Case Studies on

New Age Marketing Vol. I

Edited by

Nusrath Jahan Maldar

Icfai Business School Case Development Centre

Icfai Books

# 71, Nagarjuna Hills, Punjagutta, Hyderabad – 500082

Icfai Books
# 71, Nagarjuna Hills,
Punjagutta, Hyderabad – 500082
Andhra Pradesh, INDIA
Phone: 91 - 40 - 23435387/91, Fax: 91 - 40 - 23435386
e-mail: icfaibooks@icfai.org, ibscdc@icfai.org
Website: www.icfaipress.org/books, www.ibscdc.org

© 2008 The Institute of Chartered Financial Analysts of India. All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means - electronic, mechanical, photocopying or otherwise – without prior permission in writing from The Institute of Chartered Financial Analysts of India.

While every care has been taken to avoid errors and omissions, this book is being sold on the condition and understanding that the information given in the book is merely for reference and must not be taken as having authority of or being binding in any way on the authors, editors, publisher or sellers.

Product or corporate names may be registered trademarks. These are used in the book only for the purpose of identification and explanation, without intent to infringe.

Case studies are intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

Copies of individual case studies are available for purchase from www.ibscdc.org

ISBN : 81-314-0489-7

Editorial Team: Girija P. and Prabha Devi

Visualiser: Ch. Yugandhar Rao

Designer: A. Mrugasira

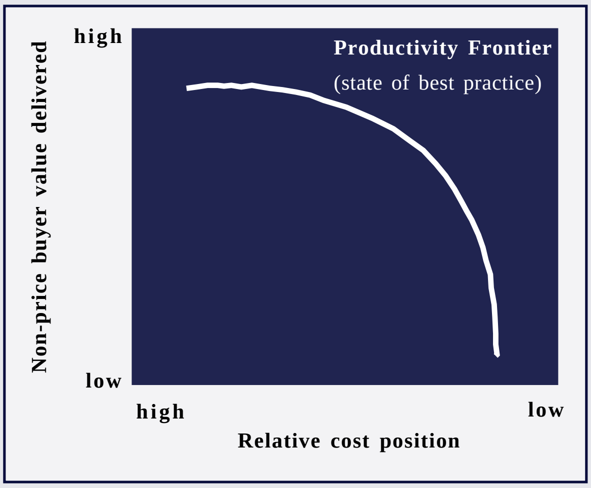
Case Title	Page No.
Advertising in China – Threats and Opportunities	1
Atkins Nutritionals Market Driven Business Model	17
Bikram Yoga: Doing Yoga the McDonald's Way?	33
Branding – The Asian Dilemma	47
Customer Relationship Management at Harrah's Entertainment	55
Dainik Bhaskar: The Innovative Marketer	79
Destination Dubai: Building a Brand	87
European Football Clubs' New Business Model: Prospects and Perils	107
European Soccer: Merchandising in Asia	117
Film Merchandising: The Hollywood Style	127
Hynix: The South Korean Chipmaker's Restructuring Strategies	135
indiOne: The Indian 'Premium' Hotel for the 'Bottom of the Pyramid'	151
ITC's Branding Strategies	163
Japanese Retailing Successes	177
LG: Rural Marketing in India	193
Mel Gibson's New Commandments of Movie Marketing	203
MTV in India: The Positioning Strategies	211
Nike's New Discipline: Balancing Creativity and Business Sense	219
P&G: From Mass to Micromarketing	231
P&G in US Toothpaste Market: A Formidable Comeback	245
P&G's Tremor – Reinventing Marketing by Word of Mouth	255
Pantaloon: Revolutionizing the Indian Retailing Industry	265
Philips: The New Age Marketing	289
Rural Marketing – Indian Experiences	307
Samsung in India	317
Silk Soy Milk: The All-new Milk Substitute	327
Splenda: Leading the Tabletop Sweetener Market	335
Taiwan's OEM Industry: Acer's Branding Dilemma	345
Titan Industries – Getting the Marketing Mix Right	357
Yao Ming: Marketers' Open Sesame to China	371

OVERVIEW

When Henry Ford, remarking about the Model T car, said, "You can have any colour you want so long as it's black," he was speaking from the point of view of operational effectiveness, since at that time cars coated with black paint were found to dry the fastest. Before Henry Ford revolutionised vehicle production, the automobile industry was small, unattractive and known for producing handmade luxury cars for the rich and the affluent. Henry Ford changed the industry landscape. He introduced assembly line manufacturing and mass-produced vehicles, thereby reducing automobile prices and greatly expanding the market for automobiles. Ford Motors reigned the industry in the early years of the 20th century with its flagship product, the Model T. However, Henry Ford was unable to sustain the advantage he had built. Soon after, General Motors and Chrysler not only replicated Ford's processes but also offered a wider range of cars that Ford could not match. Ford lost its leadership position and has never been able to reclaim it since then.

