BUSINESS MARKETING - TECHNOLOGY FOCUS
Prof. Jayanta Chatterjee
Department of Management
Indian Institute of Technology, Kanpur

Lecture 28 : Marketing as Strategy – I

Hello. Welcome to our next session on B2B marketing with technology focus. I am Jayanta Chatterjee from IIT Kanpur.

STRATEGIC ROLE OF MARKETING

Insight about Competitors, Company, and Complementers

In this session and the following, we will be looking at the strategic role that is played by marketing today in the B2B arena and particularly we will be seeing that how marketing being at the boundary role, that means marketing is the interface between the external environment and the organization.

At that position, they have all the wherewithal to collect information from outside and then interpret that for the use of the organization. What we say is the role played as sensing, sharing and preparing the organization to respond to strategic situations. In this session, we will be particularly looking at the role played by marketing in understanding competitors and their interactive situation with respect to the company and some of the organizations who play complementary role with respect to the organization in the marketplace.

Source: Impact Planning Group
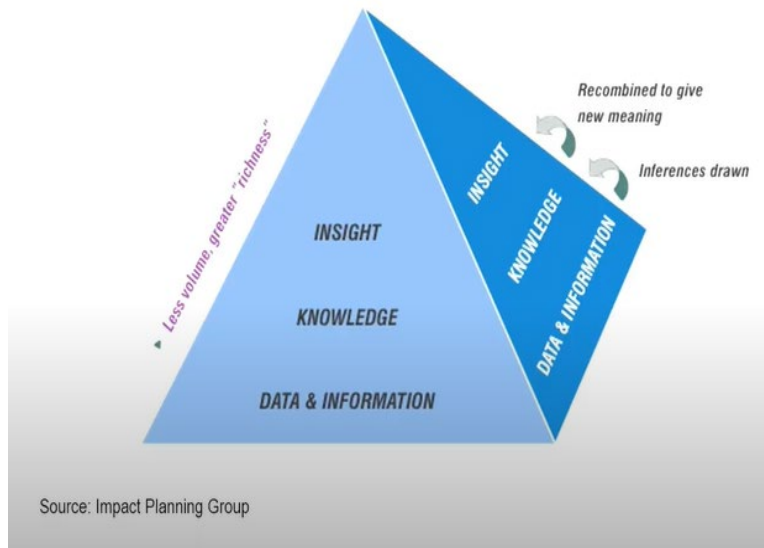
So, this is a diagram which I am only going to focus on one aspect of this diagram which is the progression that happens that outside data and information collected are interpreted to create knowledge and that knowledge leads to insight which helps us to form business policies and work in implementing that as strategy.

So, the roadmap of strategy in this respect will be that who are our competitors today and who will they be? Who will be the competitors tomorrow? What are our competitors' capabilities and difficulties? What are our competitor's strategic options? What do we expect our competitors to do in the short term, medium term, long term?

And how can we get our competitors to some extent to do what we want them to do? Therefore, how do we manage the competitive interface?
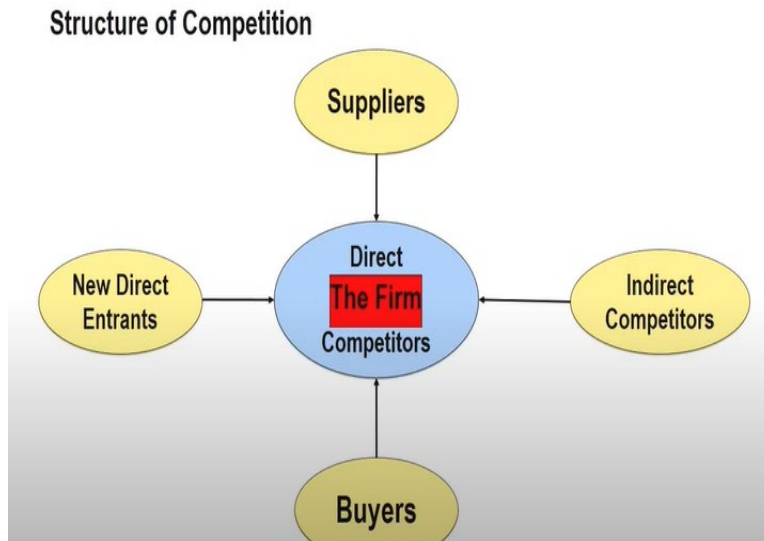
So, this is a very well-known diagram, the forces which play upon the organization. So, we have the firm where there are direct competitors. We know about them because they are direct competitors.

