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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

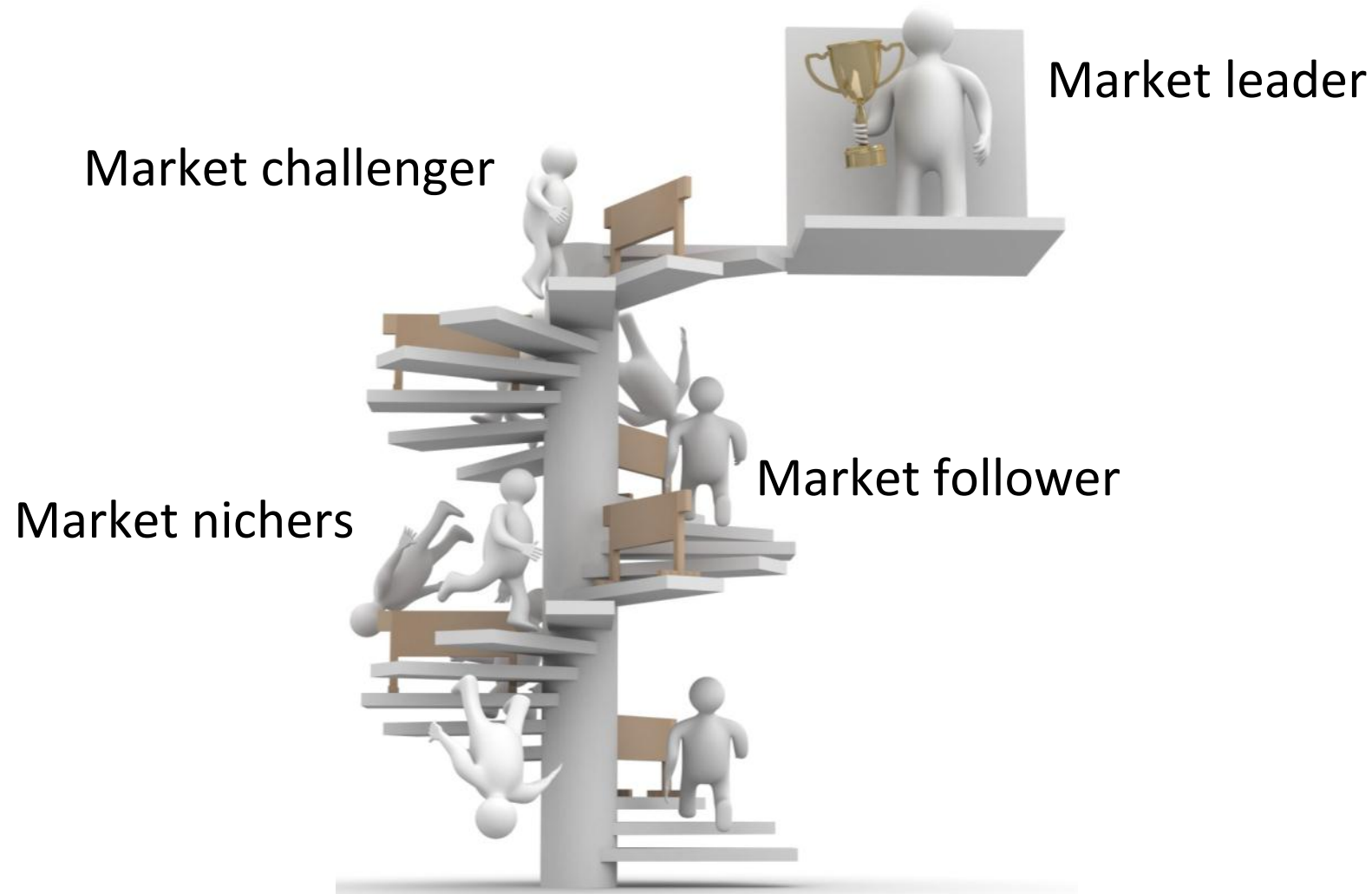
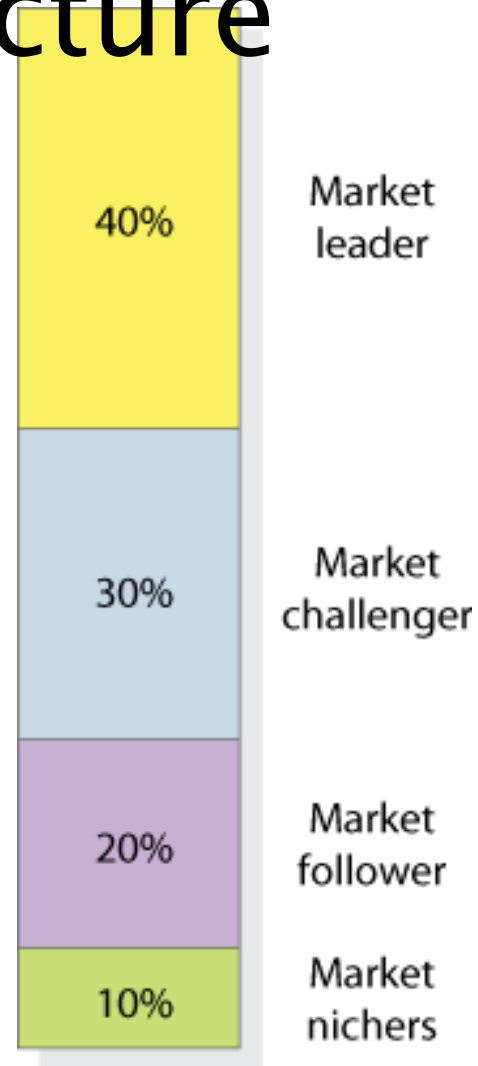