Similarly, companies adopting techniques aimed at improving operational effectiveness supported the Japanese 'economic miracle' of the 1970s and 1980s. By implementing practices like 'total quality management' and 'continuous improvement', for many years, the Japanese manufacturers reaped substantial cost and quality advantages over their overseas competitors who at that time operated far from the productivity frontier (Exhibit I). But as the gap narrowed, other than a few exceptions, most Japanese companies increasingly found themselves entangled in price wars that destroyed their profits.

Exhibit I
Operational Effectiveness vs Strategic Positioning

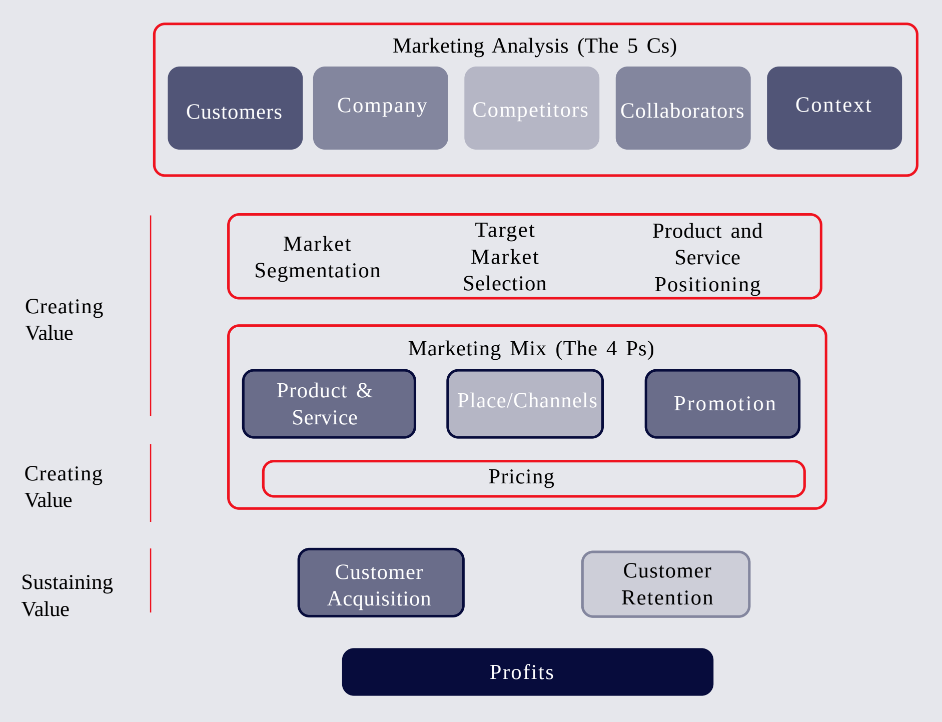


Source: Porter Michael E., "What is Strategy", *Harvard Business Review*, 2000 [Ref. No. 4134]

In the words of Michael E. Porter, both Henry Ford and the Japanese manufacturers mistook operational effectiveness for a sustainable strategy and believed that their advantage would never be surmounted. They were wrong. Porter states that operational effectiveness is not strategy. Simply put, operational effectiveness is performing activities in a better manner, faster and/ or with fewer inputs and defects than rivals. But operational effectiveness can easily be emulated and is not sustainable. Strategy, on the other hand, involves creating a unique and valuable position that can be sustained by a company over time.

A business is all about creating value for chosen customers and reaping profits, while marketing is the process by means of which value can be created. At one point of time, Peter Drucker claimed that the two primary functions of any business enterprise were marketing and innovation, and everything else was detail. Marketing strategy is a plan by which a firm attempts to create value on a sustained basis. An effective marketing plan not only involves selecting the target market and determining the product's desired positioning in the minds of target customers but also specifies the marketing activities to be implemented to achieve the desired results (Exhibit II).

