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Marketing Strategy – Challenges to leadership (CEO)

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ABSTRACT

In the cut throat competitive market the leadership should create an edge for the company's survival. Survival of the weakest, the new mantra, for responsible leadership. It is perhaps the most important aspect of responsible leadership that our countries leaders-political as well as corporate - need to follow. India is ranked 119th out of 169 countries in the world in the human development index. Today around 37 % of the Indian population leaving below the poverty line as per the report available. For long, economists have been blindly following Darwin's theory of "Survival of the fittest " as the maxim for functioning of the capitals economy. Civilization has seen man moving out of jungle and reach where he is today. In the new perspective obtainable today the leadership should focus on the marketing strategy taking it as a challenge.

KEYWORDS: *Product Differentiation-Proper Planning-Consumer Satisfaction-Market Segmentation-Brand Management-Market Penetration–Financial Inclusion- Globalization.*

INTRODUCTION

According to Pride and Ferrd " marketing management is a process of planning, organizing, implementing, and controlling marketing activities in order to effectively and efficiently facilitate and expedite exchange"

Marketing management is defined as the process of overseeing and planning new product development, advertising, promotions and sales. An example of marketing management is creating an advertising plan and implementing that plan.

Consumer Satisfaction is defined as the degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers. The marketing concept is essentially a point of view about business. It enunciates that business is basically a need satisfying process and that business must be managed keeping the consumer and his needs as focus. The concept prescribes that all goals of business, including profit, must be realized through consumer orientation and generation of consumer satisfaction. Marketing concept is a customer-oriented philosophy that is implemented and integrated throughout an organization to serve customers better than competitors and achieve specified goals. It is a comprehensive philosophy.

Market segmentation is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries that have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them. Market segmentation strategies are generally used to identify and further define the target customers, and provide supporting data for marketing plan elements such as positioning to achieve certain marketing plan objectives. Base for marketing segmentation can be divided as follows: 1) Demographic basis 2) Geographic basis 3) Psycho graphic basis dealing lifestyle, personality, value in life 4) Consumer Behavior including brand loyalty attitude.

Pricing – It is a very challenging act for the CEO to face in the modern cut throat competitive marketing. Pricing is the art of translating into quantitative terms, the value of the product to customers at a point of time. The leadership should ensure price of an article or service is its market value expressed in terms of money. It is the amount of money and other items with utility needed acquire a product. It is a known fact that in the marketing that an unofficial syndicate by which the prices are controlled with the prior understanding among the traders. Therefore the pricing of the product should be carefully done taking into account (a) Estimate demand for product. (b) Anticipate competitive reaction. (c) Establish expected share of market. (d) Select pricing strategy to reach market target (e) Market penetration.

Competition may be faced from three sources. It may be from similar products or from substitutes or from unrelated products seeking the same price. In price determination the important influence is the existing competition. A SWOT analysis is essentially to be done by the leadership. Even with a new product if the field is easy to enter and the profits are encouraging, competitions may take place in one for or the other within a short space of time.

Any one pricing strategy among so many alternative can be selected to reach the market. Two most suitable methods for pricing of new products is skim-the-cream pricing. The is the policy of fixing a very high initial price in order to earn as much profit as possible in initial periods, and then reducing the price as and when the competitors enter the field. This method is followed where there is every scope for the competitors to enter into the market. There is one advantage in this method, that is, if the market do not respond in initial stage the price can be reduced. This method generates more profits which can be utilized for the expansion of the business.

The next method is market penetration pricing. This is opposite to skim-the-cream pricing. In this method, low price is fixed to the product to catch the major portion of the market. This policy is desirable if short run price elasticity of demand exists, or if the public accepts it as a part of the daily life, if there is possibility of getting economies of large scale production. This method is also useful to catch the market share of a substitute product. As this policy allows low margin of profit, it discourages the new competitors to enter the field. The nature of competition will influence the selection of price strategy.