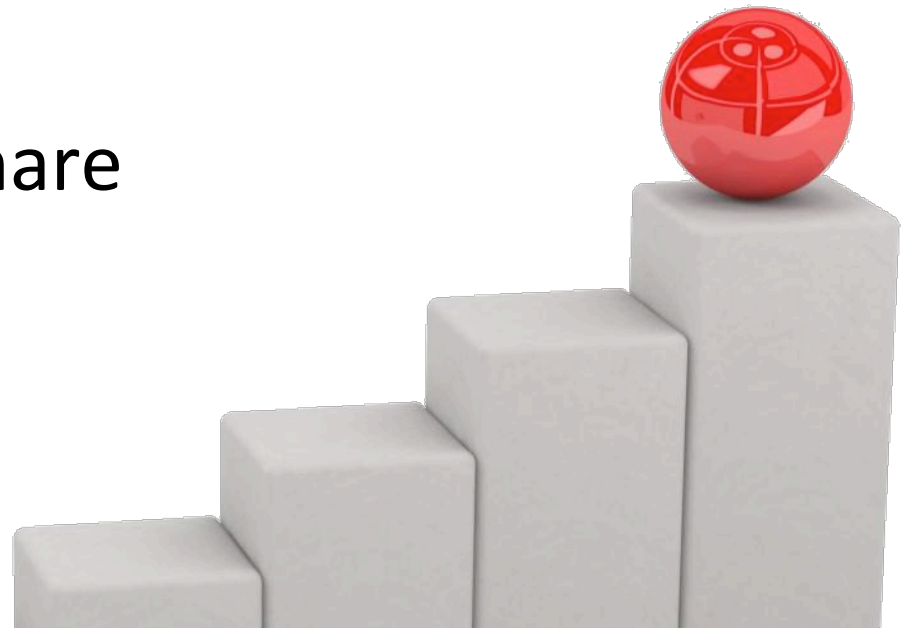
Figure
11.1

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