Exhibit II
Schematic of the Marketing Process


Marketing Analysis (The 5 Cs)
Customers
Company
Competitors
Collaborators
Context
Market Segmentation
Target Market Selection
Product and Service Positioning
Creating Value
Marketing Mix (The 4 Ps)
Product & Service
Place/Channels
Promotion
Pricing
Creating Value
Sustaining Value
Customer Acquisition
Customer Retention
Profits

Source: Dolan Robert J., "Note on Marketing Strategy"(Note), *Harvard Business School Publishing*, November 1st 2000 [Ref. No. 9-598-061]

Analysis Underlying the Formulation of a Firm's Marketing Strategy

As a marketing strategy consists of a number of make or break decisions related to the firm's product offerings, pricing, communication and distribution channels, its rewards and repercussions are experienced by the firm every day for years. Over the years, academicians have suggested that marketing decision-making must be preceded by analysis of five major areas – customers (what needs do we seek to satisfy?), company (what special competence do we possess to meet those needs?), competitors (who competes with us in meeting those needs?), collaborators (who should we enlist to help us and how do we motivate them?), and context (what cultural, technological and legal factors limit what is possible?). These are the 5Cs of marketing.

Customer Analysis

Without in-depth understanding of customer purchase and usage patterns, effective marketing is not possible. At the outset, a firm needs to identify the people who form a part of the 'decision making unit' that finalises a purchase. An individual can play more than one role while more than one person can play one role. The decision making unit may consist of the Initiator, the Decider, the Influencer, the Purchaser and the User/ Consumer.

Other aspects to consider may be: the importance of various product attributes like product and performance, the frequency of product use, the customer's evaluation criteria for alternatives, etc.

Company Analysis

A deep understanding of the company's finances, R&D, manufacturing and sales & distribution capabilities is necessary to determine the product-company fit. It is crucial for any marketeer to be familiar with his/her company's strengths and weaknesses.

Competitive Analysis

Identification of current, emerging and potential competitors and determining their strengths and weaknesses is a prerequisite for seeking out differentiation possibilities. Marketeers must also assess the goals and strategies of competitors in order to shape and predict competitive reactions.

Collaborator Analysis

Increasingly, upstream and downstream partners (suppliers and retailers respectively) are being viewed as critical collaborators by companies. A marketeer must understand their goals, expectations and other relationships (especially with competitors), and factor in the information while coining the marketing strategy.

Context Analysis

The context shapes what is possible. Changes in context represent both opportunities and threats for a firm. Identifying important changes before a competitor will guide a company to success. A company must therefore be sensitive to technological, cultural and political shifts in its environment.

Once the firm has analysed the market, the next stage, which is the first step of value creation, begins. It involves market segmentation, target market selection, and product and service positioning.

Market Segmentation

Market Segmentation involves dividing the market into groups of potential customers. Ideally, market segmentation should create consumer groups that distinctly differ from one another, but also exhibit a high degree of homogeneity within the group. In the era of mass customisation, segmentation helps firms to efficiently and effectively serve customers with products that match their needs. Segmentation can be of two types,

- Segmentation based on benefits sought by customer
- Segmentation based on observable characteristics of consumers (eg. Consumer demographics, consumer's geographic location or behavioural characteristics).

Typically, a marketeer will make multiple iterations and informed compromises to come up with an actionable market segmentation plan.

Target Market Selection

Once the market has been segmented, the firm must choose one or more of the segments in which it wants to operate. The marketeer's decision must be based on an evaluation of the market segment's attractiveness, the strengths and weaknesses of the firm vis-à-vis its competitors, the corporate goals and the fit of the segment with these goals, and availability of critical collaborators.

Product and Service Positioning

Positioning aims to create a clear, distinctive and attractive position for a firm's product, as compared to competing products in the minds of consumers. To ensure unique positioning, a firm must consider, for each potential market segment, how it plans to serve that group of customers and how it would like to be perceived by them. A good positioning statement must answer three questions:

- Who are the customers?
- What is the set of needs that the product fulfils?
- Why is the product the best option to satisfy those needs?[1]

Philip Kotler in the book, *Marketing Management: Analysis, Planning, Implementation and Control*, wrote, "The advantage of solving the *positioning problem* is that it enables company to solve the *marketing mix* problem. The marketing mix – product, price, place, and promotion – is essentially the working out of the tactical details of the positioning strategy."[2]

[1] Sarvary Miklos and Elberse Anita, "Market Segmentation, Target Market Selection, and Positioning" (Note), *Harvard Business School Publishing,* April 17th 2006 [Ref. No. 9-506-019]

[2] Dolan Robert J., "Note on Marketing Strategy"(Note), *Harvard Business School Publishing,* November 1st 2000 [Ref. No. 9-598-061]

The Marketing Mix

A marketing mix is described as the set of activities that comprise a firm's marketing plan. Neil Borden of Harvard Business School in his article, *The Concept of Marketing Mix*, demonstrated how marketing mix elements can be blended into a marketing programme and how different blends of mix elements can result in dramatically different marketing strategies even within the same product category. Over the years, four primary marketing mix elements have evolved – Product, Price, Place and Promotion.

