



Offensive & Defensive Marketing Strategy

A contradiction or complimentary?



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Background



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- **Competition is intensifying**
 - Flexible and innovative players enter the market rapidly eroding the advantages of established players (D'Aveni, 1994)
- Exploratory Study (Heriyati, 2007):
 - Market shares are more difficult to gain, profitability erodes
 - Firm insufficiently equipped with knowledge
 - strategy 'just' does not match with the market challenge
- It is predicted:
 - firms are **not choosing** the right marketing competitive strategy that **fit** with the environment and market challenge

Background

Two approaches in competitive marketing strategy:

- Firm must apply a more **relationship marketing** (Hunt, 1983; Gronroos, 1994; Gummesson, 2002; Johnson & Selnes, 2004) = defensive
- Firm must aggressively seek to **fill market opportunity** (Keegan & Davidson, 2003; Roberson, Eliashberg & Rymon, 1995) = offensive



Background

- A good strategist seeks not only to “win the hill, but hold on to it.” *Subash Jain*



Sun Tze's Offensive Strategies

- Overt-offensive strategy
 - To knock out a business rival so as to take over his company:
Indofood-supermie
 - To knock out a competing product so as to take over its market share: Indomie-mie sedaap
- Covert-offensive strategy
 - Keep as low a profile as possible while making offensive moves
 - e.g. Pepsi use an attack strategy against Coke in China by locating its bottling plants in the interior provinces



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Strategies for Market Leaders

Market Leader's objectives:

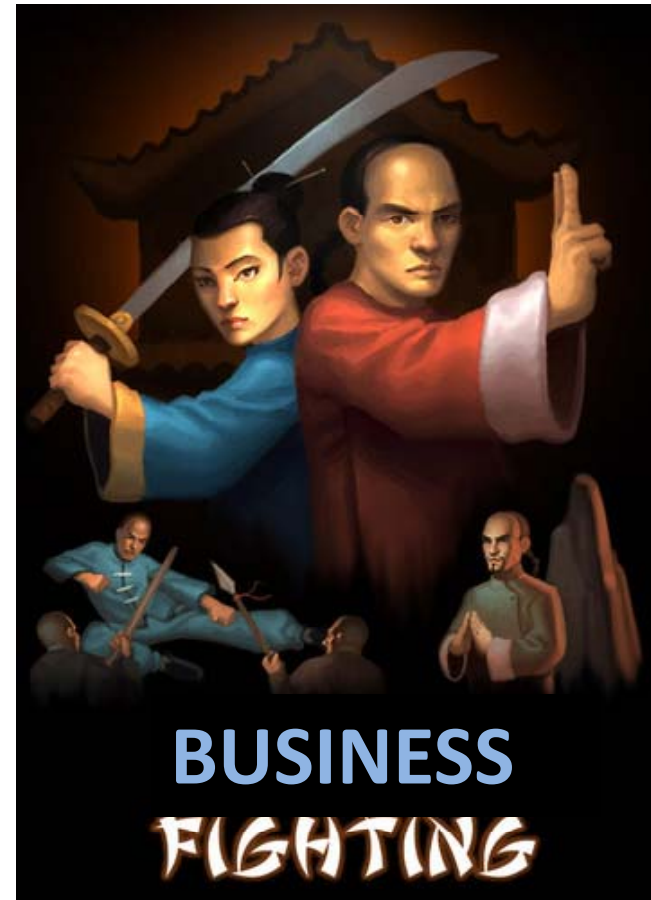
- Expand the total market by
 - Finding new users
 - Creating new uses, and
 - Encouraging more usage
- Protect its current market share by
 - Adopting defense strategies
- Increase its market share
 - Note the relationship between market share and profitability



Which strategy to use?

Depends on your answer to the following:

- Is it worth fighting?
- Are you strong enough to fight?
- How strong is your defense?
- Do you have any choice but to fight?



