle and Pop, are amongst the most well-known in the world.

Kellogg's has achieved this position, not only through great brands and great brand value, but through a strong commitment to corporate social responsibility.

This means that all of Kellogg’s business aims are set within a particular context or set of ideals. Central to this is Kellogg’s passion for the business, the brands

and the food, demonstrated through the promotion of healthy living.

### The Market

The company divides its market into six key segments.

Kellogg's Corn Flakes has been on breakfast tables for over 100 years and represents the ‘Tasty Start’ cereals that people eat to start their day.

Other segments include ‘Simply Wholesome’ products that are good for you, such as Kashi Muesli, ‘Shape Management’ products, such as Special K and ‘Inner Health’ lines, such as All-Bran.

Children will be most familiar with the ‘Kid Preferred’ brands, such as Frosties, whilst ‘Mum Approved’ brands like Raisin Wheats are recognised by parents as being good for their children.

Each brand has to hold its own in a competitive market. Brand managers monitor the success of brands in terms of market share, growth and performance against the competition.

This case study is about Nutri-Grain. It shows how Kellogg's recognised there was a problem with the brand and used business tools to reach a solution.

The overall aim was to re-launch the brand and return it to growth in its market.

## The Product Life Cycle

Each product has its own life cycle. It will be ‘born’, it will ‘develop’, it will ‘grow old’ and, eventually, it will ‘die’. Some products, like Kellogg’s Corn Flakes, have retained their market position for a long time. Others may have their success undermined by falling market share or by competitors.

The five typical stages of the life cycle are shown on a graph. However, perhaps the most important stage of a product life cycle happens before this graph starts, namely the research and development (R&D) stage.

Here the company designs a product to meet a need in the market. The costs of market research - to identify a gap in the market and of product development to ensure that the product meets the needs of that gap - are called ‘sunk’ or start-up costs.

Nutri-Grain was originally designed to meet the needs of busy people who had missed breakfast. It aimed to provide a healthy cereal breakfast in a portable and convenient format.

**1. Launch** - Many products do well when they are first brought out and Nutri-Grain was no exception. From launch (the first stage on the diagram) in 1997 it was immediately successful, gaining almost 50% share of the growing cereal bar market in just two years.

**2. Growth** - Nutri-Grain’s sales steadily increased as the product was promoted and became well known. It maintained growth in sales until 2002 through expanding the original product with new developments of flavour and format.

This is good for the business, as it does not have to spend money on new machines or equipment for production. The market position of Nutri-Grain also subtly changed from a ‘missed breakfast’ product to an ‘all-day’ healthy snack.

**3. Maturity** - Successful products attract other competitor businesses to start selling similar products. This indicates the third stage of the life cycle - maturity.

This is the time of maximum profitability, when profits can be used to continue to build the brand. However, competitor brands from both Kellogg's itself (e.g. All Bran bars) and other manufacturers (e.g. Alpen bars) offered the same benefits and this slowed down sales and chipped away at Nutri-Grain’s market position.

Kellogg's continued to support the development of the brand but some products (such as Minis and Twists), struggled in a crowded market. Although Elevenses continued to succeed, this was not enough to offset the overall sales decline.

Not all products follow these stages precisely and time periods for each stage will vary widely. Growth, for example, may take place over a few months or, as in the case of Nutri-Grain, over several years.

**4. Saturation**- This is the fourth stage of the life cycle and the point when the market is ‘full’. Most people have the product and there are other, better or cheaper competitor products. This is called market saturation and is when sales start to fall. By mid-2004 Nutri-Grain found its sales declining whilst the market continued to grow at a rate of 15%.

**5. Decline** - Clearly, at this point, Kellogg's had to make a key business decision. Sales were falling, the product was in decline and losing its position. Should Kellogg's let the product ‘die’, i.e. withdraw it from the market, or should it try to extend its life?