But there are also indirect competitors about which we are going to discuss a little bit here. And there are people who will be new competitors arising as people who are entering the marketplace. And then, of course, the organization is always interacting with suppliers and buyers. This is the so-called forces diagram which shows us the organization and the different types of competitive forces and complementary forces and relationship forces the organization is subject to.

Direct and Indirect Competition

Direct competitors: Target similar customers to the firm by offering similar benefits and values with similar products, technology, and/or business models.
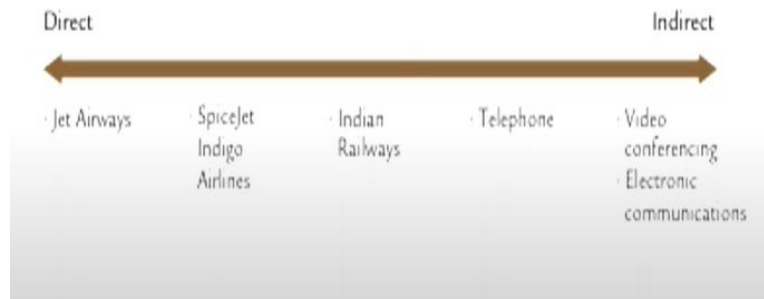
Indirect competitors: Target the same customer with similar benefits and values, but with *different* products, technology, and/or business models.

So, direct competitors are competitors who target similar customers and offer similar benefits and values with similar products, technology and or business models.

And indirect competitors are more interesting in today's context because the market is often very much overlapping today. There are new competitors arising as a way of trying to enhance their business. They enter into new arena which will overlap or conflict with our arena. And therefore, indirect competitors target the same customer with similar benefits and values, but maybe with different products, maybe different technology, or maybe their business models are different.

So, we know that, for example, today in the electronic media field, the customers or competitors who are players in the phone market are often entering the TV market, the TV players are overlapping with the phone players and so on. This happens also in various other fields and we will see some of the fields.

Direct and Indirect Competition

Direct				Indirect
· Jet Airways	· SpiceJet · Indigo · Airlines	· Indian · Railways	· Telephone	· Video · conferencing · Electronic · communications

For example, jet airways which is now in a difficult situation. Earlier thought of their competitors as only other airlines like SpiceJet or Indigo or Air India and so on. But in a way, they had competitive difficulty when the Indian Railways started upgrading.

In many ways, they offered alternatives because ultimately we have to understand that businesses are not in a currently, the manifested role only, but we have to understand that, for example, jet airways was not really in the airlines business, but they were in the business of transportation, of getting people from point A to point B in the most convenient fashion. So, at a certain point, the speed and comfort, etc., offered by railways started improving and in many cases, therefore, they became viable alternative to many travel plans. And therefore, air travel plans shifted to Indian railways.

And of course, in today's world, where with more and more telecommunication facility, video conferencing facility, much improved telecom facility at the click of a button, with that, today often travel itself may not be fully necessary because you can have people present from different cities of India all participating in a video conference and therefore people traveling, all people congregating in a place coming from different cities may not be necessary because the video conferencing is a very viable alternative and these offer opportunities indirect competition.

So, on the left to right we are moving from direct competition to indirect competition and this indirect competition because of rapid evolution in technology of different types are becoming always a matter of concern and worry and marketing has a role to continuously be alert to such possibilities and such emergencies to alert the organization to come up with coping up strategies.

Primary Data

Generic Modes of Competition	Sample Internal Sources	Sample External Sources
Availability	• Distribution and logistics personnel • Sales force reports	• Customer satisfaction surveys • Third-party (industry analysts) studies
Features	• Sales, marketing, engineering personnel • Internal analyses and trials	• Trade publication product reviews • Competitor literature, consultants • Competitor websites
Functionality	• Competitor supplier analysis • Product comparison studies • Reverse engineering	• Customer reports • Specialist trade reports/industry observers

General information	• Senior firm executives	• The Internet, including
		  • Competitor websites
		  • Rumor sites, e.g., www.chatgossip.com
		  • Complaint sites, e.g., www.consumercomplaints.com
		  • Blogs and forums
		• Investment bankers/industry analysts
		• Media (local, national)
		• Annual reports, SEC filings, 10Ks
		• Suppliers

So, generic modes of competition, they look at availability, features, functionality, general information. So in case of availability arena, we will be looking at internal sources, like we will be gathering data and interpreting the data from our own distribution and logistics personnel, our own sales and marketing people. And at the same time, we will be looking at external sources like customer satisfaction surveys, third-party industry analyst studies, industry association reports.