Lower overall quality

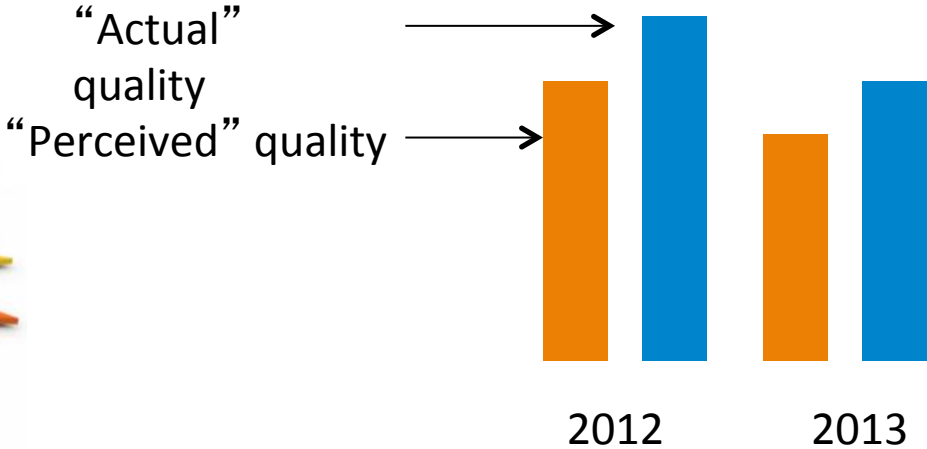
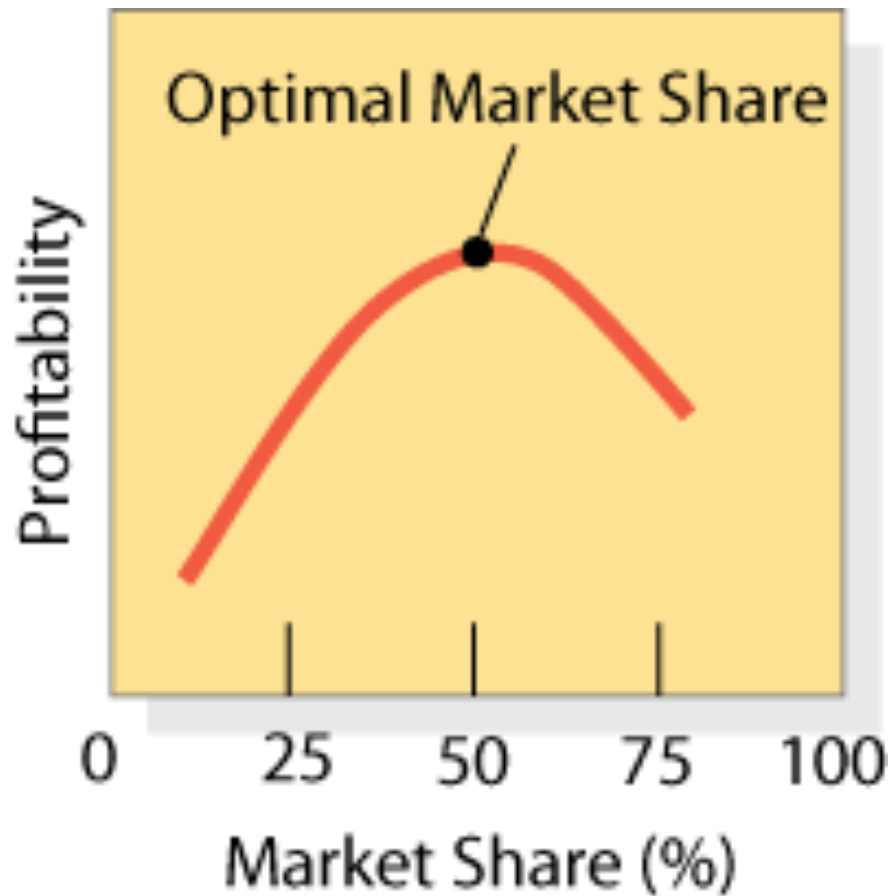


