Marketing in Brewing and Distilling

1 The Marketing Management Process

1.1 Introduction
1.2 Case Study 1. Johnnie Walker: Keep Walking
1.3 The Marketing Management Process
1.4 Conclusion

2 Corporate Strategies and Their Marketing Implications

2.1 Introduction
2.2 Module Overview
2.3 Case Study 2. Corporate Decisions at Alltech
2.4 Conclusion

Summary

● Strategic planning aims to harness a company’s core competencies to capitalise on identified environmental opportunities and minimise or avoid environmental threats.

● As marketing managers bridge the gap between company, customers, competitors and channels of distribution, they not only manage their marketing strategies, but also tend to be highly influential in business and corporate strategy-making.

● In market-oriented firms, all levels and departments adopt marketing practices. Such organisations follow a business philosophy commonly referred to as the marketing concept.

● Because of competitive factors, different stages of industrial and market development and strategic inertia, not all organisations embrace this philosophy.

● All well-developed strategies contain five sets of issues: scope, goals and objectives, resource deployments, identification of a sustainable competitive advantage, and synergy.

● Strategic planning occurs at different organisational levels, resulting in a hierarchy of interrelated functional, business and corporate strategies. Marketing perspectives underpin all strategies, including those at corporate level.

● A well-developed mission statement not only conveys the corporate image, but also guides employees and instils a shared sense of direction.

● Specific and measurable corporate objectives act as benchmarks against which performance can be measured.

● Sustainable competitive advantage at the corporate level is usually based on unique, often marketing related, company resources.

● Two main directions for corporate growth exist: expansion and diversification.

● Two types of analytical tool exist to assist management’s resource allocation decisions: portfolio models and value-based planning.

● Organisational synergy across a firm’s business and product–markets can be achieved from various sources, such as the firm’s corporate identity and corporate brand, shared resources, and the transfer of knowledge.

● The case study shows the importance of marketing perspectives in designing corporate strategies, and when making tough strategic decisions such as how a firm should grow in the future, allocate its precious resources and achieve sustainable competitive advantage.
3 Business Strategies and their Marketing Implications

3.1 Introduction
3.2 Module Overview
3.3 Case Study 3. Alltech’s Lexington Brewing Company: Marketing Beer and Using Beer to Market
3.4 Conclusion

Summary
- Business-level strategy-making concerns how individual business units within a firm should compete. Product–market strategies involve allocating resources and coordinating activities in an effort to meet those business units’ objectives.
- When clustering product–markets into SBUs, three dimensions can be used: technical/operational compatibility; similarity in target market customer needs; and similarity in personal characteristics of customers in the target market.
- Strategic objective-setting at the business level involves breaking down corporate objectives into sub-objectives to meet the specific requirements of each SBU; these are then broken down further to create tailored objectives for individual product–market entries.
- As the process of deciding how best to allocate resources across an SBU’s product–market entries is similar to the allocation of corporate resources across SBUs, the same type of economic value or portfolio analysis tools can be used.
- Combining Porter’s, and Miles and Snow’s models gives a comprehensive overview of business strategies, which are classified on two dimensions: the SBU’s desired rate of expansion, and its intended method of competing in its established product–markets.
- These generic competitive strategies are appropriate both for small, single-business firms and business start-ups and for firms with multiple SBUs.
- In terms of the five components of strategy, the generic business strategies are defined mainly by the different competitive advantages they seek. However, important distinctions along the other dimensions also exist.
- Some generic business strategies also work better than others under certain environmental conditions.
- When marketing products within a SBU, a manager’s freedom is often constrained by the overall SBU’s competitive strategy. These constraints influence policies regarding all four Ps of the marketing mix.
- Firms commonly set up new SBUs designed for markets demanding prospector strategies and, as product–market entries grow, they are moved into existing or new analyser or defender units.

The case study in this module shows how international biotechnology giant, Alltech, has designed effective business-level and product–market strategies – and achieved strategic fit – for its Lexington Brewing Company.
- Importantly, Alltech embraces marketing perspectives at every level of strategy formulation, leading to greater strategic synergy, creativity and sustainable competitive advantage.