### Strategic use of the product life cycle

When a company recognises that a product has gone into decline or is not performing as well as it should, it has to decide what to do. The decision needs to be made within the context of the overall aims of the business.

Strategically, Kellogg's had a strong position in the market for both healthy foods and convenience foods. Nutri-Grain fitted well with its main aims and objectives and therefore was a product and a brand worth rescuing.

Kellogg's decided to try to extend the life of the product rather than withdraw it from the market. This meant developing an extension strategy for the product.

Ansoff’s matrix is a tool that helps analyse which strategy is appropriate. It shows both market-orientated and product-orientated possibilities.

### Extending the Nutri-Grain cycle - identifying the problem

Kellogg's had to decide whether the problem with Nutri-Grain was the market, the product or both. The market had grown by over 15% and competitors’ market share had increased whilst Nutri-Grain sales in 2003 had declined.

The market in terms of customer tastes had also changed – more people missed breakfast and therefore there was an increased need for such a snack product.

### Extension strategies

The choice of extension strategy indicated by the matrix was either product development or diversification. Diversification carries much higher costs and risks.

Research showed that there were several issues to address:

1. The brand message was not strong enough in the face of competition. Consumers were not impressed enough by the product to choose it over competitors.

1. Some of the other Kellogg's products (e.g. Minis) had taken the focus away from the core business.
2. The core products of Nutri-Grain Soft Bake and Elevenses between them represented over 80% of sales but received a small proportion of advertising and promotion budgets.
3. Those sales that were taking place were being driven by promotional pricing (i.e discounted pricing) rather than the underlying strength of the brand.

Implementing the extension strategy for Nutri-Grain

Having recognised the problems, Kellogg's then developed solutions to re-brand and re-launch the product in 2005.

Fundamental to the re-launch was the renewal of the brand image.

Kellogg's looked at the core features that made the brand different and modelled the new brand image on these. Nutri-Grain is unique as it is the only product of this kind that is baked.

This provided two benefits:

* The healthy grains were soft rather than gritty
* The eating experience is closer to the more indulgent foods that people could be eating (cakes and biscuits, for example)
* The unique selling point, hence the focus of the brand, needed to be the ‘soft bake’

 Researchers also found that a key part of the market was a group termed ‘realistic snackers’.

These are people who want to snack on healthy foods, but still crave a great tasting snack.

The re-launched Nutri-Grain product needed to help this key group fulfil both of these desires.

Kellogg's decided to re-focus investment on the core products of Soft Bake Bars and Elevenses as these had maintained their growth (accounting for 61% of Soft Bake Bar sales).

Three existing Soft Bake Bar products were improved, three new ranges introduced and poorly performing ranges (such as Minis) were withdrawn.

New packaging was introduced to unify the brand image. An improved pricing structure for stores and supermarkets was developed.

### The marketing mix

Using this information, the re-launch focused on the four parts of the marketing mix:

•**Product** – improvements to the recipe and a wider range of flavours, repositioning the brand as ‘healthy and tasty’, not a substitute for a missed breakfast

•**Promotion** – a new and clearer brand image to cover all the products in the range along with advertising and point-of-sale materials

•**Place** – better offers and materials to stores that sold the product

•**Price** – new price levels were agreed that did not rely on promotional pricing. This improved revenue for both Kellogg's and the stores

As a result Soft Bake Bar year-on-year sales went from a decline to substantial growth, with Elevenses sales increasing by almost 50%.

The Nutri-Grain brand achieved a retail sales growth rate of almost three times that of the market and most importantly, growth was maintained after the initial re-launch.

**SO 2: Explain the nature of the competitive environment**

Assessment criteria:

* The competitive environment in relation to organisational threats
* Strengths and weaknesses of competitors documented for ongoing evidence reference
* Organisational tactics to match competitive strategies are identified according to marketing requirements
* The roles and responsibilities of team members as they relate to relevant defensive activities

**AC 1: The competitive environment in relation to organisational threats**

**Methods and techniques for maintaining a competitive environment**

As a variable in the market environment, competition can be defined as a situation in the market environment in which several businesses with more or less the same products or services compete for the support of the same consumers.