Figure
11.3

Optimal Market Share



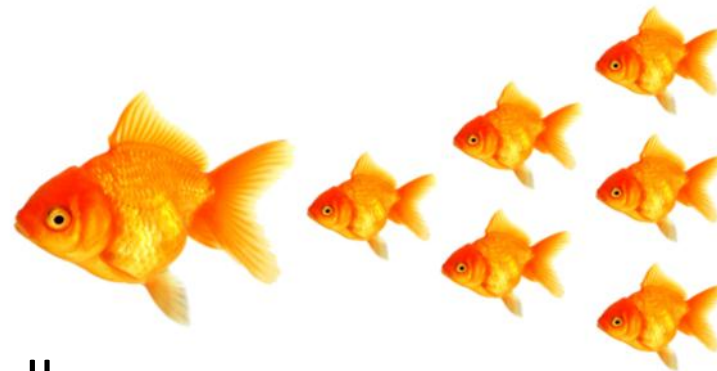
Other Competitive Strategies



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

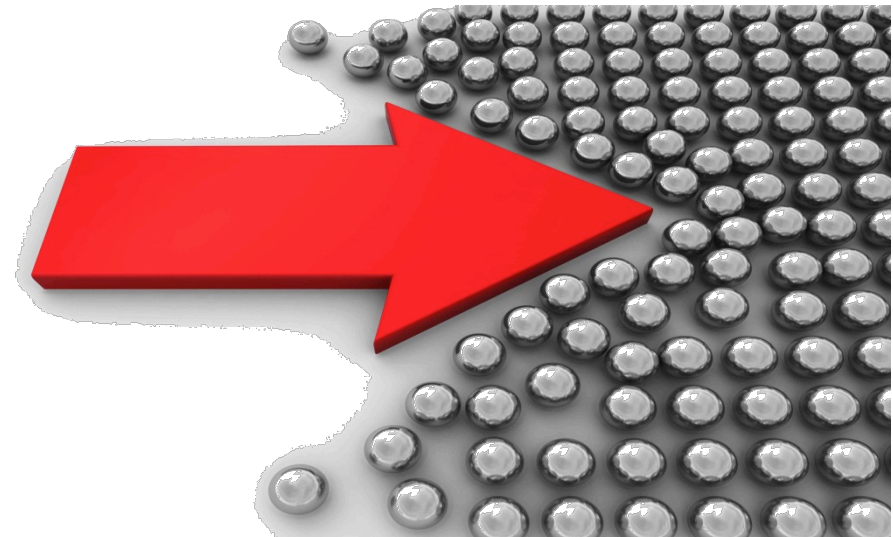
Frontal attack

Flank attack

Encirclement attack

Bypass attack

Guerrilla attack



Market-Follower Strategies



Counterfeiter



Adapter



Cloner



Imitator

Market-Nicher Strategies

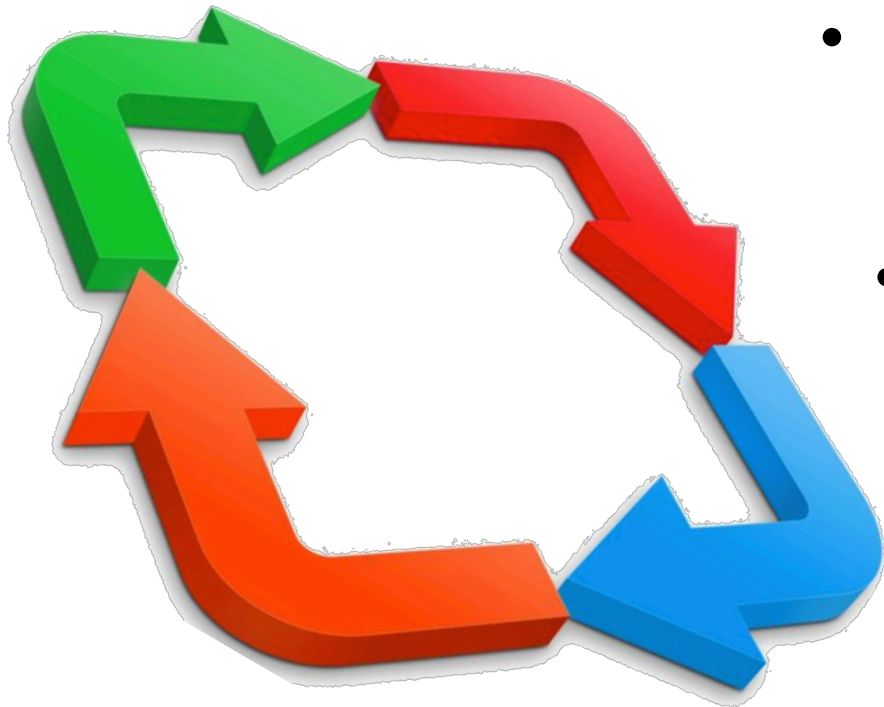
