Marketing Strategies in the New Millennium : A Review

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Abstract :

Marketing Strategies have undergone substantial developments and modifications over the years. Corporations across the world have witnessed contributions in this regard starting from SBU or BCG portfolio matrix to the Business Level Strategies of Michael Porter. In addition to this different organisations have tried to express ingenuity by means of creating their own way of handling various crisis and countering various threats in the environment. It was long ago that management experts expressed their vision regarding an organisation's goal where an organisation has to continuously evaluate their Strengths and Weaknesses against the available environmental Opportunities and Threats. The following article tries to dig deep into available works in this regard and tries to provide a simple conceptual analysis of various new generation Marketing Strategies employed by modern marketers in the marketing warfare.

Key-Words : Marketing strategy; Military service; War; Attack strategy; Guerilla warfare; Defence strategy.

Introduction

According to Albert W. Emery: 'Marketing is merely a civilised form of warfare in which most battles are won with words, ideas, and disciplined thinking'. At the close of the twentieth century, numerous signals began to point to an era of slower economic growth, scarce resources, proliferation of technological resource across nations, sharply rising costs of energy, trade barriers, political tensions, and levelling off of population growth in the developed world. All these factors suggest that company prospects for prosperity and growth will become tougher in the years ahead. Companies will have to pursue their profitability at the expense of other companies, through market share gains rather than market growth gains. The scene will move from normal marketing competition to marketing warfare Successful marketing will require devising competition-centred strategies, and not just customer-centred and distribution-centred strategies. The purpose of this article is to show how military strategy ideas have helped business firms formulate effective marketing strategies for the new millennium. Too many business firms sound tough and act tough but fail to be subtle enough in thinking through their marketing attack and defence options. The use of brute force against competition is usually the least effective way to win a battle or war. Therefore the following issues arise in front of the marketers:

- How close is business competition to military warfare ?
- What business objectives make sense in a confrontation situation ?
- What military strategies are available for market attack, and what are their respective strengths and weaknesses ?
- What military strategies are available for market defence, and what are their respective strengths and weaknesses ?

Military Science and Marketing Competition

The increased need of businesses to develop competitor-centred strategies to win market share will lead managers to turn increasingly to the subject of military science. The classic works of Clausewitz, Liddell Hart, and other military theorists are being increasingly combed for ideas, just as economic theory and consumer behaviour theory were combed in the last two decades for their potential applications to improve market performance.

Several signs of this stepped-up interest in the military metaphor have already appeared. One of the leading management-education firms, Advanced Management Research, has been working for quite some time now on marketing strategies called 'Marketing Warfare', 'Attacking the Competition', 'Pre-battle Preparation', 'Marketing Weapons', 'Guerrilla Warfare', and 'Attack Formation'. Perhaps the best book on marketing ever published in this regard was "On War" by the famous Prussian general and military theorist, Carl Von Clausewitz. The well-known advertising agency of Ries Cappiello Colwell Inc., which pioneered 'Position' thinking in marketing in the 1970's, has pioneered the area of developing such strategies and keep making presentations to various companies on how to survive the marketing war.

Business people frequently use military talk to describe their situations. There are 'price wars', 'border clashes', and 'skirmishes' among the major computer manufacturers; an 'escalating arms race' among cigarette manufacturers; 'market invasion' and 'guerrilla warfare' in the consumer durable market. A company's advertising is its 'propaganda arm', its salesmen are its 'shock troops', and its marketing research is its 'intelligence'. There is talk about 'confrontation', 'brinkmanship', 'super-weapons', 'reprisals', and 'psychological warfare'.

The real question is whether the use of 'warfare' language in business is just descriptive or whether it really aids in thinking and planning competitive strategy. The present scenario suggests it does. This article will provide enough detail to suggest how military strategies apply in three critical business decisions areas - namely, determining objectives, developing attack strategies, and developing defence strategies.

