

UNIT 4: MARKETING PRINCIPLES

1

WEEK EIGHT
LECTURER: N. QUARRIE

Learning Outcome Three (3)

2

- LO3 Understand the individual elements of the extended marketing mix

Objective

3

- By the end of this lesson you should be able to:
- 3.1 explain how products are developed to sustain competitive advantage



Overview

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- After creating a product or a service it is very important to maintain what is called competitive advantage. No matter how good you think your company is, you will need to have a competitive edge to be profitably.
- For the duration of this session I will be explaining how products are developed to sustain competitive advantage.

Competitive Advantage: Definition

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- “A superiority gained by an organization when it can provide the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation. Competitive advantage results from matching core competencies to the opportunities (BusinessDictionary.com, n.d.)”

How products are developed to sustain competitive advantage-Retain existing customer base

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- “Customer’s needs keeps changing with time. In order to retain current customers, business must constantly adapt to meet the changing requirements. For example, if GM were to keep making the same model of the cars as they did in 2000, then today it would be out of business. Companies need to constantly introduce new products to keep the existing customers exited and happy (Arunkottoli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage-Retain existing customer base

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- Example: “Another example of product stagnation & hence losing market share will be that of Motorola. For a long time Motorola made & sold only analog phones - even when the service providers had moved to digital networks. Then came Nokia with sleek digital phones & stole the market share from Motorola in 1998 (Arunkottolli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage-“Cannibalize yourself”

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- “Best way to retain the current market share is to attack your existing products with newer & improved products. The new products must be aimed at customers of existing products and at similar products (from competitors). Cannibalizing existing products is a surest way to retain market share, remain fresh & current in the market place - and win some market share from competition (if they do not offer exciting new products to match) (Arunkottolli.blogspot.com, 2008)”

“Today, cannibalizing existing products is a standard practice at all the fortune-500 firms. The best examples can be seen in Computer industry & Auto industry - where companies routinely introduce new products that replace their existing (& even best selling) products (Arunkottolli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage

-Leapfrog the competition

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- “In most markets, everyone knows who the competition is - and they know its history, its behavior, its pricing and usage. Knowing the product so well will also reveal its vulnerability, thus allowing competition to introduce a better product. The same logic can be applied in the reverse. I.e. Introduce a product that is way ahead of what the competition already has in the market (Arunkottolli.blogspot.com, 2008)”

“The new product should be so much advanced that it will take years for the competition to catch-up. In the mean time, the new product would have become the new market leader (Arunkottolli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage-Leapfrog the competition

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- “Apple Inc. is the best example of this "leapfrogging strategy. Every time when Apple was written off as dead in computer industry, Apple springs a surprise - that takes everyone by storm and builds a strong market position. First it was with iMac - a colorful integrated computer which was so innovative that every school kid in the US wanted one (Arunkottoli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage-Meet the latent demand

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- “Customers who use your current product will always have newer needs, and often wish that the current product could do more than what it does today. This is a latent demand for a newer product - which can be effectively be exploited by product improvements (Arunkottoli.blogspot.com, 2008)”
- “For example, when MP3 players become popular, customers of Nokia wanted to listen to MP3 songs on their cell phones. Nokia responded accordingly - and today MP3 players is a default feature in most of Nokia phones. Similarly, Nokia also added camera, video players, email, file manager and a host of other features to their cell phones via new product introductions. By doing so, Nokia was able to retain its dominant position - and even gain market share for business phones from Blackberry & PALM with its E-series phones (E50, E51, E61, E65, E90 etc.) (Arunkottoli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage-Raise the bar

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- “One can raise new barriers to entry through new product development. Companies such as Intel, Cisco, Microsoft, Toyota, Honda etc., constantly keep releasing new products at regular intervals - so that competition cannot catch-up and this also discourages new entrants into the market. The new products raise the performance/quality standards with every new release (Arunkottoli.blogspot.com, 2008)”

How products are developed to sustain competitive advantage-Raise the bar

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- “For example in the world of automobiles, Toyota has been making steady improvements to its hybrid cars so that GM, Ford, & Chrysler cannot really compete with Toyota when it comes to fuel efficiency. Similarly, Intel has raised the performance of its "Pentium" & "Centrino" processors through successive new products and today AMD is struggling & losing money - as it falls behind technology development (Arunkottoli.blogspot.com, 2008)”

References/Additional Reading List

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- BusinessDictionary.com. (n.d.). *Do you know this term?*. [online] Available at: <http://www.businessdictionary.com/definition/competitive-advantage.html> [Accessed 2 Nov. 2016].
- Arunkottolli.blogspot.com. (2008). *Gain Competitive Advantage Through New Product Development*. [online] Available at: <http://arunkottolli.blogspot.com/2008/07/gain-competitive-advantage-through-new.html> [Accessed 2 Nov. 2016].