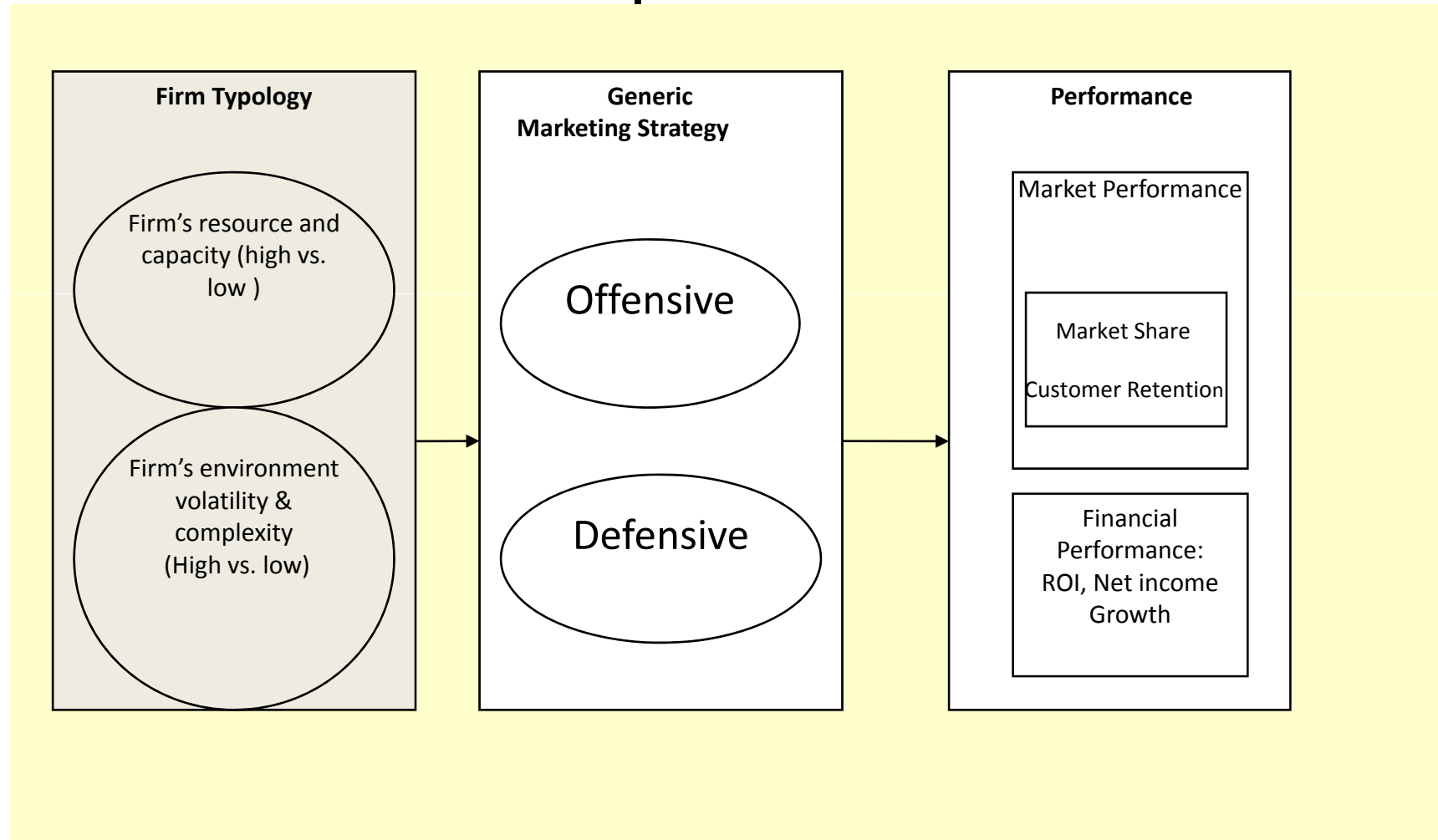
Offensive Marketing Strategy

- Activities aimed at attracting and gaining new customer (Johnson & Selnes, 2004)
- built on **capabilities to acquire new customer**, obtain additional customers, encourage **brand switching to own brand** and increase purchase frequency (Fornell & Wenerfelt, 1987; Boyd, 1996)
- Main objective=**sales and market share**, include expansion of organization's offering (Rust & Zahorik, 1993)
- mostly suitable **for growth market** (Boyd, 1996) with **frequent changing in product line** (Hambrick, 1986; Hauser & Shugan, 1983; Roberson, Eliashberg & Rymon, 1995; Vorhies & Harker, 2000; Hooley et al., 2004; Bradley, 2003)
- marketing **attacks are carried out with price promotions or advertising, warranty & launching new products** (Hooley et al., 2004; Stenkaamp et al., 2005; Camamero, Martin & Gutierrez, 2005).