The contemporary business organisation operates within a market economy and is characterised by competition in the market environment. This means that every business trying to sell a product or service in the market environment is constantly up against competitors who often determine how much of a given product can be marketed and at what price.

Moreover, businesses not only compete for a share in the market for their product; they also compete with other businesses for labour, capital, entrepreneurship and material.

The result of this competition is that the market mechanism keeps excessive profits in check, acts as an incentive to higher productivity, and encourages technological innovation.

However, although consumers benefit from competition, it is nevertheless a variable that management has to take into account into account in its entry into the operations in the market.

In its assessment of competition, marketing management must bear in mind that the nature and intensity of competition in a particular market environment are determined by various factors

**AC 2: Strengths and weaknesses of competitors documented for ongoing evidence reference**

**Competitor analysis**

* Competitors form a key component of corporate success.
* Businesses must analyse their competitors. strengths, weaknesses, strategies and vulnerabilities, and organisational threats

In order to analyse the competitor’s strengths and weaknesses, it is important to follow a number of

steps that highlight and summarise competitor information analysis:

**Conducting a competitor analysis**

Step 1: identifying current competitors

* Consumer-based approach – looking at consumers from the perspective of customers.
* Strategic groups – placing competitors into strategic groups on the basis of their competitive
* strategies
* Questions to structure competitor analysis.

Step 2: identifying potential competitors

* Both current and potential competitors must be identified.
* Focus should then shift to understanding them and their strategies.

Step 3: understanding competitors

* Understanding competitors’ strengths and weaknesses may show opportunities for your business.
* Some problem areas that must be monitored may be revealed.

Competitors’ actions are influenced by several elements:

* Size, growth and profitability
* Image and positioning strategy
* Competitors. goals, objectives and commitment
* Current and past strategies of competitors
* Competitor organisation and culture
* Cost structure
* Exit barriers
* Evaluating strengths and weaknesses

Step 4: competitor strengths and weaknesses are identified and documented for ongoing evidence reference

* Identifying relevant assets and competencies
* Why are businesses successful or unsuccessful?
* What are the key customer motivations?
* What are the large cost components?
* What are the industry mobility barriers?
* Which elements of the value chain can create a competitive advantage?

In step 4 it is important to record a list of strengths and weaknesses.

* Key questions about competitors:
* What are the major competitor strengths?
* What are the major competitor weaknesses?
* What are the major competitor objectives and strategies?
* How will the major competitor most likely respond to current economic, social, cultural, demographic, environmental, political, governmental, legal, technological and competitive trends affecting the industry?
* How vulnerable are the major competitors to our alternative company strategies?

* How are products and services positioned relative to the major competitor’s?
* To what extent are companies within our industry entering or leaving the industry?
* What key factors have resulted in our present competitor position in the industry?
* How have sales and profit rankings of major competitors in the industry changed over recent years?
* What is the nature of supply and distributor relationships in the industry?
* To what extent could substitute services and products be a threat to competitors within the industry?

**Specific market analysis within a competitive environment**

* Analysis based on consumers, competitors, intermediaries and suppliers.

 Purpose:

* To determine the attractiveness of the markets and sub-markets
* To develop insight into the market dynamics
* Intermediaries in a competitive environment
* Intermediaries fill the gap that exists between consumers and also put competitive pressure on producers.
* Intermediaries – wholesalers and retailers

**Questions for structuring the market analysis**

* Market size and growth
* Profitability
* Cost structures
* Distribution systems
* Market trends
* Key success factors

**Porter’s five forces model**

Competitive analysis is a widely used approach for developing marketing strategies. The intensity of competition among firms varies across the different industry sectors. The nature of competitiveness in a given industry can be viewed as a composite of five forces. Each force works independently of each other and changes as the dynamics of the free market shift. This is a useful tool for identifying where the power lies within a specific industry.