Product

A product must be considered from the point of view of value delivered to the customer for the purpose of developing a marketing strategy. Hence, a product offering of a firm may be defined as the total package of benefits that is obtained by a firm.

Before launching a new product, a firm must undertake Product Line Planning, which involves deciding the Product Line Breadth (how many different product lines will the firm offer?), Product Line Length (how many items will there be in a product line covering different price points) and Product Line Depth (How many types of a given product will the company offer?).[3]

Place/Distribution

In a marketing programme, place refers to the marketing channels via which a firm delivers its product to the customers. Depending on the type of product that the company is offering, the customer's requirements for effective support will vary and these requirements determine what functions the channel members must collectively provide.

A marketeer will be required to make two major decisions,

- Channel Design – whether product distribution will be 'direct' or 'indirect'? Direct distribution requires a highly trained company sales force that will visit the customer premises and sell the product, while in indirect distribution a third party either independently or under contract to the firm may sell the product
- Channel Management – to avoid conflict with channel partners whether upstream or downstream, channel management has become crucial. Good communication and attention to proper design of contracts are necessary in maintaining good relationship with channel partners.

Promotion

Also known as marketing communication, the next step for a firm is fostering awareness among customers about the product. Therefore, the marketeer must decide the appropriate set of ways by which to communicate with the customers about the product and its features. It is not possible to market effectively without a well thought out, integrated, marketing communication plan that combines both personal selling efforts and non-personal ones like advertising, sales promotion and public relations.

[3] "Note on Marketing Strategy", op.cit.

To develop an effective marketing communication plan, a marketeer must keep in mind the 6M model.

- Market – to whom is the communication to be addressed?
- Mission – what is the objective of the communication?
- Message – what are the specific points to be communicated?
- Media – what vehicles will be used to convey the message?
- Money – how much will be spent in the effort?
- Measurement – how will impact be assessed after the campaign?[4]

A fundamental decision for a marketeer here is whether to concentrate on a "push" or a "pull" strategy. If a firm chooses to "push" its product then it must induce the intermediaries like retailers to aggressively sell the product at retail. In this case, the role of the intermediary is amplified. Conversely, a pull strategy involves building market demand to such an extent that customers insist on buying the company product. Building a superior marketing communication plan can create a competitive edge for the firm in the market.

Pricing

The role of effective pricing is to enable the firm to capture some of the value that it has created for customers. While pricing a product, the primary guideline that a marketeer must keep in mind is that the perceived value of a product represents the maximum price that the customer will be willing to pay. Based on the company's marketing objective, the firm can either highly price the product to maximise short-term profit i.e. skim pricing, or it can aim to capture a larger market share by setting a low price, that is, penetration pricing.

The marketeer can help the firm capture greater value by charging different prices to different customers, based on the fact that different customers tend to place different values on the product. Also, marketeers must ensure that every pricing decision reflects anticipated competitive responses.

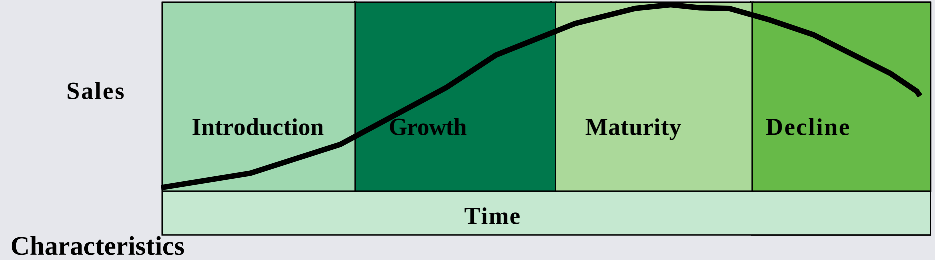
Marketing and the Product Life Cycle

None of the stages discussed above are avoidable or replaceable. Each stage accomplishes a specific purpose and must be taken care of from all angles. Also, the conditions that a product is being sold under are not constant and will change over time. The product life cycle refers to the various stages – introduction, growth, maturity and decline – that a product goes through after it is launched, while product life cycle management refers to the succession of strategies that the management employs over the lifetime of a product.

The following table, evolved by Philip Kotler, succinctly identifies the marketing objectives and proposes the ideal marketing mix for every stage of the product life cycle (Exhibit III).

[4] "Note on Marketing Strategy", op.cit.

