

SOME MARKETING QUESTIONS ANSWERED

06/12/2020

MAHUA DATTA

AREA 1: CRM

06/12/2020

QUESTIONS RAISED

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□ AREA 1: CRM

- Please explain the 4 tier usage segmentation.
- What are the Tools for Tracking and Measuring Customer Satisfaction?
- How companies can improve both customer and company profitability?
- 96 % of dissatisfied customer's don't complain they just stop buying ? So how do we tackle this situation as customer retention First time & last time is crucial. If the company like Maruti has lost market share over a period of time from 58 – 38 % or so . Do you mean to say Customer has lost faith in the brand ?
- Could you elaborate the 150-20 rule? What purpose it serves in Customer Profitability analysis?
- Please explain the concept of customer lifetime value? Does this has got practicability? How?
- What is marketing dynamics? How does it help in CRM?

- Customer Profitability Analysis: Assigns revenues and costs to major customers or groups of customers rather than to organizational units, products, or other objects. The results may direct organizational resources toward more profitable uses.
- Thinking otherwise from customers opinion.....
- Company profitability analysis: Helps determine the company's present and future financial standing and provides invaluable evidence concerning the earnings potential of a company and the effectiveness of management.

Four Ps

Product

Price

Place

Promotion

Four Cs

Customer Solution

Customer Cost

Convenience

Communication

Four As

Acceptability

Affordability

Accessibility

Awareness

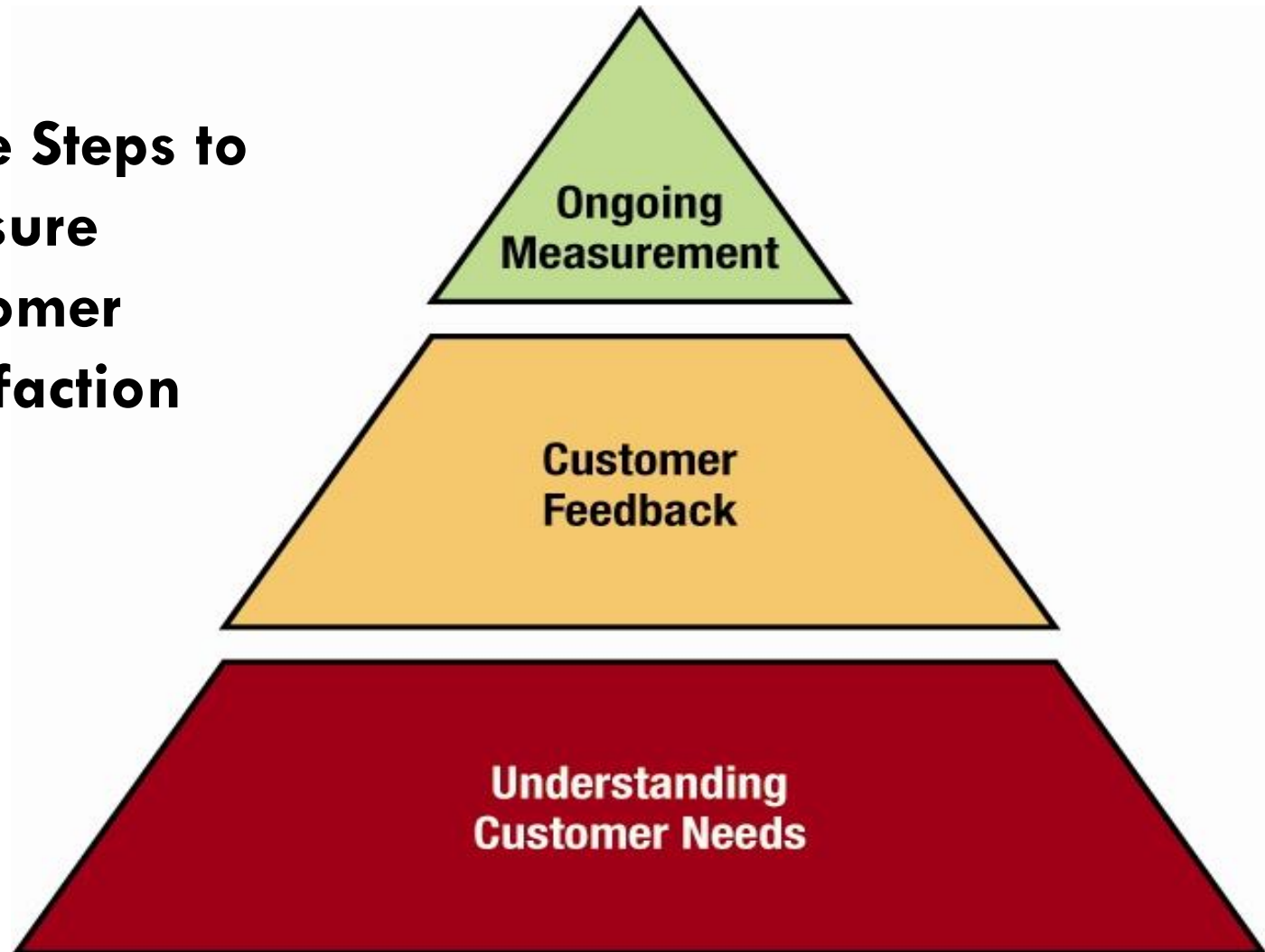
Robert Lauterborn

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ENHANCING CUSTOMER SATISFACTION

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- **Three Steps to Measure Customer Satisfaction**