4 Environmental Analysis: Tools to Identify Attractive Markets

4.1 Introduction
4.2 Module Overview
4.3 Case Study 4. Buying Bavaria: A Gateway to Growth?
4.4 Conclusion
Summary

- The powerful role that environmental forces play in shaping firms’ futures means that managers must constantly assess their current and potential environments for opportunities and threats.
- Although managers are sometimes forced to react and adapt to macro-trends, marketing can often be used to reinforce favourable trends and ease the impact of unfavourable trends.
- The macro-environment comprises six components: the sociocultural, demographic, physical, political/legal, economic, and technological environments.
- Macro trend analysis seeks to explore changes within these environments, which collectively determine a market’s attractiveness.
- To take advantage of the opportunities that macro trends present, and avoid or minimise threats, managers should: (1) establish which trends are likely to have the greatest impact on their business, and monitor changes in ethical standards; (2) identify and monitor relevant macro trend information in qualitative and quantitative format; and (3) proactively or reactively amend the firm’s strategy in light of important macro trends, to maintain a competitive advantage.
- One approach that helps managers identify, evaluate and respond to macro trends is the opportunity–threat matrix.
- Macro trend analysis is critical for firms seeking to exploit existing markets and achieve competitive advantage.
- The case study on SABMiller shows that macro trend analysis is also essential for firms seeking to expand into new, attractive markets.

5 Industry Analysis and Competitive Advantage

5.1 Introduction
5.2 Module Overview
5.3 Case Study 5. Scotch Whisky: An Attractive Shot?
5.4 Conclusion
Further reading

Summary

- Growing market demand does not ensure business success. It is equally or more important to choose an attractive industry that offers opportunities for building and sustaining competitive advantage.
- Three levels of industry analysis are commonly employed: generic category, product class, and product type.
- Data should be collected and examined on: the industry’s long-term growth rate; key buyer segments; diffusion of proprietary knowledge; cost and efficiency; and government regulations.
- Porter holds that five competitive forces determine an industry’s attractiveness: rivalry among present competitors, threat of new entrants, bargaining power of suppliers, bargaining power of buyers, and threat of substitutes.
- Another means of assessing industry attractiveness is by identifying the fit between the firm’s competencies and the critical success factors demanded by the industry.
- Although analysing Porter’s Five Forces and critical success factors gives a thorough understanding of macro-environmental issues, for many firms an assessment of the immediate competition is equally or more important.
- Diffusion of innovation theory can help managers predict the likely adoption rate of a new product or service: the faster the adoption rate, the more attractive the new product.
- The product life cycle model suggests that a product’s sales predictably change over time, forming five distinct stages: introduction, growth, shakeout, maturity and decline. Each phase poses particular opportunities and threats, and demands tailored marketing strategies.
- In the real world, imperfect information, lack of know-how and limited time and money often mean...
that firms venture into industries and markets that appear attractive on the surface, but soon prove otherwise.

- This module uses the Scotch whisky industry to illustrate the application of these frameworks, which can assist management decision making regarding an industry’s attractiveness, innovation and achieving competitive advantage, and sustaining competitive advantage over a product’s life cycle.

6 Understanding Consumer Buying Behaviour

6.1 Introduction
6.2 Module Overview
6.3 Case Study 6. Tennent’s Lager: Winning Hearts and Minds
6.4 Conclusion

Further reading

Summary

- Consumer decision making is a form of problem-solving, which tends to involve individuals or organisations going through similar mental processes. Nevertheless, in a consumer context, unique personal characteristics and exposure to different social influences mean that individuals’ buying behaviour can vary considerably.
- Consumer decision making varies depending on the extent of decision making required to make a purchase and the extent of consumer involvement in the product.
- To make high-involvement purchases, consumers tend to follow a mental problem-solving process involving five phases: problem identification, information search, evaluation of alternatives, purchase, and post-purchase evaluation.
- Low-involvement purchases take one of two forms: inertial purchasing, and impulse purchasing or variety-seeking.
- Understanding the target customer’s level of involvement is essential for effective marketing because different strategies are more effective depending on the type of purchase decision being made.
- Important psychological influences on buyer behaviour include perception, memory, needs and attitudes.
- The way people select, organise and interpret information is known as perception.
- Even after product information is selected, only a small part is actually remembered. It is widely held that the human memory stores information via a two-step process, as information is transferred from the short-term memory to the long-term memory, where it is stored for later retrieval.
- Brand or product attitudes derive from a consumer’s multidimensional evaluation of different brands and products, in their search for one with benefits that will best satisfy their needs.
- Personal influences such as demographics and lifestyle also strongly affect consumer behaviour.
- Consumer behaviour is also affected by social influences such as a person’s culture, social class, the reference groups to which they belong, their family and family life cycle stage.
- The Tennent’s case shows how truly understanding customers’ underlying motivations, and staying close to customers through the development of targeted and relevant marketing initiatives, can bring considerable success.
- As competition in the brewing industry increases, and customers become ever more demanding, it will become ever more vital to develop marketing strategies that are based on a sound understanding of consumer behaviour.
7 Understanding Organisational Buying Behaviour