Defensive Marketing Strategy


- **more profitable** for firm (Rust, Zeithmal & Lemon, 2000; Venkatesan & Kumar, 2004; Day, 2000; Fornell & Wernerfelt, 1988).
- Uses **customer as a shield** in their battles with rival (Fornell & Westbrook, 1984; Fornell, 1992; Fornell & Wernerfelt, 1998; Johnson & Selnes, 2004).
- Focus: **managing current or existing customer** (Bolton, Lemon & Verhoef, 2004; Gummesson, 2002) & building relationship and retaining customer (Boyd, 1996), reducing switching by managing customer complaint to increase customer retention (Fornell & Wernerfelt, 1987; Smith, Bolton & Wagner, 1999; Boyd, 1996)
- Requires **commitment and trust** (Morgan & Hunt, 1994).
- The relationship built through **communication, cultivating trust, empathy, shared value** (Morgan & Hunt, 1994), **reciprocity and bonding** (Cross & Smith, 1995; Callaghan, 1995)
- By this definition, relationship marketing can be regarded as defensive strategy (Sin et al., 2002; Tse et al., 2004).

Conceptual Model




Source: Heriyati, 2009

Offensive: Dimensions

Dimensions	Items
<p>Firm's Product development effort (Vorhies & Harker , 2000, Davidson & Keegan, 2003): firms effort in product/service development involving organizational formal structure, financing and level of personal skill to support the activity</p>	<ol style="list-style-type: none"> 1. Our product development efforts are more oriented to customer needs than those average competition 2. We invest more in R&D compare to average competitor 3. Our R&D is supported by high skilled team 4. R&D is an important function in our organization's structure 5. Our product development is an ongoing process
<p>New/modified product launched (Bradley, 2003; Roberson, Eliashberg & Rymon, 1995; Slater & Narver,1994): defined as new product launched relative to other competitors in principal served market over the past year</p> 	<ol style="list-style-type: none"> 1. We frequently launch new/modified product launch each year compare to average competitor. 2. The rate of product success each year is higher than average competitor 3. We always develop new product according to trend in the market 4. It is important to launch new product each on every year. 5. Our new product always receive good response from the customer

Offensive: Dimensions (cont'd)

Dimensions	Items
<p>Customer attraction program (Fornel & Wernelfelt, 1987, 1988; Camamero, Martin & Gutierrez, 2005): defined as activities primary focused on attracting and wining new customer. It include quality, warranty and advertising</p>  <p>Competitor orientation (Narver & Slater, 1990): seller understand the short-term strength and weakness and long term capabilities and strategies of both key current and potential competitors</p>	<ol style="list-style-type: none"> 1. We offers good service warranty of it products and service 2. Our product offered higher quality than average competitor 3. We do aggressive advertisement to attract customer 4. We spend more on advertising than average competitor. 5. We do aggressive promotions to attract customer. 6. We spend more on promotion than average competitor 7. Our pricing approach is more competitive than competitors <ol style="list-style-type: none"> 1. We respond rapidly to competitor's action 2. Our salespeople share competitors information 3. Our top managers discuss competitors' strategies 4. we are able to anticipate and act on future trend quickly 5. Target opportunity for competitive advantage

Defensive: Dimensions

Dimensions	Items (measurement)
<p>Personal Communication (Sorce & Edwards, 2004; Sin et al., 2002, Morgan & Hunt, 1994): formal and informal sharing of meaningful and timely information between seller and buyer. Communication also acts as glue that hold them together</p>	<ol style="list-style-type: none"> 1. We communicate personally to our customers. 2. We can show our discontent to each other through communication 3. We can communicate openly/honestly 4. We allocate time to communicate with our customer 5. We have dedicated line to communicate with customer
<p>Trust (Berry, 1983; Berry & Parasuraman, 1991; Morgan & Hunt 1994) defined as a willingness to rely on an exchange partner in whom one has confident.</p>	<ol style="list-style-type: none"> 1. We trust each other 2. Our customer give reliable inputs 3. According to our past relationship, my company think our customers are trustworthy
<p>Bonding: defined as the dimension of a business relationship that result in two parties; the buyer and seller acting in unified manner toward a desired goal (Cross & Smith, 1995; Callaghan, 1995; Tse et al., 2004)</p>	<ol style="list-style-type: none"> 1. We rely on each other to reach our objectives 2. We both try to establish a long-term relationship 3. We work in close co-operation