The Meaning of War

Is the objective of war the same as the objective of competition? Military Science theorists differ among themselves as to the objective of war, Clausewitz, the greatest military theorist of the nineteenth century, saw war as a necessary means to pursue national self-interest. War according to him was a mere continuation of policy by other means. The objective of war is to vanquish the enemy by achieving an unconditional surrender. This is accomplished by breaking the enemy's will to resist, which is achieved by overwhelming the enemy on the battlefield. Modern competitors rarely adopt the Clausewitzian objective of 'total annihilation of the enemy'; this is not to deny that competitors have the capacity to conduct themselves this way. Any large well-resourced company can destroy any small company by lowering its prices substantially and causing losses both to its competitor and itself until the competitor is forced out of business. And two large companies could slug it out until one of them surrenders or retreats. 'Cutthroat competition' is the name given to this extreme state of business warfare, which has characterised business competition in certain periods in certain industries (such as the aerated drinks market and even some fast moving consumer goods market in India). The legal sentiment has been that unfair methods of competition in commerce are unlawful, where the effect may be to substantially lessen competition or tend to create a monopoly in any line of commerce. Indeed, were it not for the Restrictive Trade Practices provisions, it could be argued that war, and not peace, is the natural state of business.

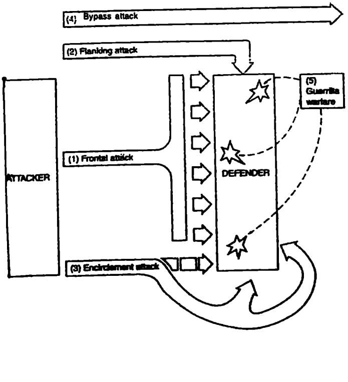
A company, in fact, has to be very careful not to take actions whose purpose appears to be to weaken or destroy a competitor. The company can take normal steps to woo consumer preference for its products (improve product quality and service, improve communication and promotion, lower prices in a reasonable way in relation to costs, increase distribution, and so on) even when this hurts a competitor, as long as it does not hurt competition. In this regard, the company has to choose its enemy and define its strategic objectives very carefully.

Waging War: Selecting the Right Attack Strategy

Given clear objectives, how do military strategists view their major option in attacking an enemy? The starting point is known as the 'principle of mass', which holds that 'superior combat power must be concentrated at the critical time and place for a decisive purpose.' The five major attack strategies are:

1. Frontal attack
2. Flanking attack
3. Encirclement attack
4. Bypass attack
5. Guerrilla attack

These are illustrated in the figure below :



1. Frontal Attack

An aggressor is said to launch a frontal (or 'head-on') attack when it masses its forces right up against those of its opponent. It attacks the opposition's strengths rather than its weaknesses. The outcome depends on who has greater strength and endurance. In a pure frontal attack, the marketer matches product for product, advertising for advertising, price for price and so on. This is exactly what we witness in India between Coke and Pepsi, Surf and Ariel, Colgate and Close up. For a pure frontal attack to succeed, the aggressor needs a strength advantage over the competitor. The 'principle of force' says that the side with greater manpower (resources) will win the engagement.

As an alternative to a pure frontal attack, the aggressor may launch a modified frontal attack, the most common method being to cut price against that of the opponent. It is necessary to match the market leader on other fronts before cutting the price. A frontal attack can work if:

1. The market leader does not retaliate by cutting price, too; and
2. The competitor convinces the market (a) that its product is equal to the competitor's or (b) that, at a lower price, it is real value.

2. Flanking Attack

An army on a battlefield is deployed to be strongest where it expects to attack or be attacked. It is necessarily less secure in its flanks and in the weak spots (blind sides), which are natural points of attack for the opponent. The major principle of modern offensive warfare is concentration of strength against weaknesses. Identifying and claiming new market segments and niches are examples of flanking attack.