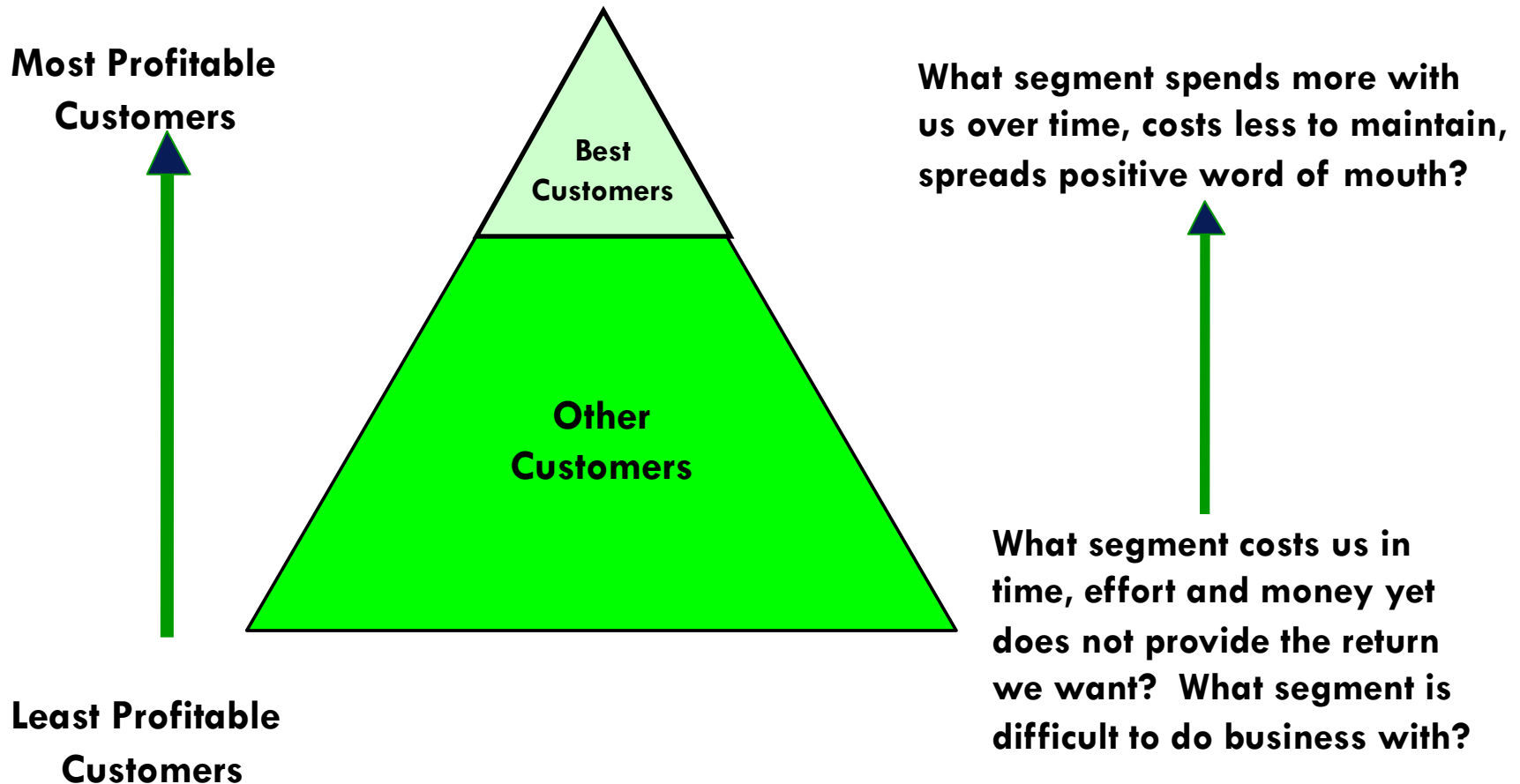
Measuring Customer Satisfaction

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- 1. Complaint and suggestion systems.**
- 2. Customer satisfaction surveys.**
- 3. Ghost shopping.**