Defensive: Dimensions (cont'd)

Dimensions	Items (measurement)
<p>Customer Complaint Management: defined as firm's specific function to manage the dissatisfied customer in such manner that its negative and harmful effects on firm are minimize (Fornel & Wernerfelt, 1987, 1988):</p>	<ol style="list-style-type: none"> 1. Firm provide customer service department 2. Firm add customer complaint function in the formal organization's structure 3. Firm train employee to deal with customer complaint 4. Firm provide compensation for customer whose claimed are constructive
<p>Switching Barriers: (Bruhn, 2003; Sorce & Edwards, 2004) defined as firm create barriers to ensure customer dependence on the firm and that the related profits are secured over the time period involved.</p>	<ol style="list-style-type: none"> 1. Customer are contractually bound to the firm 2. Firm provide more discount for repeat purchase 3. Firm rewards repeat buyers 4. Own product/brand has a unique benefit which competitor don't have

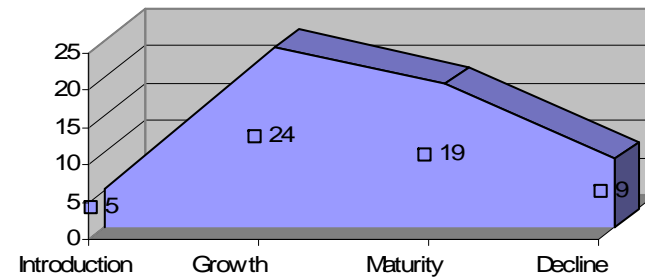


Strategy vs. Environment: Managerial implication for Vigilant Firms

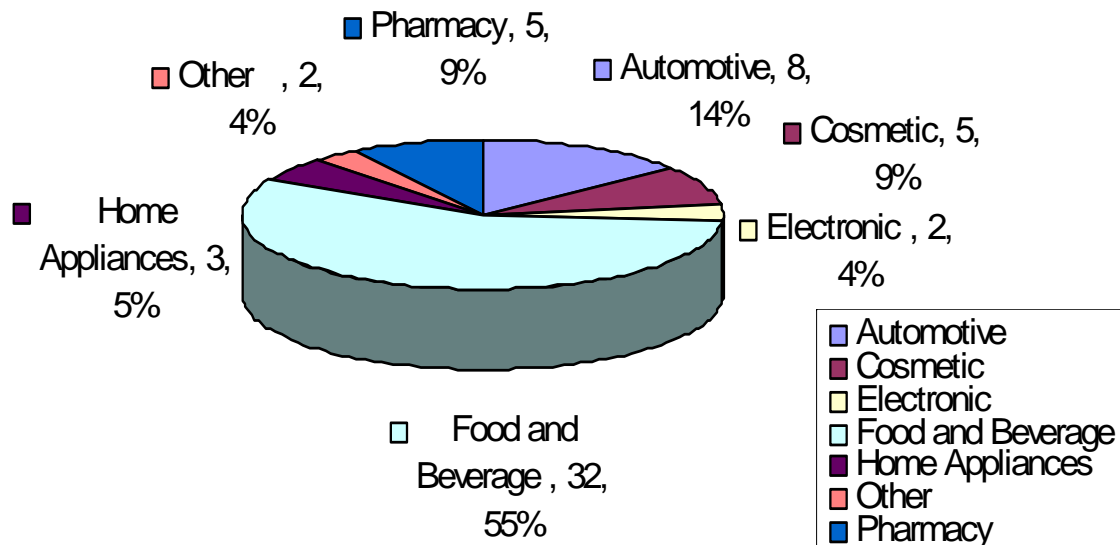
Typology	Characteristic	Strategy Recommendation
Vigilant	Vigilant has prime capability in finding and exploiting new product and market opportunities	Important for manager to maintain reputation as innovator in product and market, even more important rather than achieving high profitability (Mc. Daniel & Kohari, 1987).
	Vigilant's market knowledge is distinctive competence.	Manager need to emphasize its organizational resource on the continuation of the research and development activity (Hauser & Shugan, 1983; Roberson, Eliashberg & Rymon, 1995; Vorhies & Harker, 2000, Hooley et al., 2004)
	Firms are in growth stage	<ul style="list-style-type: none"> •Manager more emphasize on price, and the length of the product line should be relatively short to reduce production cost and to hold down inventory. •Heavy advertising in order to generate awareness among new customer and the use of broad mass media. •New product with price considerably high may recommended to launch the lower-price version to anticipate competitor entering the same market with lower price strategy.
	Vigilant has broad market opportunity	<p>-Intensive distribution through independent outlet or retail store (Kotler, 2003)</p> <p>-Offering free trial or extended warranty policies</p>