And similarly, we will be looking at our own sales gathering information from sales, marketing, engineering personnel of our own organization with respect to features, product and service features offered by the competition. And we will also gather data and interpret the data coming from trade publications and product reviews, reviews of trade shows, exhibitions, and also continuously analyzing the competitor literature, consultant's reports, competitor websites, and so on.

Today, therefore, information is a lot more in the public domain and confidentiality is therefore today not a barrier of understanding competitors and their moves because a lot of because kind of compulsions that we discussed when we discussed our own approaches to marketing communication and electronic communication, relationship building using electronic modes, in that we have understood that today, for example, websites play a very important role in developing relationship with customers. So as competitors are trying to develop relationship with customers, as competitors are trying to develop electronic media to improve their brand image, build their brand equity, That same flow of information can be used by us to interpret, to understand that what competitors are doing with respect to availability or with respect to features or functionality and so on.

So, the reports that are created in the public domain or exposures that are created in the public domain are inputs for our own competitive analysis or competitive intelligence or business intelligence as we call it today. Also, we can gather a lot of general information from the internet with respect to senior executives, their movements, their speeches from the competitor's website. We can also look at various kinds of industry gossip sites. And we can also look at social media to look at complaints and various other interactions between the competing organization and the social media. We can look at their blogs and forums all that will give us lot of inputs to make this possible, this where we are actually looking at the information coming from various sources and we are doing this data and information gathering, interpreting that to create knowledge and then interpreting that to create competitive insight.

So, primary data that we gather from the public domain also relate to image and reputation and brand building activities of the competitors. And that will be available from marketing and sales and advertising personnel of our organization who are in boundary role, often interacting in front of the customer or in trade shows or in exhibitions or in seminars or conferences with similar personnel from the competitor site. And then we can all do a lot of tracking studies which are a part of the competitive intelligence gathering. And to understand the customer perceptions towards the competitors, there are third-party studies on industry evolutions which are often

available, annual reports. Those we can study. We can study competitors advertising, their promotional materials, and their public relation activities.

Primary Data (continued)

Generic Modes of Competition	Sample Internal Sources	Sample External Sources
Image and reputation	• Marketing, sales, and advertising personnel • Tracking studies	• Customer perceptions, third-party studies • Competitor advertising, promotion, and public relations
Product line	• Sales, marketing, engineering personnel • Industry studies	• Competitor product catalogs • Trade shows • Trade associations, press, consultants • Regulatory and patent filings
Price	• Marketing, sales, and service personnel • Sales force reports	• Competitor price lists • Interviews with end customers
Selling and relationships	• Sales force reports • Managerial assessments	• Interviews with customers and channel members
Service	• Service personnel comparisons • Comparative studies	• Customer, third-party assessments • Mystery shopper reports

To understand the competing product lines, we can A, get information from our own sales, marketing, engineering personnel and our service support people. At the same time, we can also look at the competitor publications and competitors regulatory and patent filings and so on.

Price information are also very important competitive intelligence. Those are again available from our own marketing, sales and service people. They are also available as competitors, price lists, various kinds of trade publications where comparative prices are given and many times we can interview the end customer and gather this data. So, these are all very much legal information searching.

We are not talking about any illegal industrial espionage or anything like that. Today, the enormous amount of information that we have to publish to remain relevant in the same way the competitors have to also reveal and publish to remain relevant to improve their relationship with customers to do their own brand building and all that becomes inputs into our competitive intelligence systems.

**Internal Processes to Secure Competitive Data**

- Competing
- Competitive intelligence system
- Competitive intelligence department
- Formal development of strategic plans
- Gaming with multifunctional teams
- Review of business lost and gained
- *Shadow* system
- Ethical and legal issues

The internal processes that we can create to secure competitive data are today called competitive intelligence systems or business intelligence systems. In certain organizations, particularly in B2B, this is very important because in B2B with technology focus, in high-tech organizations, particularly in computers, in electronic, in semiconductors, in various kind of telecom, you have to be continuously understanding, continuously search for what technical developments your competitors are up to.

And therefore, you may have a full-fledged department, dedicated people who are continuously tracking these things. And we can also review continuously the business that we lose or the business that we gain. And all that will allow us to build a good, solid, competitive database. But of course, we have to be always careful about ethical and legal issues when we do this investigation and build up these databases.