Japanese automakers chose not to compete with American manufacturers by producing large, flashy, gas-guzzling automobiles, even though they were supposedly the preference of American buyers. They recognised a market segment that had been ignored i.e., the consumers who wanted fuel efficient cars. They moved vigorously to fill this gap in the market, and the rest, is history.

Flanking strategy is another name for identifying shifts in market segments, which are causing gaps to develop that are not being served by any firm - and rushing in to fill the gaps and develop them into strong segments. Instead of a bloody battle between two or more companies in the same market, flanking leads to a much better and wider coverage of all the market segments. In other words flanking strategy has a higher probability of success than frontal strategies.

3. Encirclement Attack

Encirclement (also called envelopment) involves launching a grand offensive against the enemy on several fronts so that the enemy must protect his front, sides, and rear simultaneously. The aggressor may offer the market everything the opponent offers and more, so that the offer is irrefutable. Encirclement makes sense as a strategy under circumstances where the aggressor has, or is able to muster, resources superior to those of the opponent and believes that the encirclement will be complete and swift enough to break the opponent's will to resist. In this kind of an attack the strategy is not to fight with the competitor where it is strongest but rather try to create a different statement regarding the product in the same segment. Product differentiation is the usual route to such a strategy. Kawasaki Bajaj in India offered greater pickup as against Hero Honda, which was already dominating the market in the same fuel economy segment. However this strategy is not always successful.

4. Bypass Attack

Bypass is the most indirect of the assault strategies. This strategy offers two lines of approach:

1. Diversifying into unrelated products or
2. Diversifying into new geographical markets for existing products

Launching new rural products, identifying new growth areas, venturing into segments markets not served by the market leader are some such bypass strategies.

5. Guerrilla Warfare

Guerrilla warfare is another option available to a market aggressor. Guerrilla warfare consists of making small, intermittent attacks on different territories of the opponent, with the aim of harassing and demoralising the opponent and eventually securing concessions. The military rationale for guerrilla attack was stated by Liddell Hart: 'The more usual reason for adopting a strategy of limited aim is that of awaiting a change in the balance of force - a change often sought and achieved by draining the enemy's force, weakening him by pricks instead of risking blows. The essential condition of such a strategy is that the drain on him should be disproportionately greater than on the attacker.'

The guerrilla attacker uses both conventional and unconventional means to harass the opponent. In the business world, these would include selective price cuts, supply interferences, executive raids, intense promotional bursts, and assorted legal actions against the opponent. Of late, legal action is becoming one of the most effective ways to harass the other side. Many firms find it worthwhile to search the opponent's legal conduct for possible violations of antitrust law, trademark infringement, and deceptive trade practices. Normally, guerrilla warfare is practised by a smaller firm against a larger one. Not able to mount a frontal or even an effective flanking attack, the smaller firm launches a barrage of short promotional and price attacks in random corners of the larger opponent's market in a manner calculated to gradually weaken the opponent's market power. Even here, the attacker has to decide between launching a few major attacks or a continual stream of minor attacks. Military dogma holds that a continual stream of minor attacks usually creates more cumulative impact, disorganisation, and confusion in the enemy than a few major ones. In line with this, the attacker would find it more effective to attack small, isolated, weakly defended markets rather than major stronghold markets. It would be a mistake to think of a guerrilla campaign as only a 'low resource' strategy alternative available to financially weak challengers. Conducting a continual guerrilla campaign can be expensive, although admittedly less expensive than a frontal, encirclement, or even flanking attack. Furthermore, guerrilla war is more a preparation for war than a war itself. Ultimately it must be backed by a stronger attack if the aggressor hopes to 'beat' the opponent. Hence, in terms of resources, guerrilla warfare is not necessarily a cheap operation.

The previous paragraphs have dwelt upon the various attack strategies. It is, therefore, important to understand the defence available to various marketers when faced with such an onslaught of an attacker.