PROFILE

Vigilant: PLC Stage



Vigilant: Industry Type



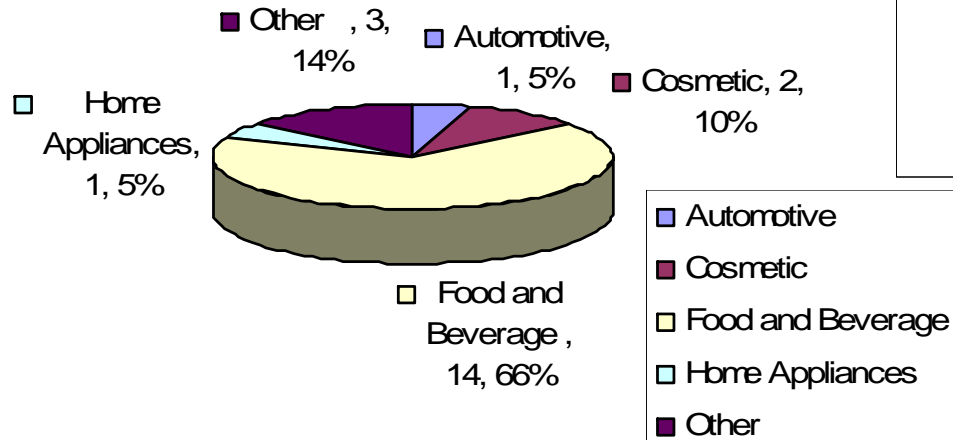
Source: Heriyati, 2009

Strategy vs. Environment: Managerial Implication for Neurotic Firms

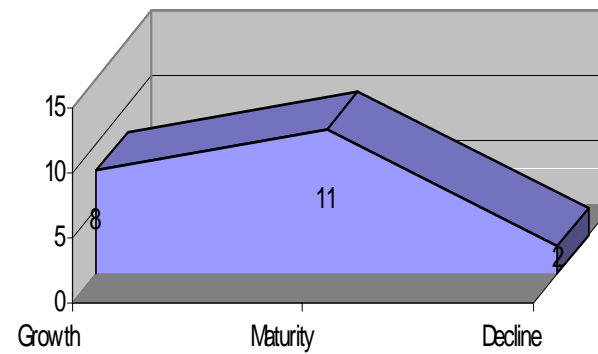
Typology	Characteristic	Strategy Recommendation
Neurotic	Firm with too much market scanning activity Product market is in maturity stage	<ol style="list-style-type: none"> 1. adjustment especially on the cost or investment over the market scanning activity. 2. Improved its scoping activity by identifying not too broad area of investigation. 3. Identify a specific homogeneous target market that will be served and protected. The market should be profitable for firm to maintain.
	If market opportunity are wide enough and resource is abundant	Move the organization to Vigilant position and take aggressive action
	If market opportunity are wide enough but resource is limited:	<ol style="list-style-type: none"> 1. Best to consider focus to attack in most profitable market 2. Product strategy emphasizing on eliminating unprofitable or weaker items.
	Enjoy a relatively stable share in the industry, but also seeking new opportunity to enter new market segment.	<p>To sustain its share through differentiation of its products offering on the basis of superior quality or by service attach to the product or by maintaining low-cost position (Treacy & Wiersema, 1995).</p> <ol style="list-style-type: none"> 1. Strengthen the relationship with its channel to ensure they are still motivated to sell the product and thus maintaining its current market share. 2. Contractual distribution with the authority limited to distribution of the product and the availability for use of consumption.