Nichers Task

- Create niches
- Expand niches
- Protect niches



Target small, profitable segments
Achieve higher margins

Product Life-Cycle Strategies

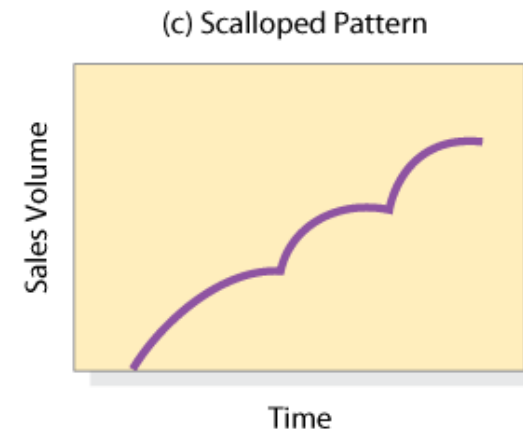
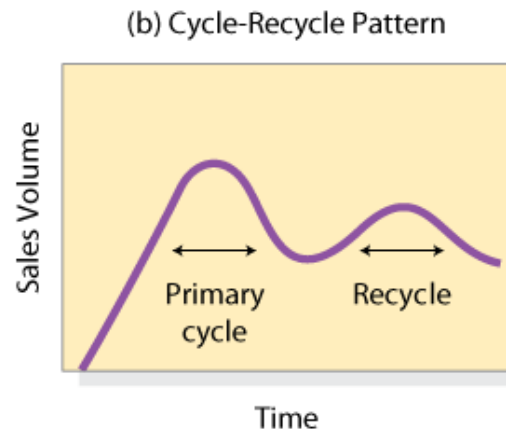
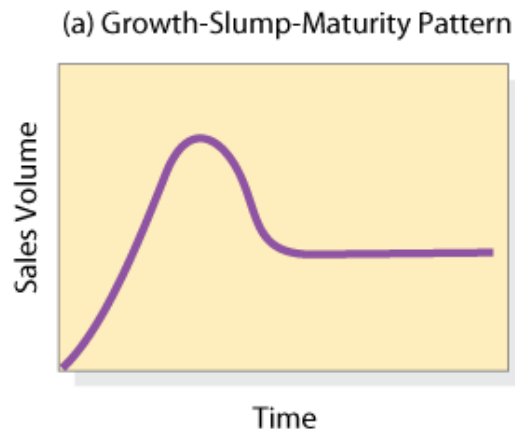


- Products have a limited life
- Sales pass through stages
 - Profits rise, then fall
- Different strategies needed

