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Marketing Management • 14e

Chapter 11

Competitive Dynamics



Discussion Questions

1. How can market leaders expand the total market and defend market share?
2. How should market challengers attack market leaders?
3. How can market followers or niche compete effectively?
4. What marketing strategies are appropriate at each stage of the PLC?
5. How should marketers adjust their strategies and tactics for an economic downturn or recession?



Market Members

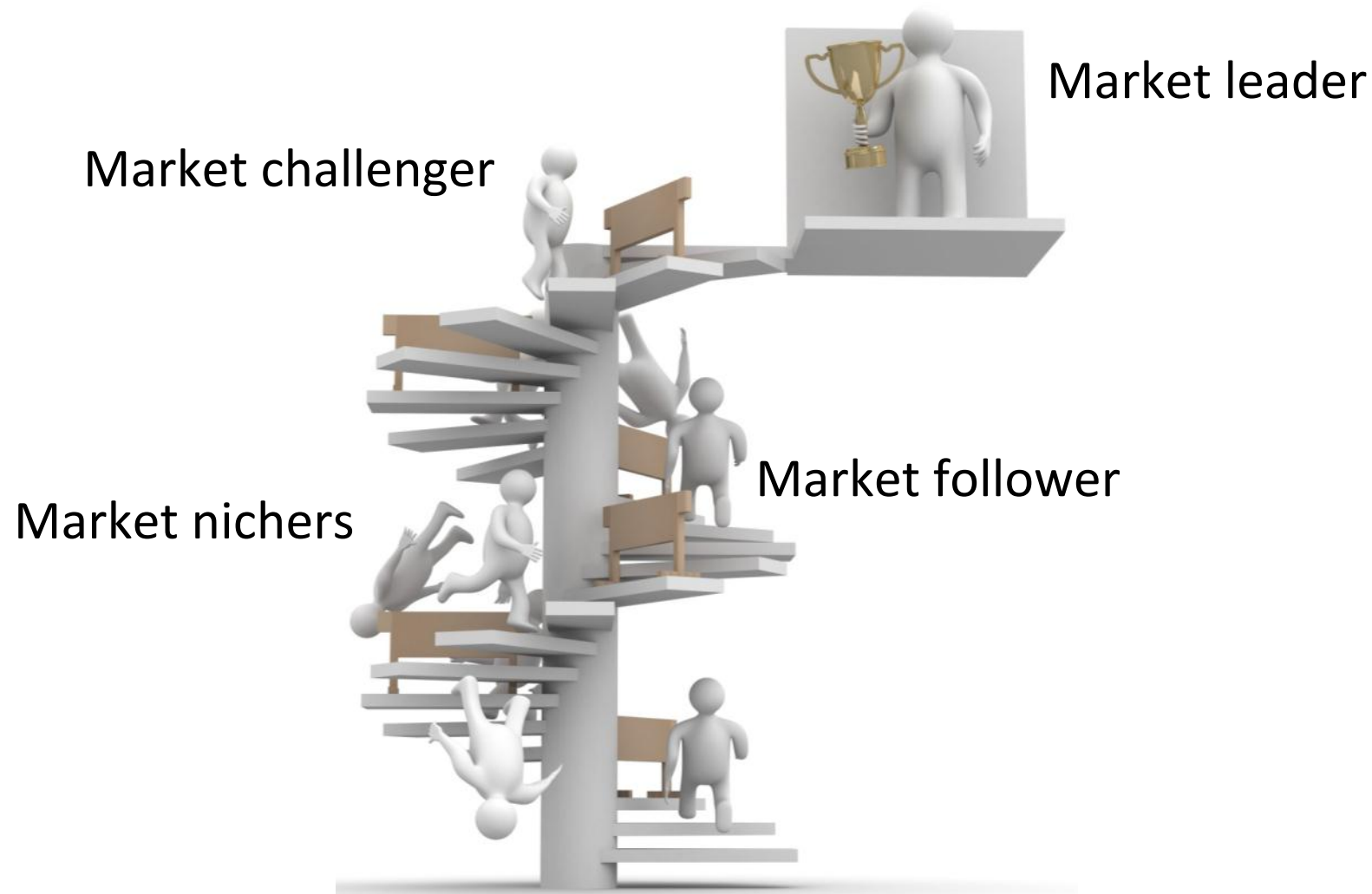
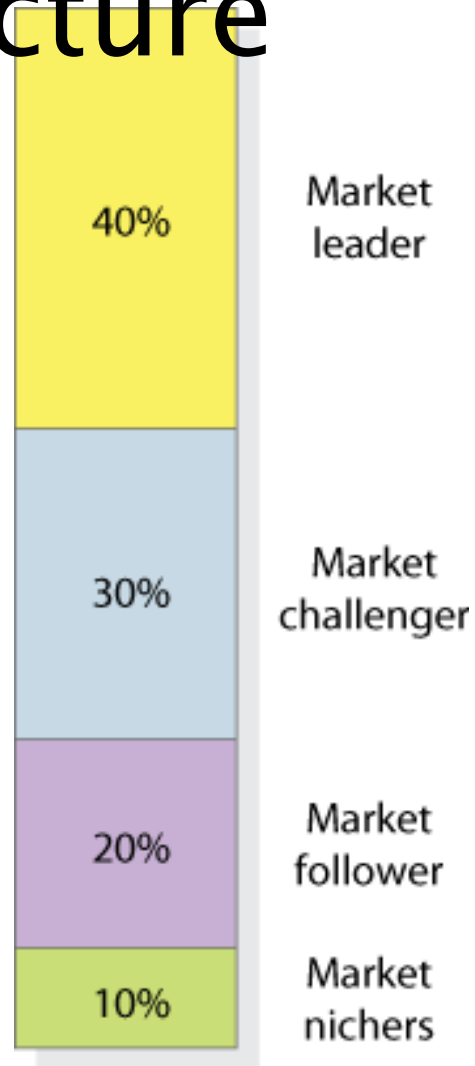