1. Current competitors – direct competitors selling similar products and services

2. Potential competitors – those businesses that have the potential of entering the industry or possibly those businesses that may introduce competing products or services

3. Substitute products – any product or service that has the ability to offer utility and satisfaction equal or better than a business. current product/service offering

4. Bargaining power of customers – refers to the ability a customer, a consumer at any level forward or backward in the value chain of price, supply control and demand.

5. Bargaining power of suppliers – refers to the ability of suppliers at any level forward or backward in the value chain of price, supply control and demand.

**POTENTIAL NEW ENTRANTS**

**Threat of mobility**

Industry competitors

Competition amongst business organisations

**BUYERS**

(Buyer power)

**SUPPLIERS**

(Supplier power)

**SUBSTITUTES**

**Threat of substitutes**

1. **Current competitors**: the intensity of competition from existing competitors will depend on factors such as the number of competitors; their relative size; whether their product offerings and strategies are similar; the existence of high fixed costs; the commitment of competitors; and the size and nature of exit barriers. When businesses manufacture substitute products for competitors’ products, the result can be a situation where these businesses become mutually dependent since the actions of one business can influence the actions of the other. Profitability will decrease when competition increases.

2. **Potential competitors**: new entrants into the market increase market capacity and as these businesses want to obtain a share of the market, competition in the market can be increased. The entry of potential competitors is mainly determined by the size and nature of the entry barriers in the market. Examples of entry barriers include required capital investment (does the business have enough money to start a business in this industry?); economies of scale (does the business have the resources to produce or deliver enough for the demand in the market and can it produce on a scale where cost per unit is at the lowest?); and product differentiation (can a business present its products in a different way to customers than competitors?).

3. **Substitute products**: substitutes refer to alternative product types (not brand names) which perform similar functions. These products can place a ceiling on the profitability of the industry, since the price charged can be restricted, especially when the supply of the product exceeds the demand for it. Although substitutes compete less intensely than primary competitors, these products remain relevant since they can influence the profitability of the market and become a major threat or problem.

Substitute products become a more considerable factor under the following circumstances:

* Consumers have the perception that other market offerings perform the same function as the offering of your business.
* Substitute products offer more value for money.
* Higher profits are realised on these products.

4. **Power of customers**: when customers are constantly searching for lower prices, enhanced product quality and additional services, competition can be influenced. In cases where customers have more power than the sellers, they can force the product prices lower or demand more services, which can eventually influence profitability. The power of customers will be greater when its purchase size is a large proportion of the seller’s business and when alternative suppliers are available for the product. The power of the customers is also increased when access to useful information is obtained and the buyers tend to take time to shop around for products.

5. **Bargaining power of suppliers**: the bargaining power of suppliers is mainly exerted by means of increased prices. When the supplier industry is concentrated and sells to various customers in diverse markets, it will have relative power that can be used to influence prices. Power can also be enhanced when the costs to customers of switching suppliers are high.

**AC 3: Organisational tactics to match competitor strategies**

The above forces or factors can change and their strengths can vary according to the product life cycle. Your business should at first identify the relevant forces responsible for competition in the specific industry, as well as the underlying reasons. Thereafter the strengths and weaknesses of the business relative to the industry should be highlighted. Then only can your business start with strategy formulation in order to secure a position against the different competitive forces.

**Cost structures**: understanding the cost structure of a market can provide insight into

current and future success factors. The cost components of every value-adding activity in the industry must be determined. Those activities representing the highest cost component should

be identified and steps must be taken to reduce costs. Realizing a cost advantage during an important phase of value-adding seems critical.

**Distribution channels**: understanding alternative distribution channels and trends can offer strategic value to the business and serve as a key success factor. The effectiveness of a distribution system is mainly determined by its cost structure, the degree to which the target market is reached, and the geographic coverage achieved. When the distribution channels are analysed, the questions tabled below can be used. Analysing the answers to these questions is important, since the creation of new distribution channels can result in the establishment of a sustainable competitive advantage. Analysing possible changes within the distribution channel can also play an important role in understanding a market and the key success factors of the market.