7.1 Introduction
7.2 Module Overview
7.3 Case Study 7. Guinness and the St James’s Gate Brewery
7.4 Case Study 8. Mitchells & Butlers and O’Neill’s Irish Pubs
7.5 Conclusion

Summary

- Although the kinds of products and services purchased by organisational customers are often similar to individual consumer purchases, critical differences lie in buyer motivations, market demographics, the nature of the purchasing process, and the buyer–seller relationship.
- Derived demand not only makes sales forecasting more difficult; it also limits marketers’ ability to influence demand among organisational customers.
- As organisational customers are usually groups of different individuals, marketers must understand these individuals’ roles within the organisation, and their personal interests and concerns.
- Participants in the organisational buying process can be grouped into users, influencers, gatekeepers, buyers and deciders.
- Organisations encounter three kinds of buying situation: straight rebuy, modified rebuy and new-task buying.
- The organisational decision-making process for new-task purchases is often similar to the process for high-involvement consumer purchases, involving the recognition of a problem or need, a search for information about products and suppliers, an evaluation and selection of suppliers, a purchase decision, and a post-purchase evaluation.
- The development of complex, long-term buyer–supplier relationships, built on mutual trust and cooperation that develop slowly over time between organisational individuals, is increasingly common in business markets.
- Organisational buying processes vary depending on what is being bought. Six categories of industrial goods and services can be identified: raw materials, components parts and materials, installations, accessory equipment, operating supplies, and business services.
- The case study highlights the importance of understanding the unique nature of organisational buyer behaviour for firms within the alcohol industry, which deal largely with organisational customers.
- To achieve a sustainable competitive advantage in today’s increasingly competitive environment, alcohol companies such as breweries and distilleries must monitor changes in both consumer markets and organisational markets.

8 Measuring Market Opportunities: Forecasting and Market Research

8.1 Introduction
8.2 Module Overview
8.3 Case Study 9. Energy and Innovation at Anheuser-Busch
8.4 Conclusion

Summary

- Evidence-based forecasts include estimating the size of the potential and the penetrated markets for a product’s intended target market, and predicting its sales revenues for the next few years.
- There are six key evidence-based methods for estimating market potential and forecasting sales: statistical methods, observation, surveys, analogy, market tests, and judgement.
The chain ratio calculation or the use of indices are two mathematical approaches often used to determine numbers that reflect the most likely outcome(s) in terms of market potential or sales forecasts for a given product.

To improve the credibility and accuracy of market potential and sales forecasts, marketers must 1) make explicit the assumptions on which the forecast is based; and 2) use multiple methods.

Several sources of potential bias (including anchoring bias, capacity constraints, incentive pay and unstated but implicit assumptions) should also be taken into account when making forecasts.

Four commonly used market knowledge systems are internal record systems, marketing databases, competitive intelligence systems, and systems to organise client contact.

The first step in conducting market research is identifying the managerial problem and establishing research objectives.

Decisions must next be taken regarding the use of primary or secondary data sources and whether qualitative and/or quantitative information is required.

Designing the research involves determining the data collection methods, preparing the research instrument, determining the method of contact and designing the sampling plan.

Data must next be collected and analysed, and finally results should be reported to the decision maker. The researcher should return to the research objectives to report findings.

The Anheuser-Busch case study shows the importance of forecasting and marketing research for producers of new products entering new markets.

However, measuring market opportunities is important for all types of organisation, small or large, start-ups or established businesses, planning for both new and existing products.

Forecasting is always difficult because the future is inherently uncertain, but with the right tools, approaches and information, sales and market potential forecasts can be relatively accurate.

### 9 Market Segmentation, Targeting and Positioning

#### 9.1 Introduction

#### 9.2 Module Overviews

#### 9.3 Case Study 10. Repositioning in the Cider Industry: Under the Radar of Big Brands

#### 9.4 Conclusion

### Summary

- Market segmentation is the process of dividing a market into homogeneous subgroups of consumers, who share similar characteristics and responses to marketing, making it possible to adjust marketing efforts to meet those consumers’ needs better.

- The process of target marketing involves determining the most profitable market segment to target, by evaluating segment attractiveness in view of organisational competencies.