- 4. Lost customer analysis.**

The “80/20” Customer Pyramid

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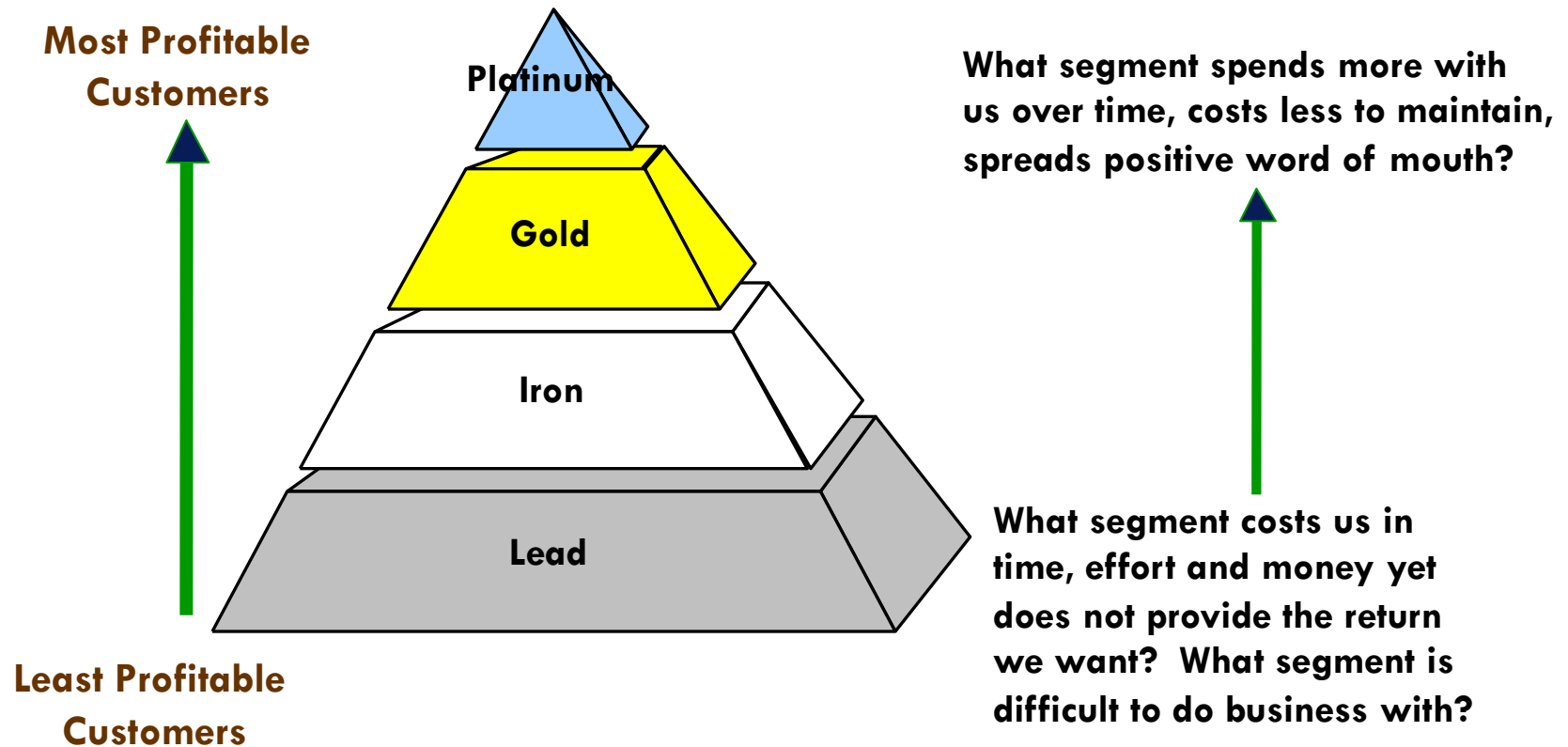
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150/20 Rule