**Tactics to match competitor strategies for marketing:**

**Product quality and differentiation**

Focusing on attributes of a product’s quality will contribute to a counter advantage position. The purpose of improving a product must however be in line with improving customers’ needs and not to equal or counter a competitor for the sake of being different. Many products that have evolved through the addition of features and benefits have failed as the innovation has not been customer-aligned.

**Financial position**

Understanding and executing a strict financial policy is a primary tactic often overlooked by smaller businesses. Focusing on forecasting, budgeting and maintaining healthy cash flows and working capital allocation will always render an advantage to businesses seeking tactics to outsmart competitors. Loan capital and extreme levels of indebtedness reduce the flexibility of a business’ ability to counter competitive tactics. Budget and financial control measures will be discussed in a forthcoming unit standard.

**Target market identification and customer relationships**

Segmenting markets and identifying suitable target groups of customers is clearly a priority when considering strategic marketing tactics to increase market share, profitability and customer relationships. Implementing a philosophy or relationship marketing customer relationship management has the potential to drive long-term relationship building. This is currently a new paradigm for many competing businesses where customized customer relationships are developed and hence key account management is a key tactic in today’s post-modern market environment.

**Integrated marketing communications**

Communications internally in the business and externally in the market and macro-environment have traditionally been seen as an obvious short term initiative to gain superiority over customers through the use of carefully created metric and perceptional themes. Businesses have managed to establish strong corporate image positions and perceptions of quality that have built sustainable reputation. This is clearly a very popular competitive marketing tactic. Through the combination of advertising, brand image and vehicles such as sponsorship and personal selling, many global businesses have solidified long term secure advantages over rival competitors.

**Branding tactics**

Use of the corporate or product brand has become a powerful tool with which to manoeuvre in a world flooded with brand exposure. Business brands, family brands, and individual brands play a larger and larger role in competitive tactics. Brands for the consumer serve powerful perception reference points which exert strong influence in final decision making.

**Distribution and logistics tactics**

As the world moves steadily towards intense globalization, the movement, presence and representation of a business’ product offering generates continuous impact on the competitive position. Within designated markets, regionally, nationally or globally, businesses must carefully consider their distribution strategies and tactics. Selective, intensive or exclusive decisions will bear important consequences as to the competitor’s position of product offerings and brands. A business needs to carefully calculate in which geographic markets it would trade to understand customer behaviour and to match the logistic and distribution tactics accordingly.

**Logistical tactics should encompass the following criteria:**

* Production location in relation to markets
* Market coverage (retail point-of-sale exposure)
* Production capacity
* Flow of goods (products)
* Storage and transportation costs
* Logistical management systems

**Table of questions for analysing alternative distribution channels**

* Which alternative distribution channels exist?
* What are the trends in terms of the distribution channels?
* Which distribution channels are becoming increasingly important? Which new channels are created or will probably be created?
* Who has power within the distribution channel, and in which way can the power be moved?

**Pricing tactics**

There are numerous ways to approach a competitive situation from a pricing perspective. Pricing is a controversial responsibility as its implications usually impact on the overall business performance.

There are several ways to introduce overall pricing tactics. We identify three options:

* Exploit a situation where consumers are not aware of all available products and thus their prices
* Create product differences (objective or subjective) so as to give the appearance of controlling sources of supply
* Control all existing sources of supply

|  |  |
| --- | --- |
| **Price tactic** | **Tactic activation** |
| Quality discounts | Buyers get low price for purchase of multiple units |
| Cash discounts | Price reductions in return for prompt payment  |
| Functional discounts | Compensation between businesses, i.e. Buying and selling within the value chain business to business (allowing expenses and fees) |
| Seasonal discounts | Reduction of price for a set period of time |
| Promotional discounts | Offering discounts so that businesses can focus on offering data packages |
| Rebates | Cash refund for product sold during a specific period |
| Bait pricing | Attempt to offer the consumer a discount on lower value goods while encouraging them to the store and persuading them to buy more expensive merchandise |
| Bundle pricing | Selling two more products collectively at a reduced price |
| Leader pricing | Attracting customers by reducing the price to near or below cost, hoping customers will buy other higher value items once in the store |
| Price lining | Establishing a product line with several items at specific price points (boys jeans in a range of: R100; R150; R250) |

**People (intellectual capital)**

The skills and competency level of management staff has a concurrent bearing on a business’ ability to establish and maintain an advantage over its competitors. Tactics that improve people as useful marketing instruments and contributions to value and customer satisfaction include:

|  |  |
| --- | --- |
| **Human development and skills tactic** | **Tactic activation** |
| In-house training | Continuous improvement of tasks and activities within the workplace |
| Mentoring | Assigning a skilled employer or management personnel to guide and develop staff members over a continuous period |
| Facilitating | Formal or informal training courses focusing on the skills required within the business |
| Formal study | Sponsoring staff to study for professional qualifications |
| Shadowing | A means whereby a staff member observes the daily activities and tasks of experienced colleagues |
| Apprenticeships and learnerships | Set courses of study specific to the work environment carried out over a designated period of time culminating in professional competency |
| Workshops | Staff interaction and development |
| Seminars | Designated staff meetings that take place infrequently during the year to promote improved performance and standards |

**Processes and systems**

Within all marketing requirements, tactics can only be made possible if the processes and systems of the business are continuously improved to generate efficiency throughout the internal and external flows of marketing activities. From product development to manufacture and distribution and merchandising, systematic flows can improve quality and availability of products and services. Coupled with efficient information flow a business can attain a substantial competitive advantage over its competitors. The benefits of which include lower cost, higher output, greater customer satisfaction, improved corporate culture and overall positive image and reputation for the business.

**Positions within a competitive market**

* Market trends: market trends can influence current and potential strategies as well as market profitability. The reason for the aforementioned is that this analysis focuses on change and tends to identify the important issues. The purpose of the analysis is to identify growth markets.
* Key success factors (KSF): a key success factor refers to a competitive asset exploitation of opportunities. The various key success factors identified during an American study. Examples are the customers. perception of the image of the business, the marketing expertise of the sales force, research and development activities, physical distribution activities, location, quality control and the technical sophistication of equipment. During strategy development, future key success factors should be considered. In order to be successful during opportunity identification and exploitation, you should try and tailor your business to fit between the unique competencies and the success requirements of the industry.

After a competitor analysis has been done, the business has to determine its competitive position in the market. There are four alternatives namely a market leader, a challenger, a follower, or a nicher. Your position will determine your tactics and strategies.

**Market leader identification**

The market leader has the largest market share in the relevant product and usually leads the other competitors in price changes, new product introductions, distribution coverage, and promotional intensity. Some of the best known leaders are Tata, BMW, Coca-Cola, Schick, Microsoft and SA Breweries (SAB). A market leader must always combat constant competitive challenges from other

competitors such as:

* Product innovations
* Heavy marketing spending
* Aggressive advertising campaigns
* Loss of retailer dominance
* Lower costs
* Short-term price promotions
* New innovations in how-to-do business

**A market leader would normally respond by doing the following:**

* Expand the total market for the product by entering new markets
* Protect its current market share through defensive or offensive action
* Strive to increase its market share by aggressively penetrating the target market

**Market challenger**

Market challengers are normally the runner-up organisations in the market, for example Nissan, Samcor, Pepsi, and General Motors.

