

# MARKETING STRATEGIES FOR BEATING THE COMMODITY MAGNET

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## BEATING THE COMMODITY MAGNET

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

## Market Life Cycle

## Market types and Market Evolution

## Implications

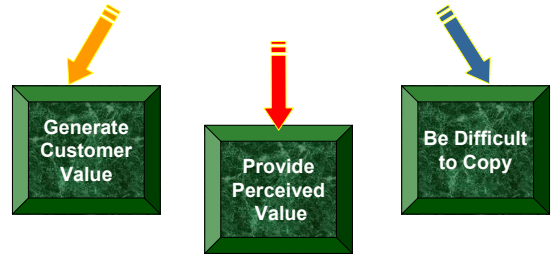
## Implications

## 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

## How to Add Value Successfully

A successful differentiation strategy should



## HOW TO DIFFERENTIATE

### Features:

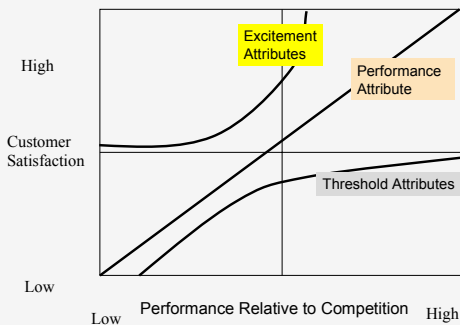
- Characteristics that supplement a product's basic function
  - "bare bones" model
  - Optional features
- Continuously introduce new features
  - Japanese electronics
  - Contact recent buyers - Survey
  - Value to Customer vs. cost to Firm

## The Kano model

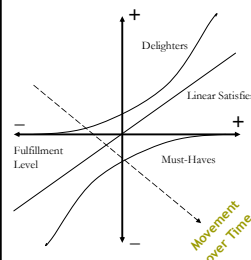
Three-way classification of product features

- 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
  - Dow Brands 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

— MacMillan and McGrath, HBR 1997

## Differentiation: Map the Consumption Chain

- How do people become aware of their need for your product?
  - Oral-B's Blue dye on toothbrushes
- How do consumers find your offering?
  - McDonald's outlets in WallMart;
  - Starbucks outlets in Grocery stores
- How do Consumers make their final selection?
  - Make it easy to be selected! Citibank with college students
- How do consumers order/purchase your products?
  - Web sites. IT order terminals: Expensive equipment but makes it hard to switch
- How is your product delivered?
- How is your product installed?
  - Compaq's color coded cables

## Map the Entire Consumption Process

- How is your product/service paid for?
  - First USA Visa: Pay over the Internet
- How is your product packaged?
  - Pepsi's plastic bottles
- How is your product really being used?
  - Railroads need for Locomotives is JIT! => GE Leases.
- Help, Repair, Exchanges, Returns Policies?
  - Nordstrom

## 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?