- 150 % of the profits contributed by just 20% of the consumer.
- Retail Banking is characterised by 150/20 rule. (Stoneman in 1999)
- Impact on Customer Profitability

THE EXPANDED CUSTOMER PYRAMID - 4 Tier

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4-Tier Usage Segmentation

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- **Platinum Tier** – the company's most profitable customers
- **Gold Tier** – seek price discounts, less loyal, and use multiple vendors
- **Iron Tier** – essential customers who provide the volume to utilize the firm's capacity, but their spending levels, loyalty, and profitability do not merit special treatment
- **Lead Tier** – customers who cost the company money. They demand more attention than they are due given their spending and profitability - sometimes problem customers that complain and tie up resources.

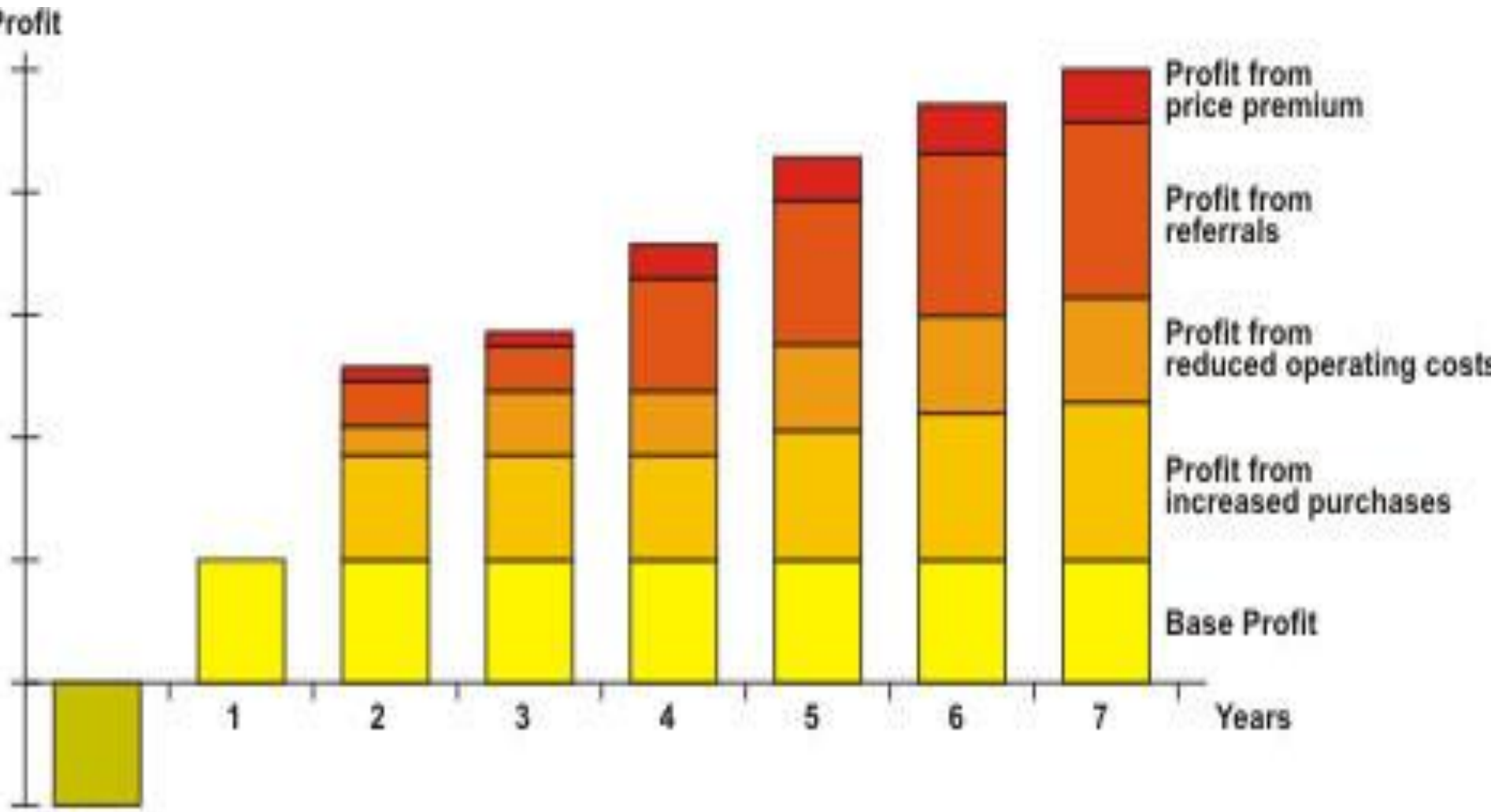
(Rust, Zeithaml, and Lemon, 2000/2003)