Market Nicher's strategies- Successful market nitchers own their success by using one of the strategies to gain a solid market presence. Market nitchers must develop specific tactics to implement their strategic choice to enable them to become market specialists. The nitchers can play a role of specialists in the following way:
(i) Channel specialist (ii) Service Specialist (iii) Product feature specialist (iv) Product line specialist (v) Geographic specialist (vi) Specific customer specialist (vii) Customer size specialist. The leadership should concentrate on this strategies in order to establish a strong market base. It is the responsibility of the leader (CEO) to decide which of the above role to be adopted for the success of the organization.

Pricing Objectives – To do the marketing job properly, efficiently keeping in view the interest of the organization, shareholders etc., The leader (CEO) should set the goal first. Before deciding the prize the marketing management should decide the objectives of the pricing. The main goals in pricing a product may be classified as follows:
(i) Achieve return in investment or on net sales (ii) Stabilize prices (iii) Maintain a share of the market (iv) Improve the share of the market (v) To meet the competitors in the field and (vi) maximize profits

Pricing is the key factor which remarkably affects the sales operations. If the prices are high, few customers will have the money to buy the product resulting the market being reduced greatly. If the prices are low many user can afford to buy the product and thus the market for the product increases. Therefore the pricing policy plays a vital role in the growth or fall of the organization. Few examples are given below:

a.Given –

Opening Stock	Rs. 2000
Purchases	Rs. 18,000
Wages	Rs. 2,000
Direct Expenses	Rs. 5,000
Closing stock	Rs. 2,000
Sales	Rs. 30,000

Find Contribution

Solution – Contribution is computed as follows –

Contribution = Sales – Variable cost
= 30,000 – 25,000
= 5,000

Variable cost is computed as follows –

Purchase	Rs. 18,000
Add : Wages	Rs. 2,000
Exp.	Rs. 5,000
	Rs. 25,000

b.Given-

Sales	Rs. 50,000
Variable Cost	Rs. 20,000

Fixed Cost Rs. 12,000

Find out –
(a) BEP (b) P/V Ratio

Solution-

(i) P/V Ratio = $\frac{\text{Sales x 100}}{\text{S}}$

$= \frac{50{,}000\text{-}20{,}000 \text{ x} 100}{50{,}000}$

$= \frac{30{,}000 \text{ x } 100}{50{,}000} = 60\%$

(ii) BEP = $\frac{\text{Fixed Cost}}{\text{P/V Ratio}} = \frac{12{,}000\text{x}100}{60}$

BEP = 20,000

Product Differentiation also plays a vital role in deciding success or failure of the organization. A proper and timely decision is to be taken by the leader (CEO) of the Organization.

Many companies commit the mistake of equating the differentiation purely with " providing better quality". There is much more the leader (CEO) can do with the thrilling strategy of differentiation. If one walks into the international super market in maples, New York one will learn how to pay the humblest tributes to " failed products". About 60,000 products that failed in the US super market find a place in the museum. Eg, Hair Conditioners, soaps, moonshine after shave, chocolate cookies, many more. They were undifferentiated therefore undervalued by the " quick to form a perception" consumer market. They were simply "commodities". While categories are expanding, thanks to the law of division, something sinister is happening. More and more of this categories are sliding into commoditization. In other words fewer and fewer brands in these categories are well differentiated. In peoples mind, they are their, but that is about all. Quality, Service, Style, Technology and Brand Recall are the sure shot methods to differentiate offering.

What is differentiation ? Differentiation is simply ensuring that the prospective consumers are convinced that the product they desire to buy is superior, relative to competitors – that even if the products are in reality not superior, as long as consumers are convinced about the same the CEO has done his job.

But then again what factor differentiates on? Obviously quality, right ? Wrong! or rather not necessarily. While companies globally make the mistake of equating differentiation with "providing better quality", the fact is that differentiation can be successfully attempted on certain other key parameters. Here is a primer with most loved examples.

DIFFERENTIATOR#1-Service:- In mature markets characterizes by parity products it is often service quality which sets one firm apart from its rivals. Interestingly, as customer education strengthen customers understanding of business processes, the technical service quality elements have less of an influence on customers trust whereas functional service quality elements become even more powerful in determining customers trust. If one ever heard of a company named Maruti Suzuki, one will know very well that the world buys Maruti cars purely on the basis of geographic expanse of Maruthi's service outlets, rather than the design of its car. That is differentiation in service.