Framework for Describing Competitors

Source: L. Fahey, *Outwitting, Outmaneuvering and Outperforming Competitors*, New York: Wiley, 1999
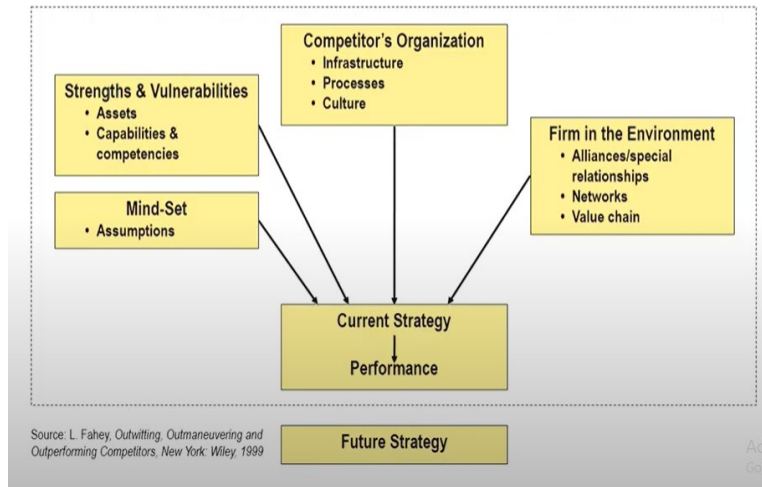
So, framework for describing competitors, we see we have this current strategy and performance.

And that is an interaction with competitor organization, where in competitor infrastructure, competitors processes, competitor culture. We have other firms in the environment who are possibly the alliance partners, the network partners, the value chain partners, the supply chain partners, the delivery chain partners. And then we have the mindset and assumptions that we ourselves have towards the marketplace and towards the future. And all that actually leads to the development of the future strategy.

So, this is an interesting block diagram which shows the competitive interactions, complementary organizations and our interactions with them and based on the strengths and vulnerabilities that gives us insight into the strategy of today and strategy of tomorrow, which will be helping us to outmaneuver and outperform competitors.

The Value Chain
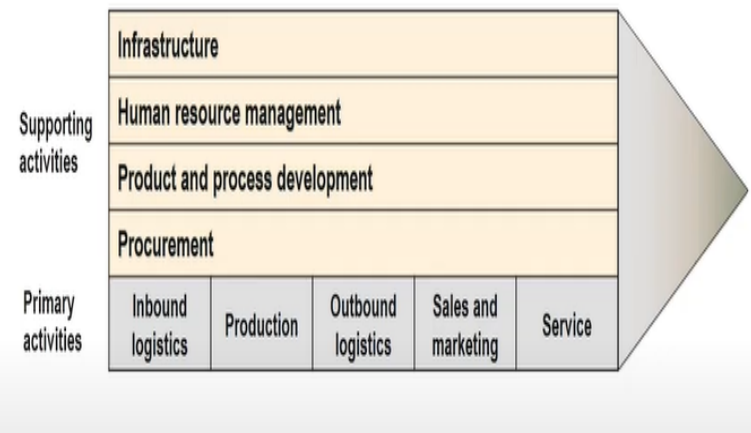
This we are very familiar with from Porter, Michael Porter's publication that this is the value chain and other authors have also talked about the value chain and how the value chain gives us strategic understanding as well as competitive understanding. So, when we try to understand competitors, we have to understand just like we have to understand our own inbound logistics, our own production and outbound logistics, sales, marketing, service, this whole chain and our own problems, our own challenges, how we are dealing with these problems and challenges.

At the same time, we can also study how the competitors are dealing with their own challenges and that will tell us that where the weaknesses are and where the strengths are of the competition and how we are going to respond to those.

The Value Chain

- Where does the competitor have a cost advantage?

- Where is the competitor at a cost disadvantage?

- Where does the competitor have a value advantage?

- Where is the competitor at a value disadvantage?

So, we can analyze that where does the competitor have a cost advantage? Where does the competitor have a cost disadvantage? Where does a competitor have a value proposition that is attractive and considers advantages by customers? And where the customer has value disadvantage? All these are questions we ask and we gather the data by analyzing the value chain of our own and our competitors to understand therefore where we are and where we want to go.

Illustration

Indicators	Inferences
Hired new *customer service* manager	Competitor is going to upgrade service quality
Reorganized customer support and service (CSS)	Initial confirmation of alerting signal
CSS now reports to VP of marketing (versus sales)	Signals increased importance of service
Initiating new training programs for sales force	Enhancing service for all key customer segments
Emphasizes customer service in advertising	Service seen as valuable to attract, retain, and grow customers
CEO comments: "Customers expect quality in services as well as in the product"	Service is becoming part of the competitor's mind-set — it will be institutionalized
Customer to our salesperson: "ABC is now doing things for us they never did before"	Confirms competitor is institutionalizing and leveraging service

For example, these are some examples how we gather the information and interpret it for competitive understanding. Like for example, if we get to know from the industry news that a customer is hiring new customer service manager. Now, this information will be

available in the public press. This information may be available from HR consultants or placement consultants.