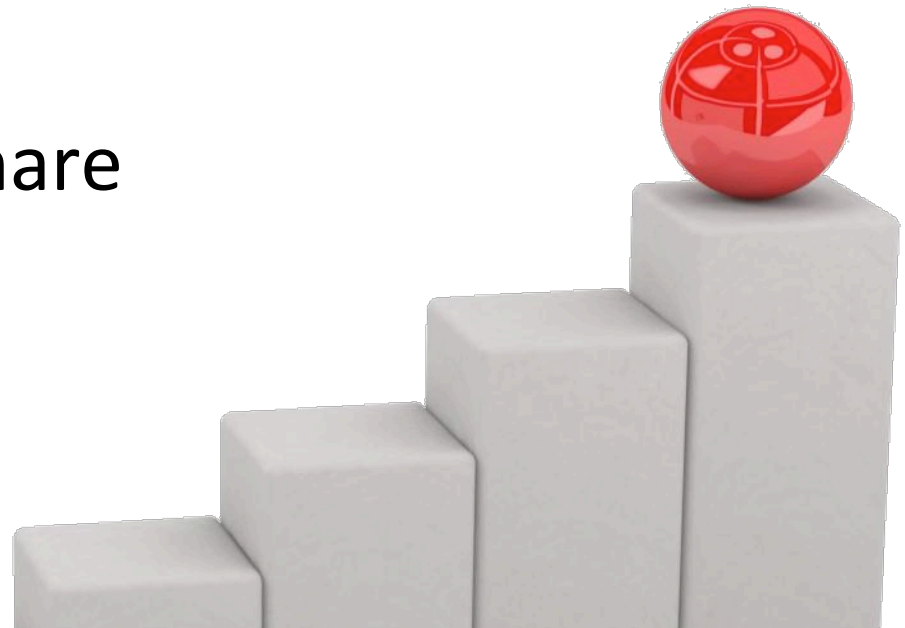
Figure
11.1

Hypothetical Market Structure



Staying Number One

1. Expand total market demand
2. Protect current market share
3. Increase market share



Expanding Total Market Demand

New Customers

More Usage

Replacement rate

New product uses



Protect Current Market Share

Offensive Strategy

Proactive Marketing



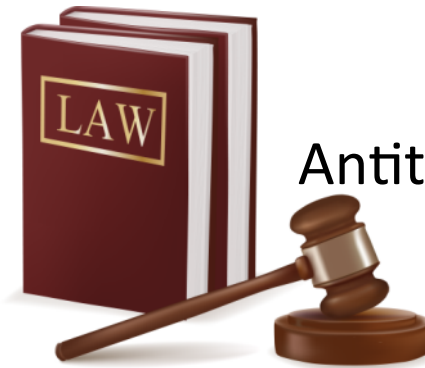
Defensive Strategy



Increase Market Share



Decreased profitability



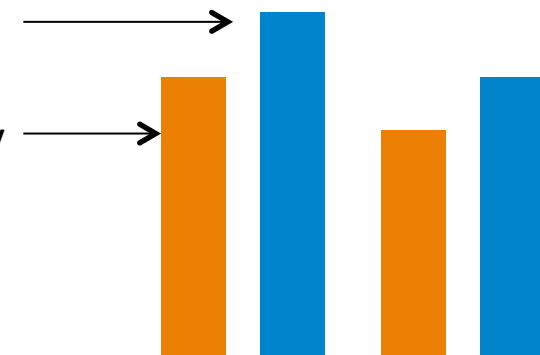