Market challengers normally follow strategies or tactics such as:

* Price discounts
* Cheaper goods
* Higher quality products at lower prices
* A larger variety of products
* Product innovations
* Improved services
* Implementing innovative distribution
* Increased spending on advertising
* Reduction of manufacturing costs to be able to give lower prices

**Market follower**

Some businesses prefer to follow rather than challenge the leader. This does not mean that followers do not have strategies. A market follower must know how to keep it customers and win a fair share of new customers. The follower has to decide on a growth path that will ensure future success, but one that does not invite competitive retaliation. Followers normally use a “wait-and-see” strategy to gain advantages out of the mistakes by leaders or challenges.

**Market nicher**

An alternative to being a follower in a large market is to be a leader in a small or niche market. Smaller businesses normally avoid competing directly with larger businesses by targeting smaller markets of little or not interest to larger businesses. The key idea in niching is specialization. Several small brewers are active in the SA beer market, focusing mainly on providing tap beer to selected retailers. Examples are Mitchell and Vivo. These mini brewers account for not more than on per cent of the total beer sales in SLA and are therefore no threat to the market leader, SAB.

**Specific market analyses in relation to organisational threats**

The market analysis is based on the analyses of consumers, competitors, intermediaries and suppliers in order to facilitate strategic evaluation of the market. The purpose of the market analysis is firstly to determine the attractiveness of the markets and sub-markets and secondly, to develop through insight into market dynamics. In this way, opportunities and threats can be identified and strategies adapted accordingly. Knowledge regarding the characteristics of the phases of the product life cycle can form the basis of goal setting, strategy formulation and the development of action plans against the backdrop of the identified opportunities and threats. During the market analysis different questions can be asked by the owner-manager in order to identify potential opportunities, threats and strategic uncertainties (see table below)

**Questions for structuring the market analysis**

**Market size and growth**

What are the important and potentially important sub-markets? What are their size and growth characteristics? What sub-markets are declining or will soon decline and how fast? What are the driving forces behind sales trends?

**Profitability**

The following should be considered for every major sub-market: will the average business make money in this business area? How intense is competition among the existing businesses? How are the threats from potential entrants and substitute products? What is the bargaining power of suppliers and customers? How attractive or profitable are the market and its sub-markets current, as well as in the future?

**Cost structures**

* What are the major cost factors for the various types of competitors?

**Distribution systems**

* What are the alternative distribution channels? In which way are they changing?

**Market trends**

* What are the market trends?

**Key success factors**

* What key success factors, assets and competencies are needed to compete successfully? In what way will they change in future? How can the assets and competencies of competitors be neutralized by implementing strategies?

From the information above we can see that the market analysis should include analysing market size, growth prospects, profitability, cost structures, distribution channels, trends and key success factors.

**Market size**

Current sales, as well as potential sales should be considered. Additional sales can be generated by new uses of the product, new consumer groups and more frequent use of the product. Sometimes a need can be so topical and apparent (for example, the need for educational equipment in underdeveloped countries) that potential market growth is assured. However, certain factors can be present, such as insufficient funds, which can hinder this growth. Large businesses following these criteria can lock themselves out of the vitality and profitability of the smaller niche markets.

**Growth prospects in the market**

An analysis of the growth trends in the market, as well as the phase of the product life cycle for an industry and its sub-markets must be performed in order to identify attractive investment alternatives for the business. The strategies whereby declining markets are avoided and growth markets are identified are not simple. Declining markets can offer opportunities, since the business can survive profitably while other businesses are withdrawing. Although high growth markets seem more attractive than mature or declining markets, these markets can be more risky due to the intensity of competition, insufficient distribution and resource requirements.

Therefore, growth contexts would be evaluated carefully. The risks associated with high growth markets are the following:

* The number and commitment of competitors are greater than can be supported by the market, for example micro-lenders and taxi operators in SLA.
* A competitor can enter the market with a superior product or cost benefit, for example McDonald’s entering the SA market.
* Key success factors can change and the business is unable to adapt accordingly. Older casinos are, for example, threatened by newer casinos nearer to metropolitan areas.
* The technology required for entry into the market can change, for example, the change from analogue television equipment to digital television equipment.
* The market may not grow as expected, for example e- commerce which has not been as successful in SLA as it is in the USA and Europe.