The following are the major defence strategies:

1. Position Defence
2. Mobile Defence
3. Pre-emptive Defence
4. Flank-Positioning Defence
5. The Counter-offensive Defence
6. Hedgehog Defence

1. Position defence ('The fortified front line')

The traditional concept of defence is closely tied to a psychology of 'fortification'. The French Maginot Line, the German Siegfried Line, and most recently the Israeli Barley Line on the Suez are twentieth-century versions of the 'fort' of the middle ages. Like almost all the great forts of history, these extensive, supposedly impregnable, fortified front lines all failed in the hour of peril. Static fortlike defence, like frontal attack, is apparently one of the riskiest strategies in the military theatre.

How do we interpret static defence in the business world? The appropriate analogy is that of marketing myopia. The marketing concept for many years now has sought to demolish the myth of the invincible product. The competing companies could not rely upon even such death-defying brands like Coca-Cola and Bayer's Aspirin as the main source of future growth and profitability. Coca-Cola today, in spite of producing nearly half the soft drinks of the world, has aggressively moved into the wine market, has acquired fruit drink companies, and has diversified into desalinisation equipment and plastics. Clearly, leaders under attack would be foolish to base their defence on putting all their resources into building fortifications around their current product.

The other alternative to generating 'strategic depth' is diversification into unrelated technologies. The Multi-division corporation like ITC, Reliance and Tatas exhibit such a common feature today that it seems almost the only route to growth and competitive strength. In a strategic sense, market diversification is the defence analogue to the bypass attack.

2. Mobile defence ('Defence in depth')

Far superior to position defence is mobile defence, in which the firm attempts to stretch its domain over new territories that can serve as future centres for defence of counter attack. It spreads to these new territories not so much through normal brand proliferation as through innovation activity on two fronts, namely, market broadening and market diversification. These moves generate 'strategic depth' for the firm, which enables it to weather continual attacks and to launch retaliatory strikes. Market broadening is the 'defence-in-depth' solution advocated by Theodore Levitt in his widely acclaimed 'Marketing Myopia'. Levitt calls upon a company to shift its focus from the current product to the underlying generic need and to get involved in R&D across the whole range of technology associated with that need. Thus, 'petroleum' companies are asked to recast themselves into 'energy' companies. Implicitly, this demands dipping their research fingers into the oil, coal, nuclear, hydroelectric, and chemical industries. But this market-broadening strategy should not be carried too far. In a strategic sense, it faults two fundamental principles - the principle of the objective ('clearly defined and attainable') and the principle of mass. The objective of being in the energy business is too broad. The energy business is not a single need but a whole range of needs (heating, lighting, propelling, and so on). That leaves very little in the world that is not potentially the energy business. Furthermore, too much broadening would dilute the company's mass in the competitive theatre today, and survival today surely must take precedence over the grand battles imagined for some tomorrow. The error of marketing myopia would be replaced by marketing hyperopia, a condition where vision is better for distant than for near objects.

3. Preemptive defence ('Offensive defence')

Offence as a form of pre-emptive defence assumes that prevention is better than cure. It assumes that war and not peace is the natural state of business. Pre-emptive defence includes all the attack strategies considered earlier. For example, a company could launch a flank or envelopmental attack against a competitor whose market share is approaching some criterion mark.

4. 'Flank-positioning' defence

The flanking 'position' is established by a defender as a hedge against some probable but uncertain eventuality, or as a defensive corner overlooking a weak front. As in the military theatre, a flanking position is of little value if it is so lightly held that an enemy could pin it down with a small force while its main formations swing past unmolested. A careful assessment of any potential threat must be made and, if indicated, a relatively serious commitment made to flanking the threat. Many instances of flank positions are to be found in the business world. The fast-food boom has been met by offering a wide assortment of instant and frozen meals, the discount food challenge by promoting generic lines to suit local demands for assortments such as fresh bakery products and ethnic foods. Maruti has provided a variety of customer loyalty programmes to protect itself from the customers shifting loyalty by launching True Value project of exchanging old cars for new and also by providing its owners single window hassle free tie ups for various automobile related issues to ensure better customer loyalty.