Antitrust action



Pursue wrong marketing activity

“Actual” quality
“Perceived” quality

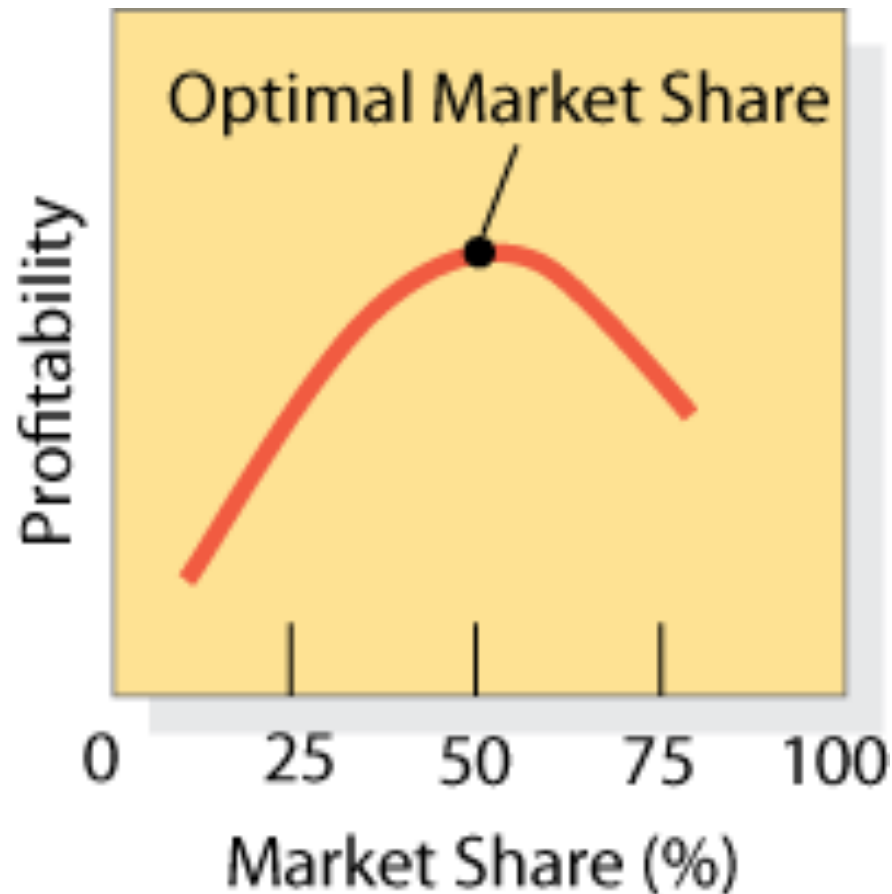
Lower overall quality



2012

2013

Optimal Market Share



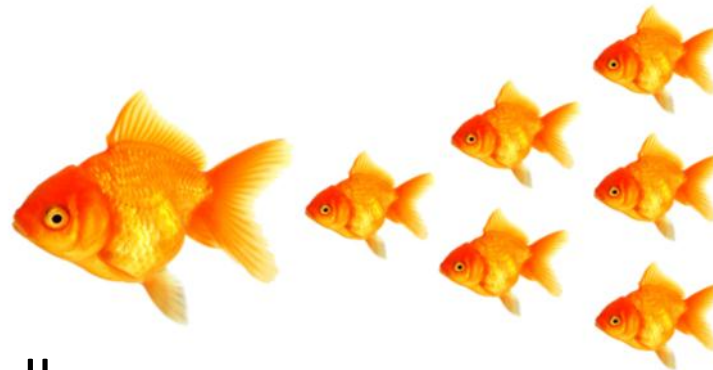
Other Competitive Strategies



Market-challenger



Market-nicher



Market-follower

Market-Challenger Strategies

Define objectives and opponent(s)

Choose general attack strategy

Choose Specific attack strategy



Market-Challenger Strategies

Objectives and Opponents



Attack:

Market leader

Weaker, similar size firms

Smaller local or regional firms

General attack strategies

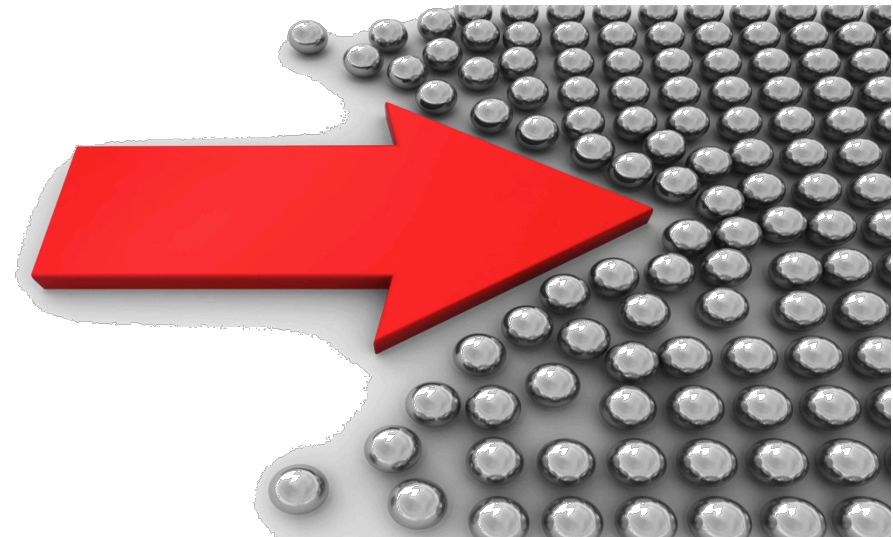
Frontal attack

Flank attack

Encirclement attack

Bypass attack

Guerrilla attack



Market-Follower Strategies



Counterfeiter



Adapter



Cloner



Imitator

Market-Nicher Strategies

Nichers Task

Create niches

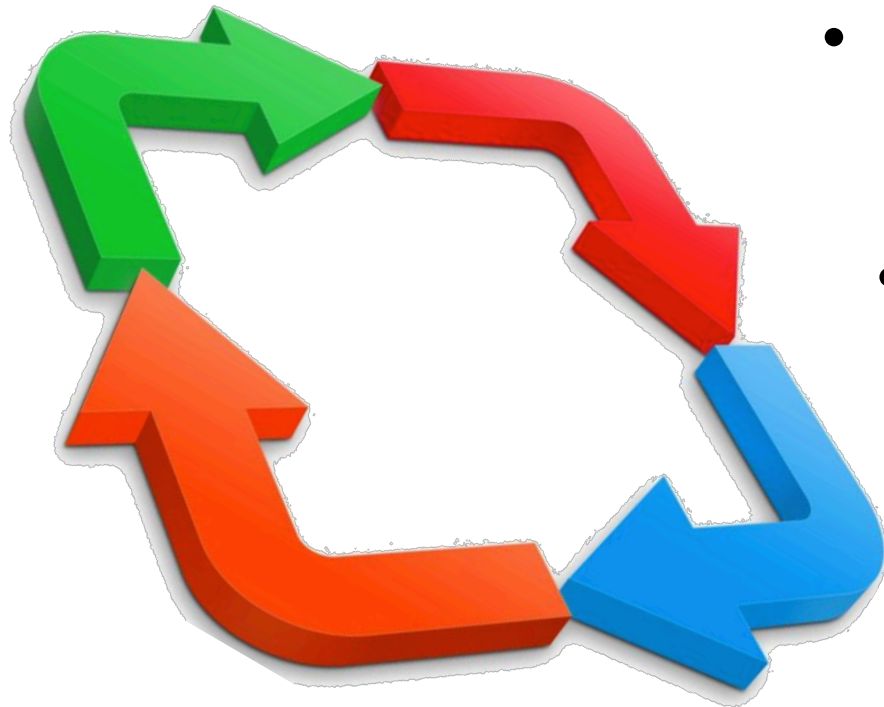
Expand niches

Protect niches



Target small, profitable segments
Achieve higher margins

Product Life-Cycle Strategies



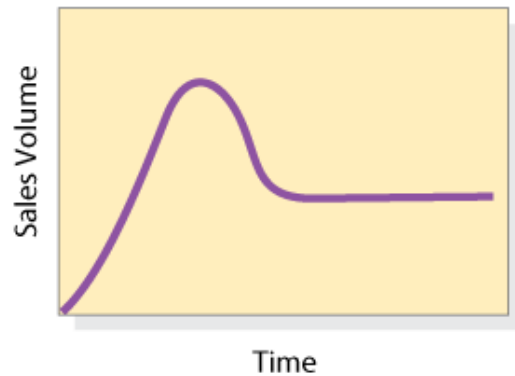
- Products have a limited life
- Sales pass through stages
 - Profits rise, then fall
- Different strategies needed