Customer lifetime value

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- It describes the net present value of the stream of future profits expected over the customer's lifetime purchases. This is the Net Present Value (NPV) of profit that a company stands to realize on the average new customer during a given number of years.
- $CLV = \text{Expected Revenue} - \text{Expected cost}$.
- GM estimates its lifetime customers to be worth \$276000 on average.

CUSTOMERS ARE MORE PROFITABLE OVER TIME



Customer acquisition cost

Source: Bain Capital

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96 % of dissatisfied customer's don't complain they just stop buying

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- **Why customers don't complain**
- Don't think it will do any good.
- Not worth the trouble or personal stress.
- Don't know where or to whom to complain

- EVERY CUSTOMER COMPLAINT IS A VALUABLE TRASURE THAT ANY COMPANY CAN HAVE.....SO GO FOR IT AND FEEL LUCKY TO HAVE SOME.

MARUTI IN TROUBLE ? ? ?

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- In the survey titled 'J D Power Asia Pacific 2009 India Customer Service Index (CSI) Study' , **Maruti Suzuki** India scored 824 , on a scale of 1 , 000 points. The India's largest car maker was followed by Honda Siel Cars India at 791 and Mahindra & Mahindra at 757.
- HOWEVER LOSING CUSTOMER IS A GRAVE CONCERN.....

Marketing Dynamics

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- Interaction between forces of demand and supply and the pricing signals they generate. In any free or open market any significant part of market dynamics is beyond the control of any firm or group.
- PORTER'S FIVE FORCES THEORY
- THE UNDERSTANDING DEFINITELY HELPS IN CRM AS CUSTOMER RETENTION STRATEGIES CAN BE DESIGNED ACCORDINGLY.

AREA 2: COMPETITIVE STRATEGIES.

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Questions Raised

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□ **AREA 2: COMPETITIVE STRATEGIES.**

- Leaders , challengers etc follow different marketing strategies. Should they continue with the same during the PLC of a brand or change though they continue to remain leaders...
- Is it better to be a niche player than a follower?
- Should followers be affected at all by what leaders and challengers are doing since they are far behind in all respects. They can only update their knowledge.
- In Attack strategy , please explain all the 5 Attacks with few examples.done
- Please explain the concept of Nichemanship.

Leaders , challengers etc follow different marketing strategies

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- ...And they have to continue to do so in various stages of PLC as each stage calls for different strategies according to the characteristics of the stage in concern.
- A conceptual clarification: Brands do not have a PLC rather they are positioned at different stages of PLC.

General Attack Strategies

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Frontal Attack

Flank Attack

**Encirclement
Attack**

Bypass Attack

Guerrilla Warfare

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Frontal Attack : Targeting competitors' Strength i.e. To Launch HEAD-ON attack

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In 1995 IBM made a hostile takeover for Lotus Development Corporation. The takeover—the biggest in the IBM's history—made IBM a serious challenger to Microsoft, which owned 80% of the market for operating systems & applications suits to run on PCs. IBM wanted Lotus because Lotus Notes is the market leader in networking software. The combination of IBM marketing muscle & Lotus's technological advantage put Microsoft on the defensive.

How to Attack Competitor's Strength:

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- Offer *equally good product* at a *lower price*
- Develop low-cost edge, then use it to under-price rivals
- Add appealing *new features*
- Run *comparison ads*
- Construct *new plant capacity* ahead of the rival or in the rival's market strongholds
- Offer a *wider product line*
- Develop *better customer service* capabilities

Which Weaknesses to Attack

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- ▣ Those *customers* a rival has that it is least equipped to serve
- ▣ Rivals providing *sub-par customer service*
- ▣ Rivals with *weaker marketing skills*
- ▣ *Geographic regions* where rival is weak
- ▣ *Segments* rival is *neglecting*

Flank Attack

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- The aggressor may attack strong side to tie up the defender's troops but will launch the real attack at the side or rear.
- A flank attack can be directed along two strategic dimensions—**geographical** and **segmental**.
- For example, Honeywell pursued businesses in smaller cities and towns where it did not have to battle against large numbers of IBM salespeople.
- The other flanking strategy is to spot uncovered market needs not being served by the leaders, as Japanese automakers did when choosing to serve the growing consumer market for fuel-efficient cars.