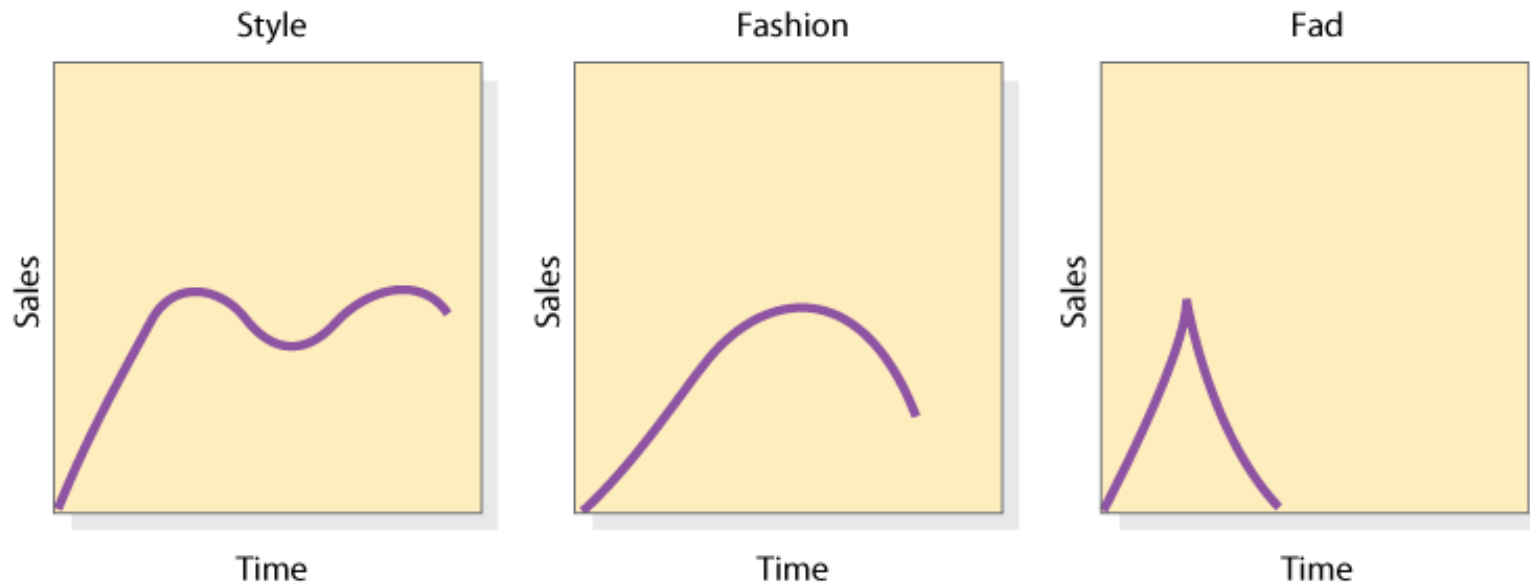
Sales and Profit Life Cycles



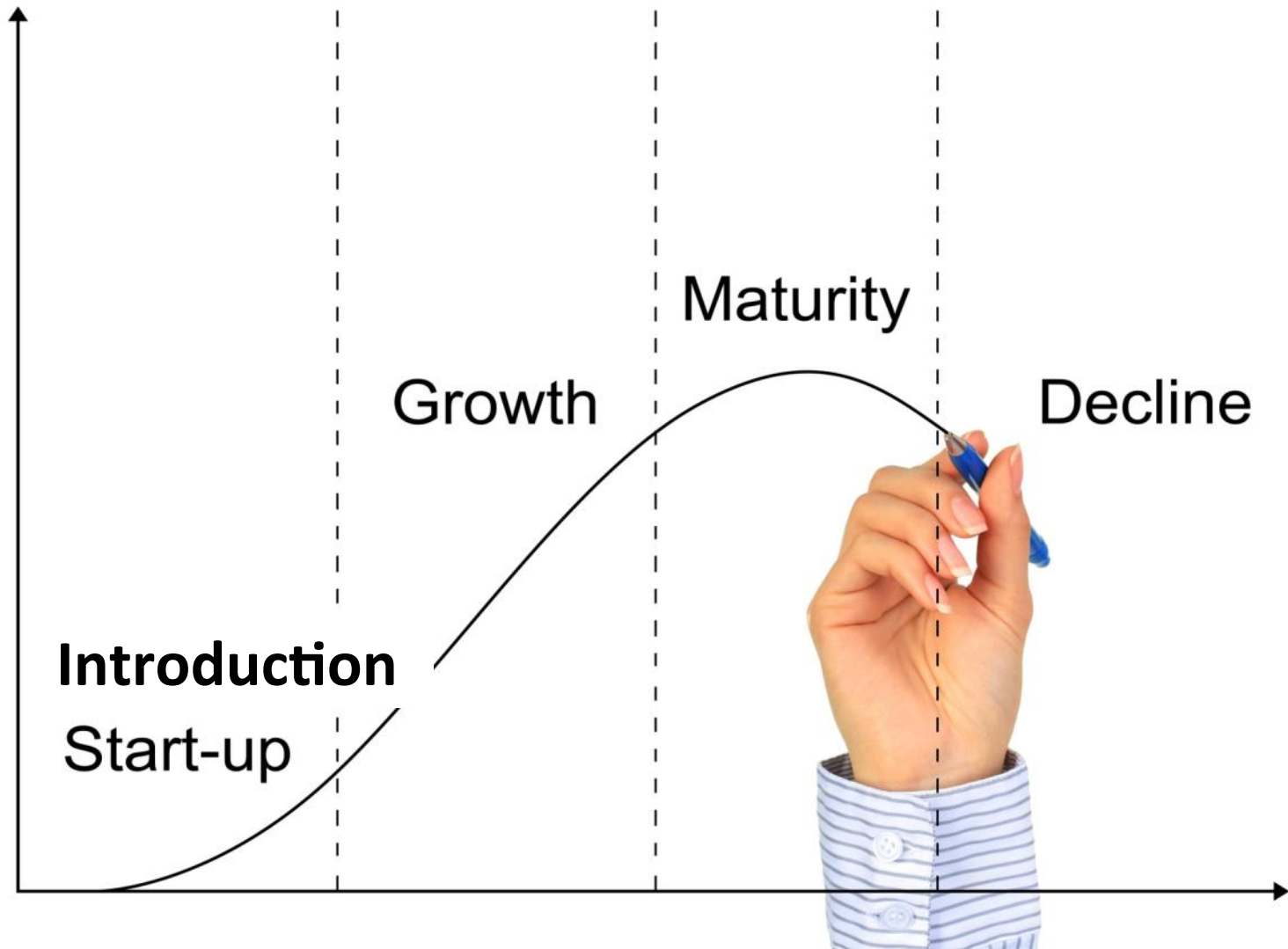
Common Product Life-Cycle Patterns