Sales and Profit Life Cycles

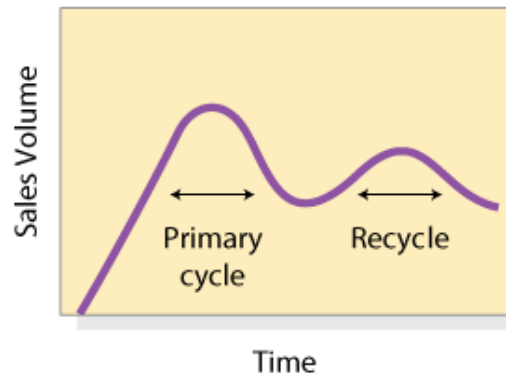


Common Product Life-Cycle Patterns

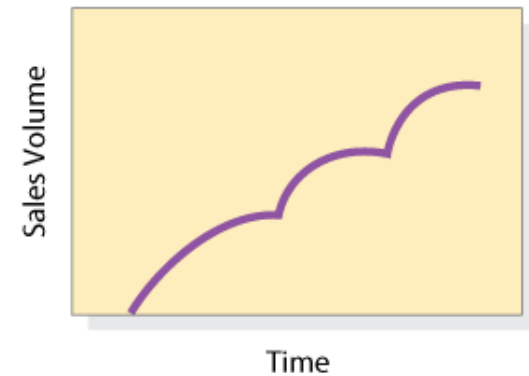
(a) Growth-Slump-Maturity Pattern



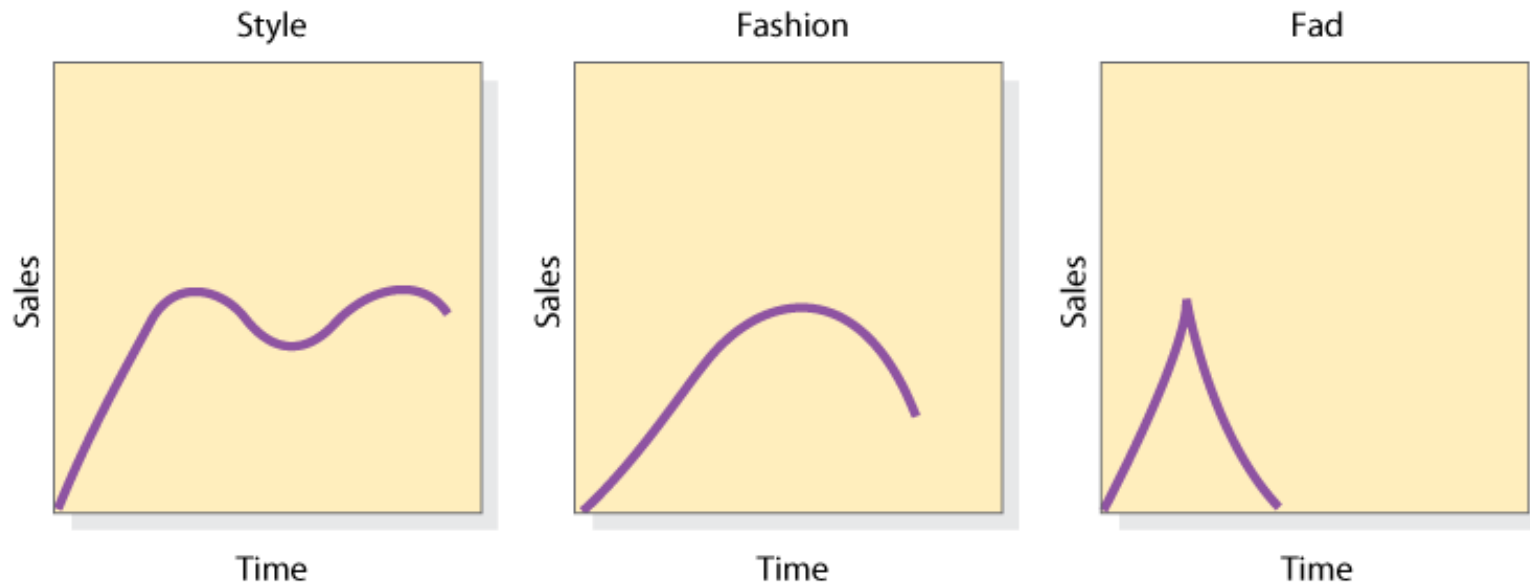
(b) Cycle-Recycle Pattern



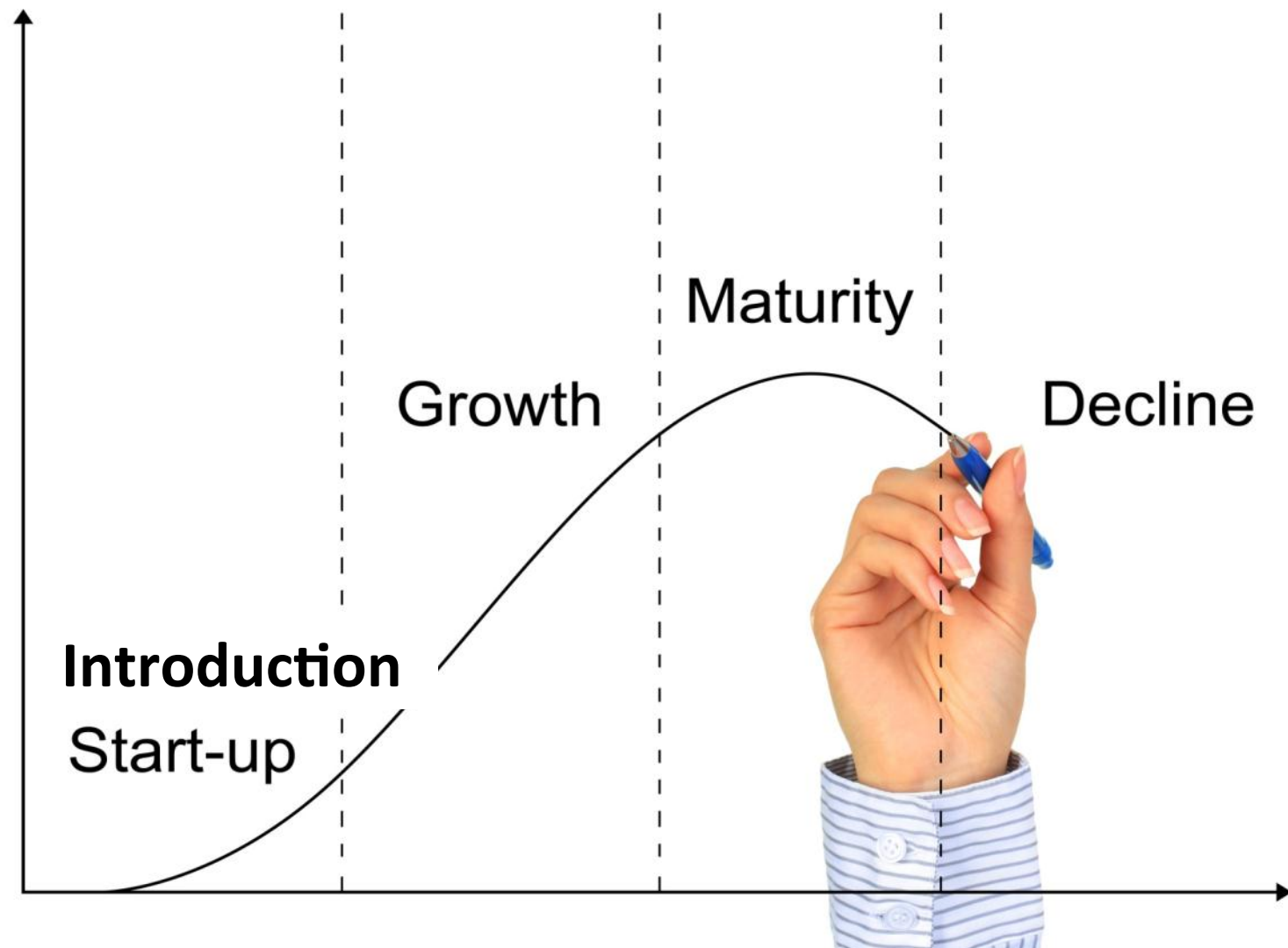
(c) Scalloped Pattern



Style, Fashion, and Fad Life Cycles



Product Life-Cycle Stages



PLC: Introduction Stage

Slow sales growth, negative profits

Marketing Strategies:

1. Create awareness
2. Induce product trial
3. Secure retail distribution.



Which is more profitable over 5 years?

- 6 months late, but on budget?
- On time, but 50% over budget?

Order of Market Entry



First Mover Advantage

- Brand name association
- Define product class
- Customer inertia
- Producer advantages

Pioneer Advantage

Inventor
Product pioneer
Market pioneer



Imitator Advantage

PLC: Growth Stage

Rapid sales growth; New competitors

Marketing Strategies:

- 1.Improve product quality; add new features
- 2.Add new models and flanker products
- 3.Enter new market segments
- 4.Focus advertising on preferences
- 5.Increase distribution coverage
- 6.Lower price; Attract price-sensitive buyers