Encirclement Attack: Becoming offensive on many fronts

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- Launch several *major initiatives* to, Throw rivals off-balance / Splinter their attention / Force them to use substantial resources to defend their position
- Involving multiple initiatives like price cuts, increased promotions, additional performance features, new models & styles & better service.
- To fight against Microsoft, Sun Microsystems licensed its JAVA software to hundreds of companies and millions of software developers for all sorts of consumer devices. As consumer electronic devices began to go digital, java started appearing in a wide range of gadgets.

End-Run Offensives: BYPASS ATTACK

9-26

Dodge head-to-head confrontations that escalate competitive intensity or risk cutthroat competition

Attempt to ***maneuver around strong competitors***—concentrate on areas of market where competition is weakest

- Introduce new products that redefine market and terms of competition
- Build presence in geographic areas where rivals have little presence
- Create new segments by introducing products with different features to better meet buyer needs
- Introduce next-generation technologies to leapfrog rivals: Technological Leapfrogging
- PEPSI bought Tropicana in 1998 which had twice the market share of COCA COLA's Minute Maid. Again in 2000 bought the Quaker Oats company in which owns Gatorade which has a much better market share over COCA COLA's Powerade.

Guerrilla Offenses

9-27

Use principles of *surprise* and *hit-and-run* to attack in locations and at times where conditions are most favorable to initiator. They are done to harass and demoralize the opponent and eventually secure strong footings

Well-suited to small challengers with limited resources and market visibility

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Options for Guerrilla Offenses

9-28

- **Make random, scattered raids on leaders' customers**
 - **Occasional low-balling on price**
 - **Intense bursts of promotional activity**
 - **Special campaigns to attract buyers from rivals plagued with a strike or having problems meeting delivery schedules**
- **Challenge rivals encountering problems with quality, meeting delivery times, or providing adequate technical support**
- **File legal actions charging antitrust violations, patent infringements, or unfair advertising**

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Specific Attack Strategies

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- Price discounts
- Lower-priced goods
- Value-priced goods
- Prestige goods
- Product proliferation
- Product innovation
- Improved services
- Distribution innovation
- Manufacturing-cost reduction
- Intensive advertising promotion

Impact of Leaders and Challengers on Followers

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- What if Leaders and Challengers change the rule of game
- Changes in Macro environmental factors with different impacts on leaders, challengers and followers

NICHEMANSHIP

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- It is the expertise in producing goods and services that are attractive to small groups of consumers with a particular common interest.
- It also means the ability to accurately determine what your unique strengths are, who your ideal customers - the people you are uniquely positioned to serve- are, and then seizing and holding tight to the top position - the perception of superiority, you create in the their hearts, minds, and checkbooks.

NICHER

VS

FOLLOWER

AREA 3:
CONSUMER
BEHAVIOUR AND
BRANDING

Questions Raised

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- **Area 3: Consumer Behaviour and Branding**
 - ▣ What does branding mean to a marketing person and to a consumer?
 - ▣ Why is there a mis- match many a times?
 - ▣ How should marketing budgets be allocated during the PLC of the brand and should it be proportionately divided for all brands in the portfolio when the whole portfolio of brands are newly launched?
 - ▣ How do consumer characteristics influence buying behavior?

- Brand to the Marketer – Brand Identity
- Brand to the customer – Brand Image
- Mismatch due to perceptual gaps

- Across the various stages of PLC Budget allocated for brands do not follow any definite rule. However higher budget is allocated in Introduction and maturity compared to growth and decline.
- Budget can't be divided proportionately among all brands in portfolio because the target market size and hence market share objectives of all brands may not be same.

Consumer Characteristics and Buying Behaviour

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- Consumer characteristics influences consumer buying behaviour because they define needs and shape wants for which consumers actually purchase products.
- If different consumer have different characteristics they will have different wants and demands and hence their purchases would differ significantly from each other.