PROFILE

Neurotic: Industry Type



Neurotic: PLC Stage



Source: Heriyati, 2009

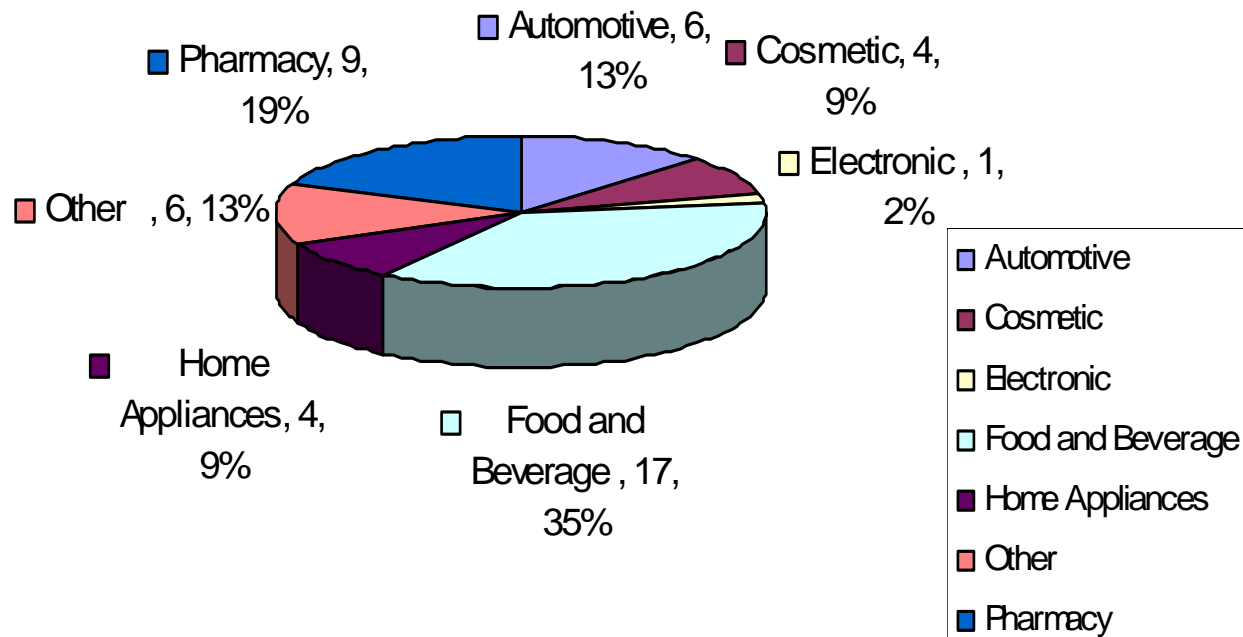
Strategy vs. Environment: Managerial Implication for Focused Firms

Typology	Characteristic	Strategy Recommendation
Focused	Sufficient with low level of peripheral vision capability to operate in stable market environment In the mature to decline market.	<ol style="list-style-type: none"> 1. Focus on current market and business 2. Depend on firm's ability to sustain at lower cost delivery or heighten product quality and additional service to product 3. Manager not too focus on supporting declining market too long, it hurt current profitability (defensive) 4. Product rejuvenation is mostly designed to promoting new uses or by encouraging customer to use more often (In-dept interview)
	In this stable-mature market, if exit barrier is low	manager to be very sufficient and efficient in marketing program to increase market share via lower cost policy or more promotional effort (offensive) in order to driving out weaker competitor.
	In this stable-mature market, if exit barrier is high	Focus in maintaining and protecting their existing or current market with lower price and organization efficiency