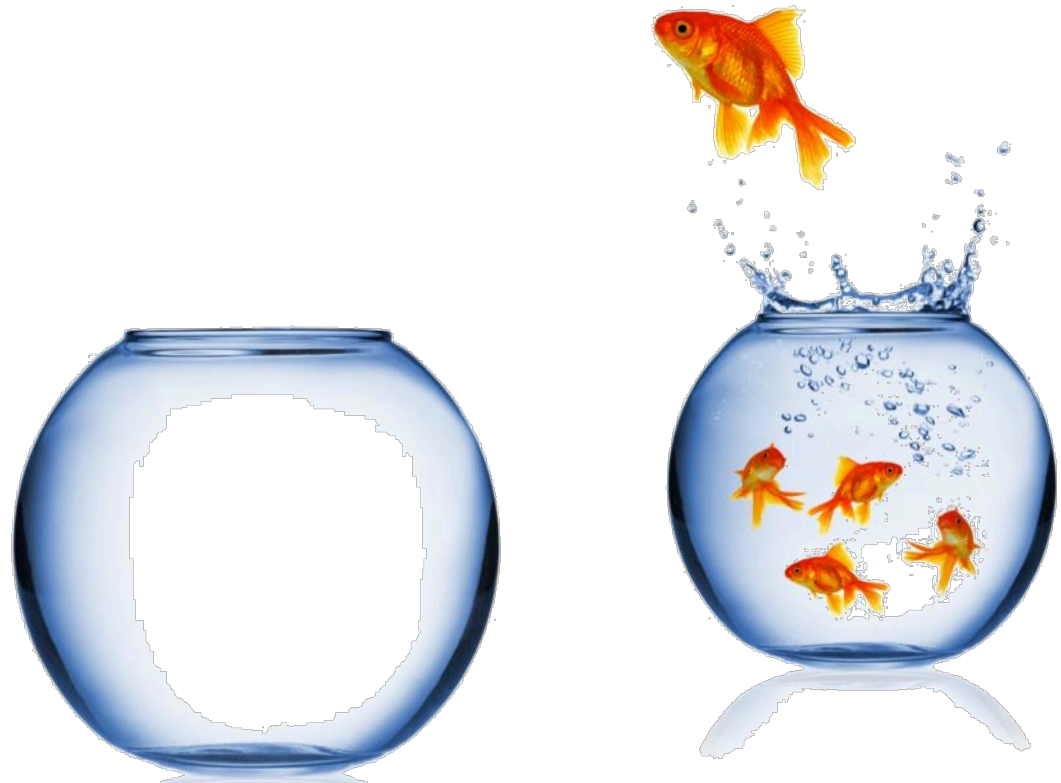


PLC: Maturity Stage

Growth slows; Weak competitors exit

Marketing Objectives:

1. Maximize profit
2. Defend market share



PLC: Decline Stage

Slow sales growth, negative profits

Product Options:

- 1.Rejuvenate
- 2.Harvest
- 3.Divest



Table 11.2

Characteristics of the PLC

| | Introduction | Growth | Maturity | Decline |
|-----------------|--------------|----------------|-----------------|-----------|
| CHARACTERISTICS | | | | |
| Sales | Low | Rapidly rising | Peak | Declining |
| Costs/customer | High | Average | Low | Low |
| Profits | Negative | Rising | High | Declining |
| Customers | Innovators | Early Adopters | Middle majority | Laggards |
| Competitors | Few | Increasing | Stable number | Declining |

Table 11.2

PLC Objectives and Strategies

| | Introduction | Growth | Maturity | Decline |
|-----------------------------|--------------------------|---------------------------|--------------------------------|--------------------|
| MARKETING OBJECTIVES | | | | |
| | Awareness and trial | Maximize market share | Maximize profits; Defend share | Milk the brand |
| STRATEGIES | | | | |
| Product | Basic | Extend; Service, warranty | Diversify brands and models | Phase out the weak |
| Price | Charge cost-plus | Price to penetrate | Price to match | Cut price |
| Distribution | Selective | Intensive | More intensive | Go selective |
| Communications | Awareness early adopters | Awareness w/ mass market | Stress brand benefits | Reduce to minimal |

Marketing in an Economic Downturn

More Compelling Value Proposition

Review Budget Allocations

Get Closer to Customers

Increasing Investments