* Businesses can lack the resources needed to continue the high growth rate, for example SA sme’s.
* Adequate distribution channels are not always available, for example, the number of large food retailers in SLA.

One of the strategic uncertainties in the market involves forecasting sales in the market. The owner-manager should determine which market forces will influence sales. Different sales scenarios of different sales patterns must be evaluated. Studying historic sales data is not enough, since the owner-manager should also evaluate trends and possible direction changes in terms of sales growth.

**Profitability of the market**

Porter has developed several concepts and frameworks according to which the market position of competitors, as well as the attractiveness of specific market segments and the appropriateness of specific competitor actions can be evaluated. The natural attractiveness of the market, the growth potential within the market and the ability to establish a competitive advantage in the market are

determined by the following:

* The current competitive structure
* The ability to align the business favourable with the five competitive forces outlined in the following paragraph, in the long and short run:

Profitability in the market is determined by the flowing five forces:

* The number and power of current competitors
* The threat of new competitors
* The threat of substitute products
* The profit impact of suppliers
* The power of consumers to force prices to suit them

An understanding of these forces can also suggest which key success factors are necessary to cope with the competitive forces. The different factors will now be discussed in Porter’s traditional five forces model.

**Marketing environment**

The marketing environment comprises of all factors inside and outside of the business influencing marketing management’s decisions.

**Interdependency between the business and its environment**

The survival of the business depends on its environment. Everything the business needs for proper functioning comes from the environment. The environment offers the business raw materials, capital and human resources. The business, on the other hand, provides goods and services to the environment, and receives compensation for delivering goods and services to the environment, and receives compensation for delivering goods and services.

**AC 4: Roles and responsibilities of team members to relevant defensive activities.**

**Roles and responsibilities of team members**

Procurement focuses on quality

Procurement focuses on quality

Procurement focuses on quality

Procurement focuses on quality

 Improve process and communication systems

Support functions (Accounting, HR and Logistics) to enhance customer satisfaction

**Competitive intelligence: roles and responsibilities of team members**

It is the business’ responsibility to identify specific people or parties whose responsibility it is to relate and take necessary action relevant to defensive strategies. Information and questions about how to approach the competitors when encountering strategies must be formulated.

A team must be established and should normally comprise members of the sales team, marketing managers, IT specialists (information technology) and at least a representation of middle and senior management. From the information gathered under previous units and from information summarized below strategies must be formulated in order to defend and counter competitor actions.

Competitive intelligence is that information that is obtained about your competitors, by researching them and asking different questions about them (competitors). This information gives you, as a business, the competitive advantage as you now know the strengths and weaknesses of your competitors and you can therefore compete better in the marketplace. Two examples of competitive intelligence are benchmarking and reverse engineering.

**Benchmarking**

Benchmarking involves setting a business. standards and quality at the highest level of expectation within an industry sector. This includes all resources, expertise, tactics and strategies.

**Reverse engineering**

Reverse engineering is the process whereby business eliminates non-productive, inefficient and costly activities by streamlining the entire core processes and therefore becoming a lean organisation where inputs and processes are reduced and outputs increased rendering the business efficient and effective within its market and industry.

**Reviewing the market analysis**

Purpose:

* To determine the attractiveness of the markets and sub-markets.
* To develop thorough insights into market dynamics. Opportunities and threats can be determined and strategies adapted accordingly.

The market analysis should include:

* Market size
* Growth prospects
* Profitability
* Cost structures
* Distribution channels
* Trends
* Key success factors

**Environmental Scanning**

Environmental variables that have a drastic influence on the business change continuously. Environmental Scanning determines the extent of change of the variables and therefore help to determine the opportunities and threats in the environment. Scanning the environment is directly related to the success of the business.