5. The 'counter-offensive' in defence

A defender can respond to an attack by mobilizing his reserves and counterattacking the opponent. He has the strategic choice of meeting the attacker spearhead on, manoeuvring against the flank of the attacker, or launching a pincer movement threatening to cut off the attacking formations from their base of operation. When Himalaya Pharmaceuticals blitzed the acne medications market with an extremely powerful promotional attack, the market leader, Clearasil, retaliated with a stepped-up counter-promotion of its own. Sometimes erosion of market share is so rapid that such a head-on counter-stroke may be necessitated. But a defender enjoying some strategic depth can often weather the initial attack and repose effectively at the opportune moment. In many situations, it may be worth some minor setbacks to allow the offensive to develop fully (and be understood) before countering. This may seem a dangerous strategy of 'wait and see', but there are sound reasons for not barrelling into a counter-offensive. A better retort to an offensive is for the defender to pause and identify a chink in the attacker's armour, namely, a segment gap in which a viable counter-offensive can be launched. Cadillac designed its Seville as an alternative to the Mercedes and pinned its hope on offering a smoother ride and more creature comforts than Mercedes was willing to design. An example of pincering out the opponent's attack is Heublein's strategy in defending its Smirnoff vodka against an attack from Wolfschmidt in the 1960s. Wolfschmidt priced at a dollar less a bottle and claimed to be of the same quality. After considering all frontal counter-offensive alternatives, Heublein rejected these as detrimental to its profits and came up with a brilliant pincering manoeuvre. It raised the price of Smirnoff by one dollar (effectively preventing segment diffusion) and introduced two new brands to meet Wolfschmidt head-on (same price) and on the other flank (lower price).

6. 'Hedgehog' defence ('Strategic withdrawal')

Strategic withdrawal is a move to consolidate one's competitive strength in the market, and concentrate mass at pivotal positions for counterattack. The hedgehog pattern of withdrawing into consolidated positions along the front line fits the marketing operation of counter-segmentation. In the slow growth 1980s, an increasing opportunity seemed to be emerging for profitable strategy in either eliminating or fusing these fragmented segments. Once again, we find the underlying principle is concentration of mass if the de-segmentation opportunity permits.

Conclusion

During the prosperous 1950s and 1960s, rapid economic growth allowed companies to focus their attention on the character of demand rather than the character of competition. The emerging 'market concept' held that companies would succeed if they finely analysed consumer needs and wants and met them with appropriate products, prices, distribution, and promotion. Successful companies would be those practising a consumer orientation, and the plans of competitors would at best be incidental. The 1970s might be loosely described as the decade of distribution orientation. Mass merchandizing retailers and other distributors grew in power, and manufacturers found themselves selling to fewer but larger marketing intermediaries. It was a decade when manufacturers focused their attention increasingly on the problems of skilful manoeuvring in the 'power' politics of distribution. The 1980s is not about repudiating a deep consumer and distribution orientation but rather about adding a deep competition orientation. Companies now have to choose markets whose needs they can satisfy and whose competitors they can handle. Companies must know each competitor's plans and resources in selecting their own target markets and objectives. Military principles and stratagems are not the whole answer to competitive strategy but they do provide insight into what it takes for a company to succeed in attacking another company or in defending itself against an aggressor. Company managements have always talked loosely about 'going to battle', 'invading markets', 'returning fire with fire', and so on. But management has rarely appreciated the full array of possible attack and defence strategies and their relative requirements and merits. This article has emphasised the foolishness of 'head-on' attacks and 'fortification' defences in the light of the availability of more subtle confrontation strategies. As market share and rank become more obsessive concerns in the executive suite, management must deepen its understanding of military strategy doctrines. A military consciousness, however, must not replace the more basic marketing consciousness. The company must still be good at 'finding needs and filling them', but now it must also know how to out-manoeuvre its competitors in the same task.

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