Differentiator#2 – Style. It does not matter whether the product is really superior, if consumers are convinced. The leader has hit the bull's eye. Apple, a name which often hear being associated with innovation or technology for that matter is again one clever differentiator. The company did not invent the portable music player, or the first laptop or even the first smart phone. The iPod, iMac, iphone have become best sellers but were never the ones which innovated technology. The products were better appearance, better interface, a better style. In short a better overall design was given. And that is style differentiator.

Differentiator#3 – Technology. How many of the consumers know whether intel chips are faster or AMD ? The fact is AMD athlon chips have even beaten intel's comparable chips in lab tests. Andy Grove the former chairman of Intel (who wrote: "Only the Paranoid Survive") realized that it didn't matter what was true, it mattered what consumers believed.

The most critical lesson in differentiation is positioning. It does not matter whether the product is superior in quality or service or style or technology; if the consumer is convinced through marketing that the product is superior. The leader has hit bull's eye.

AND IF NOTHING WORKS – BRAND RECALL. When the product cannot be differentiated on any factor then the leader should go for a simple and straight forward strategy of brand recall. Brand recall is too powerful. Nike, which sells more not because it is superior, but simply because it advertises much more than its counterparts like Adidas, Puma, Reebok. All it did was bombarded the consumers with catchy advertisements. Procter and Gamble, Unilever, Pepsico, Cococola, - each spend more than $2 million each year in advertising. Their advertisements are either celebrities or spanking humour(or both).

SUMMARY: Consumers are not super humans who will be able to remember a thousand differentiation factors. Consumers are individuals who slot products through perception on the four limited factors – Quality, Service, Style, and Technology. And whether they are able to slot the product in these four factors are not, if they see the brand name and recall the same, they will have a higher probability of buying the products. There the leader achieved the target consumers.

GLOBALIZATION- The Dummies guide to Globalization. " Globalization is one of the three essential strategies to build competitive advantage for any MNC. Evidences from research demonstrates that hi-performance businesses distinguish themselves with a globalization strategy that's is conceived and executed in a new and consistently different ways. They discover new fulcrums of growth, cost efficiency, and risk management in the multi-polar world, develop them and work them into the fabric of their businesses. The companies that are highly engaged in services globalization experience high profitability ratio than those which are not. Globalization has had a profounding in business. Globalization has forced positive change and even the most sacrosanct business models, compelling companies to rethink existing supply chains and replace them with more efficient models. Globalization has created new markets and increased operational efficiency. For the Indian companies, the need to go global is the need of the hour. The local market is not so big. Indi's GNP is just the size of

Korea. India is ranked 150 out of 156 nations on the social globalization index. It is shameful that for India Inc., globalization simply means M&AS – A strategy that almost always destroys shareholders' value.

Brand Management – It is the application of marketing techniques to a specified product , product line or brand. It seeks to increase products perceived value to the customer and there by increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with compete ting products more favorable. It may also enable the manufacturer to charge more the product. The value of the brand is determined by the amount of profit it generates for the manufacturer. Brand management is often viewed in organizations as a broader and more strategic role than marketing alone.

Financial inclusions – Plays a crucial role in inclusive development and sustainable prosperity as is being increasingly recognized and acknowledge globally. Large segments of population need to be part of formal payment system and financial markets. Financial inclusion would also broaden and deepen financial savings and lead to higher economic development.

With proliferation in the number and complexity of financial products, risk is being transferred to the household. Investors and market players are being exposed to formal banking and financial products, as well as new sales practices. All these require a base level of understanding of money.

The lack of this understanding has the potential of frittering away economic gains made at aggregate level by nations resulting in wealth transfer from the financial illiterate to small segment of financially literate. It is evident that financial inclusion does play a crucial role in the development and sustainable prosperity which is recognized globally.

CONCLUSION:

If all the above requirements/parameters are followed the leader (CEO) has tackled the challenges in the marketing strategy.

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