Exhibit III
Summary of Product Life Cycle Marketing Objectives and Strategies



Characteristics

Sales	Low Sales	Radically rising sales	Peak Sales	Declining Sales
Costs	High costs per customer	High costs per customer	Low cost per customer	Low cost per customer
Profits	Negative	Negative	High	Declining
Customers	Innovators	Innovators	Middle majority	Laggards
Competitors	Few	Few	Stable number beginning to decline	Declining number

Marketing Objectives

	Great product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand

Strategies

Product	Offer a basic product	Offer product extensions, services, warranty	Diversify brands and models	Phase out weak items
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors	Cut prices
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective; phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy customer demand	Increase to encourage brand switching	Reduce to minimal level

Source: "Marketing and the Product Life Cycle", http://instruct1.cit.cornell.edu/courses/cuttingedge/lifeCycle/10.htm

Referring to the relationship between marketing and product life cycle, N.K. Dhalla and S. Yuspeh, in their Harvard Business Review article, *Forget the product life cycle concept*, state, "...clearly, the PLC is a dependent variable which is determined by market actions; it is not an independent variable to which companies should adapt their marketing programs. Marketing management itself can alter the shape and duration of a brand's life cycle."[5]

Marketing and the Industry Life Cycle

Like products, industries also experience a cycle of life. An industry may be born as a result of a technological breakthrough or an innovative idea, then it grows, matures and eventually experiences decline and death. The marketing strategy of all players in the industry varies depending on the specific stage of the life cycle.

Introduction

In marketing lingo, a new product offering in a new industry is referred to as a 'question mark' because both the life cycle of the industry and the success of the product is unproven and unknown. Marketeers commonly refer to the customers of such products as 'innovators' or 'early adopters'. Ideally, the marketing strategy in the introduction stage must aim to explain the product and its benefits, and create awareness about the product and industry amongst the consumers. This stage involves significant cash outlays and both the industry and its players experience negative profits at this stage.

Growth

As the demand for the product increases, the industry experiences growth at a faster rate. Attracted by the high growth, a number of players will enter the market. In this stage, the goal of the company's marketing effort will be to differentiate its products from those of the competitors. Marketeers refer to products in the growth stage as 'Stars'.

Maturity

In this stage, the industry growth has begun to decline but earning and profits continue to expand. The industry will experience intense competition as late entrants enter the market, possibly with newer and better product features. In the maturity stage also, marketing must focus on differentiating the firm's offerings from its competitors. A firm may decide to compete on quality to avoid price wars or to differentiate its products from other low-cost offerings. Conversely, a firm may decide to adopt a low-cost/low-price strategy in an attempt to increase sales volume and profit from faster inventory turnover.

Decline

At the end of the maturity stage only large and dominant firms remain in the market. The industry experiences decline as the growth stagnates to a halt. In this stage, there occurs a shakeout as players exit the industry. Consolidation occurs and the remaining firms try to grow through acquisition and diversification strategies.

[5] "Product life cycle management", http://en.wikipedia.org/wiki/Product_life_cycle_management

Prolonging the Industry Life Cycle

Although all industries have the same life cycle stages, each stage may differ in terms of the length of time. A firm to prevent the onset of industry decline can employ marketing tactics. It can extend the growth phase and profits of an industry by pursuing new markets and countries. Geographic expansion is an effective response to declining growth. Similarly, improving efficiency by implementing techniques like JIT and lean manufacturing, technology upgradation, automation and linking suppliers, retailers and customers in a tight supply chain can prolong the maturity stage of the life cycle.

This book consists of thirty case studies on some of the world's most successful and innovative marketing efforts undertaken in contemporary times. The case studies contained herein span a broad range of industries from FMCG and electronics to retail, sports and entertainment. While the case study, 'Advertising in China – Threats and Opportunities' familiarises the reader with the challenges of developing an effective promotional strategy in a fast growing but closed economy like China, the case study, 'Destination Dubai: Building a Brand', is a success story that showcases the strategies adopted by the royal family of Dubai to transform the country into the world's leading tourist brand.

Company-based cases like, 'P&G in US Toothpaste Market: A Formidable Comeback' and 'Philips: The new Age Marketing', showcase the strategies adopted by the respective companies to rebuild their brand image that had previously suffered due to a poor marketing effort. The Three cases 'Film Merchandising', 'Customer Relationship Management at Harrah's Entertainment' and 'Mel Gibson's New Commandments of Movie Making' highlight marketing efforts in the entertainment industry, while the case studies 'European Football Club's New Business Model: Prospects and Perils' and 'Yao Ming: Marketers' Open Sesame to China' bring to light marketing efforts in the entertainment industry. To explore the innovative marketing strategies of companies, case studies like 'Dainik Bhaskar: The Innovative Marketer' and 'P&G's Tremor – Reinventing Marketing by Word of Mouth' are a must read.