And once we have this information, that will allow us to interpret and draw inference that the competitor is going to upgrade service quality or for example, if we understand the competitor is reorganizing their customer support and service, the CSS department, then we know that it is an alerting signal because that means with respect to service, the customer is gearing up with a stronger competitive posture.

For example, if today we understand from the various industry news or other trade publications that in our competitor's company, CSS now reports to the VP of marketing versus VP of sales. Then we understand that or we see that the competitor is merging their marketing and sales activities at the top.

Then we know that it signals that the customer service and support is becoming an important part and a more prominent part in the competitor strategy. So that means competitor is going to focus on service as their strategic thrust. And that means they may be training their teams with respect to higher quality of service and so on. It means that we have to also gear up and definitely respond in that respect. So, the customer will even depict in their advertising that service as an attractor retainer and growth incentive for customers and then we will be understanding that what we need to do within our organization.

Such information may often come from their top management press conferences their company reports their own websites, competitor websites, when they are actually saying the customers expect quality in service as well as in the product, then we understand that they are going to focus more and more as competitor on service as a thrust point and which means that we have to do the same or we have to do better.

Competitive Assessment Analysis

Customer Requirements: needs, benefits, values A	Importance Rank B	Necessary Capabilities / Resources C				
		Efficient Manufacturing System	Good Distribution System	Just-in-Time Delivery Systems	Well-Funded R&D	Access to Low Cost Materials
Easy product availability	1	*	*			
Low prices	2	*				*
Low inventories	3			*		
Access to cutting-edge technology	4				*	
Etc.						

So, we can actually develop this kind of competitive analysis charts where we put on the left-hand side the criteria in the usual fashion and we look at easy product availability, low prices, low inventories, access to cutting-edge technology, etc., etc. Understand the importance ranking through the eyes of the customer as well as through our own analysis and try to understand how the competitor is changing this relative importance ranking of these various factors.

And then we can try to understand that what we need to do by developing necessary capabilities and resources so that we have a more efficient distribution system or we have a more efficient delivery system, just-in-time delivery system, or whether we need to put more into product development, R&D. All that becomes clearer when we create this kind of a chart by summarizing all the competitive intelligence that we are gathering.

Three Questions

- Relevance — Do we have the capability/resource?

- Superiority — Is our capability/resource superior to competition?

- Sustainability — Would it be difficult for competitors to catch up with us?

And every time we get this data, we can actually do this three-question analysis that do we have the capability and resources to respond to the competitive thrust like we were discussing the example of service. So, whether we have the necessary wherewithal to be able to quickly respond to that kind of thrust. Whether we have ability to become superior to the competitor with respect to their own business thrust and what we need to do to sustain our work in that direction and whether the competitor can remain on that track, whether we can go faster, whether the competitor can catch up with us.

These are the kind of questions that we need to answer when we create the chart to understand that where the competitor thrusts are and what are the new initiatives they are taking.

Scenarios

- Scenario types
  - **Emergent scenarios: Start with the competitor's current strategy and consider what might emerge.**
  - **Unconstrained scenarios: Based on open-ended *what-if* questions that suggest possible end states.**
  - **Constrained scenarios: *What-if* scenarios that ask how the competitor may act under different market and/or industry conditions.**

So, scenario is a good way of dealing with this, putting it all together. So we have emergent scenarios where we start with the competitor's current strategy and consider that what might emerge as their new strategy from the various information that we are gathering and interpreting, just like we were discussing the case where a particular competitor is now going to put a much higher level of importance and their thrust is going to be based on their service superiority. So, that's an example where we can understand the emergent scenario where the competitors today are and where they are going.

And sometimes we can develop alternative scenarios by not exactly based on the data that are coming in day by day, but we can do what if type of analysis with our own experts, with our own salespeople, with our own service people, with our own engineering people, R&D people. We can do lots of open-ended what-if question and answering that understand that what the competitors might do tomorrow based on certain strengths and weaknesses that we recognize in their current capabilities. And sometimes we can also develop these scenarios with a constrained scenario. Like what if scenarios that ask how the competitors may act under different market and or industry conditions, given certain kind of constraints that may be there, which could be environmental, it could be by way of pollution and so on.

And we can try to understand that what the customer will do if there was no constraint and what the customer might possibly do because of the certain constraints that exist. So that kind of gave us our first discussion with respect to competitive analysis in the role that marketing plays to help companies develop business policies and implement new strategies. We will continue this discussion going forward. Thanks.