MARKETING STRATEGIES FOR BEATING THE COMMODITY MAGNET

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What are the strategies available at this maturity stage?
- Strategies for Beating the commodity magnet!
- How to add value in this stage?
  - i.e., Mapping the consumption chain

Market Life Cycle

Market types and Market Evolution

Implications
Strategies for Beating the Commodity Magnet!

1. Value-Added Strategy:
   - Augment Services and Increase prices.
2. Innovation/price Compression Strategy:
   - Hi-Tech Firms; Next Generation products
3. Market Focus Strategy:
   - Segmentation + Deep Partnerships
4. Service Compression Strategy:
   - No Frills

A successful differentiation strategy should

- Provide Perceived Value
- Be Difficult to Copy
- Generate Customer Value

HOW TO DIFFERENTIATE

Features:
- Characteristics that supplement a product’s basic function
  - “bare bones” model
  - Optional features
- Continuously introduce new features
  - Japanese electronics
  - Contact recent buyers - Survey
  - Value to Customer vs. cost to Firm

The Kano model

Three-way classification of product features
- Nonlinear relationship between need fulfillment and customer satisfaction:
  - Delighters: Can only have positive satisfaction, absence does not hurt. “Surprise and Delight” features. Basis for “attractive quality” and customer loyalty.
    - (Cup holders, folding mirrors, 2/3 split-fold “Magic” seats).
  - Linear Satisfiers: Performance factors, basis for competition.
    - (Engine horsepower, fuel economy, interior room).
  - Must Haves: Presumed present, can never make customers happy, but absence below expected level hurts. “Price of entry”.
    - (Air bags, automatic transmission, rust-resistance).

Taxonomy of Attributes - Kano Diagram

Using the Kano model

Two Questions to Ask:
- Positive Question: If X were present, how would you feel?
- Negative Question: If X were not present (was absent), how would you feel?
  - LIKE: I like it that way
  - MUST: It must be that way
  - NEUTRAL: I am neutral
  - LIVE WITH: I can live with it that way
  - DISLIKE: I dislike it that way
Strategies for Successful Differentiation

Many Ways to Differentiate:
- Better Ingredients
  - Pepperidge Farm; Mercedes: Intel Inside
- Packaging
  - Pringles
- Combining Products
  - DowBrands Spiffits – Augment Cleaning Products with Premoistened Towels
- Added Service
  - Frequent Flyer Clubs with Lounges
- Breadth of Product Line
  - CompUSA: One Stop shopping center

Needs to Attributes: An Idea Stimulator Checklist
- Can the dimensions be changed? (larger, smaller, longer, shorter, thicker...)
- Can the quantity be changed? (more, less, combine, fractionate...)
- Can the order be changed?
- Can the time element be changed?
- Can the cause or effect be changed?
- Can there be a change in character?
- Can the form be changed? (animated, speeded, slowed, attracted...)
- Can the state or condition be changed?
- Can the use be adapted to a new market?

Two Step Strategic Process for Successful Differentiation

Map the Entire Consumption Process for your Product
- Need to do this for each customer segment
- Identify all the steps that the customers pass through:
  - from the time that they first become aware of the product to the time that they finally dispose or discontinue it.
- Analyze the Consumer’s Experience

Analyze the Consumer’s Experience
- Goal: to assemble an inventory of possible points of differentiation
  - What, Where, Who, When and How
  - Then assess the ideas
- EX:
  - What are customers doing at each point of the Consumption Chain? What else would they like to be doing?
  - Where are your customers when they are at this point in the chain? Where else might they be?
  - Who else is with the customers at the different links?
  - When are they there? Timing:
  - How are their needs being addressed?