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

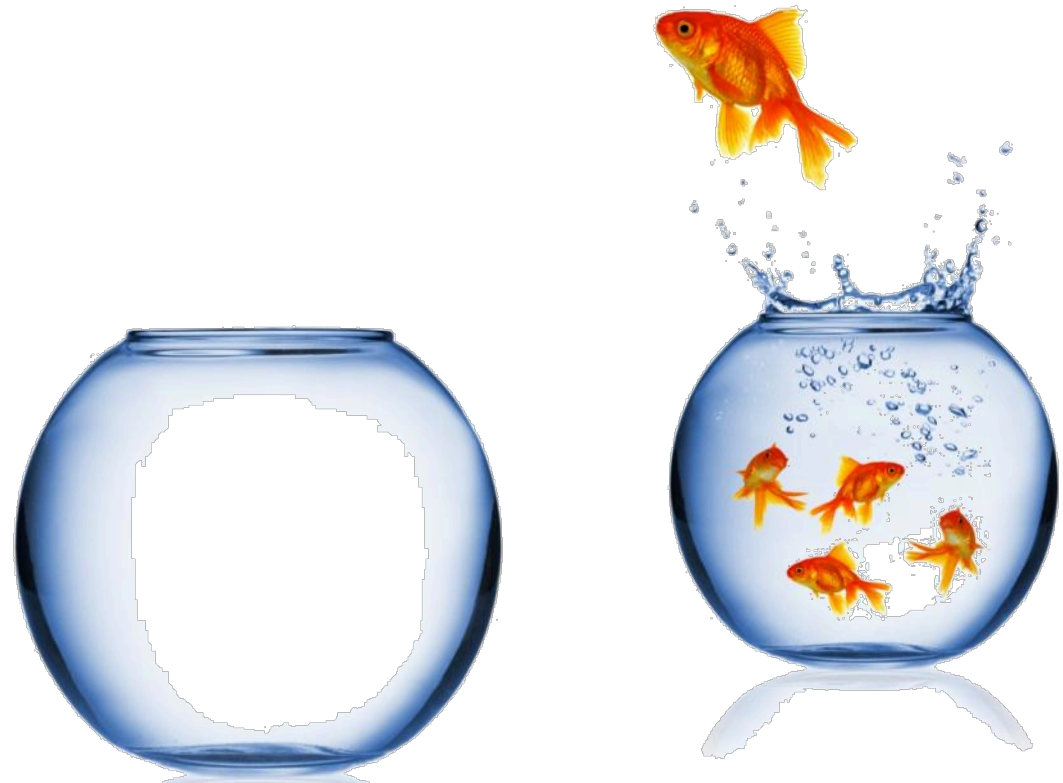


PLC: Maturity Stage

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