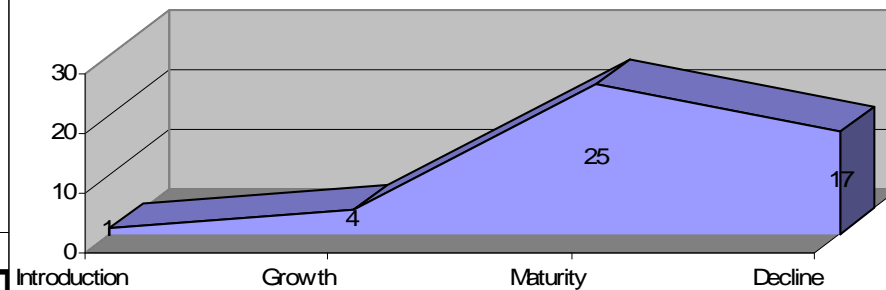
Source: Heriyati, 2009

PROFILE

Focused: Industry



Focused: PLC Stage



Source: Heriyati, 2009

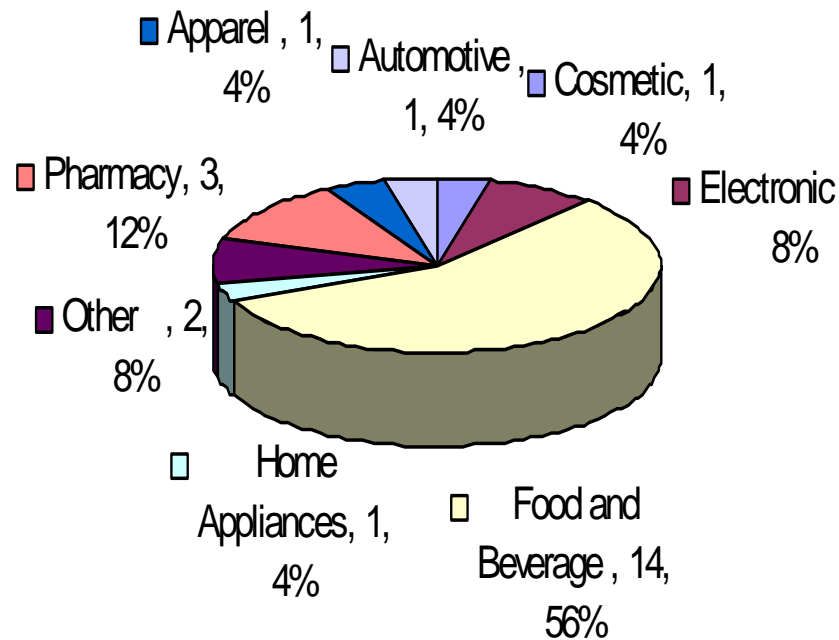
Strategy vs. Environment: Managerial Implication for Vulnerable Firms

Typology		Strategy Recommendation
Vulnerable	Vulnerable: lacking of market knowledge	Urgent to develop its market knowledge capability: <ol style="list-style-type: none"> 1. Assign the responsibility to an existing functional group 2. Mobilize ad hoc issue group 3. Create a market-hypotheses testing initiative 4. Invest in start-up ventures
	Firm in mature to decline market	Focus on strategy & avoids prolonged direct confrontation with larger and stronger competitor (Cravens & Piercy, 2003; Kotler, 2003; Kotler & Singh, 1981)
	If product cost per-unit is low :	Apply lower price or heavier personal approach effort when necessary to retain customer,
	If product cost per-unit is high:	Or firm has limited resources relative to competitor, firm may consider to withdraw to focus on a specific product (market niche) (Mullin et. al 2008)

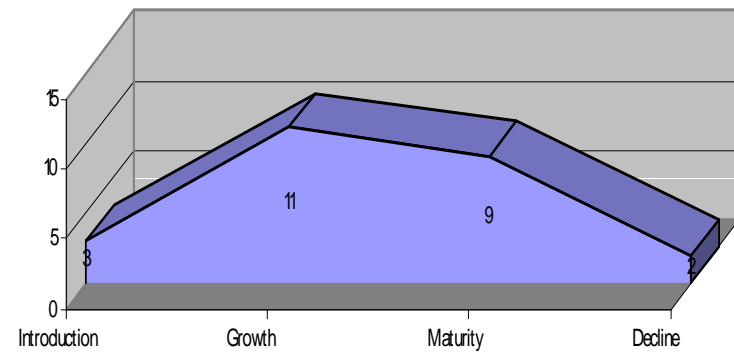
Source: Heriyati, 2009

PROFILE

Vulnerable: Industry Type



Vulnerable: PLC Stage



Source: Heriyati, 2009

Characteristic of Vigilant Firm

Organizational Factors	Vigilant
Leadership orientation	Focused on periphery area
Strategy Making	Inquisitive, option oriented
Knowledge Sharing	Focused on gathering and sharing weak signals
Organizational Configuration	Configure to look outside
Culture	Flexible & curious

Source: Day & Schoemaker (2006b, p. 25)

Conclusion

- Strategy is an art
- Strategy influenced by the external and internal organizational factor
- Offensive and Defensive strategy: compliment strategy
- May depend on product –market characteristic
- Organization need to stay alert and build its ‘Vigilant’ capability

Thank You