- Market segmentation embraces three objectives: identifying a distinct, homogeneous segment; specifying the criteria defining the segment; and determining the segment’s size and potential

- Segmentation descriptors fall within the three categories of demographic, geographic and behavioural descriptors.

- Geodemographic descriptors are a combination of demographic and geographic descriptors. Sometimes geodemographic descriptors include psychographic information, and attempt to predict consumer behaviour.

- As not all market segments offer equal opportunities, an assessment is required of different market segments’ future attractiveness and the firm’s ability to realistically meet these segments’ needs in the face of competition. Rather than use several methods to assess segment attractiveness, it is beneficial to apply a common analytical framework across segments. The marketing attractiveness–competitive position matrix is one such framework.

- Marketers should consider three targeting strategies: niche-market, mass-market and growth-market
The process of selecting domestic markets can generally be applied to the selection of overseas markets.

Following from the processes of market segmentation and target marketing, product positioning involves designing products and supportive marketing strategies that collectively create a unique position in the customer’s mind, and consequently a sustainable competitive advantage in the target market.

A product’s competitive position can be assessed by comparing its physical characteristics with those of competing products; yet such an evaluation is unlikely to give a full indication of a brand’s position, because positioning ultimately occurs in the consumer’s mind.

Marketers position products by adding various attributes to them. These can be simple physically based attributes, complex physically based attributes, or essentially abstract (perceptual) attributes.

The positioning process comprises several stages: identifying a relevant set of competitive products; identifying determinant attributes; collecting data about customer’s perceptions for products in the competitive set; analysing the current positions of products in the competitive set; determining customers’ most preferred combination of attributes; considering the fit of possible positions with customer needs and segment attractiveness; and, finally, writing a positioning statement or value proposition.

The case study shows that, by identifying a small, profitable segment of consumers and meeting their specific needs with highly targeted marketing efforts, small companies like Woodward’s can ‘slide under the radar’ of large, mainstream brands.

In today’s highly competitive alcohol industry the marketing processes of segmentation, targeting and positioning are critical for all small and large organisations alike, if sustainable competitive advantage is to be achieved.

10 Product Decisions

10.1 Introduction
10.2 Module Overview
10.3 Conclusion

Summary

- Products are purchased for their core benefits, which consumers see as satisfying to their needs.
- A product is something which satisfies a need through use, consumption or acquisition.
- The augmented product concept holds that products are multilayered, consisting of a core benefit at their root, followed by product features, packaging, warranty and services.
- When developing products, a positioning statement or value proposition can be an invaluable guide and can highlight sources of differentiation, which can be either physically or perceptually based. A common means of physical differentiation is quality.
- A brand is a name, sign, symbol or some combination of these that identifies products and helps differentiate them.
- Sometimes brands indicate what a product is or stands for, whereas others need their meanings to be built.
- Branding strategies include individual branding, family branding, co-branding and global branding.
- Product packaging serves several functions, such as protecting, differentiating and promoting a product, providing product information, facilitating a product’s use, and making a product safe.
- Superior service can add significantly to a product’s quality rating, boost customer retention, and ultimately create competitive advantage.
- Product line management includes line filling, line stretching, line extensions, brand extensions, product systems and dropping products.
New products can be new to the world, new to the firm, product line extensions or simply product improvements.

Although NPD is of great importance to firms’ long-term profitability, it is also extremely costly and risky.

Stage-gate systems hold that a new product concept must pass through several gates, between which various development processes take place, and at which the product’s merit is examined before it can pass.

Stage-gate systems seek to manage the entire NPD process, from idea generation to product launch.

Employing a systematic, well-planned approach to NPD can help ensure products are brought to market quickly with the right attributes for success.

The Alltech case studies show that product decisions are not made in isolation; all strategies within a firm are interrelated and mutually supportive.

11 Pricing Decisions

11.1 Introduction
11.2 Module Overview
11.3 Case Study 11. The Price is White: Kronenbourg Blanc
11.4 Conclusion

Summary

- A manager’s freedom to make pricing decisions is constrained by several factors. The firm’s costs set a floor for the chosen price; the price sensitivity of demand for the product determines a ceiling. Situational factors should also be considered, such as the firm’s strategy and competitive offerings.
- When making pricing decisions, a systematic, step-by-step procedure should be adopted.
- Strategic pricing objectives may be to maximise sales growth, maintain a quality or service differentiation, maximise current profit or survival. Alternatively, a firm may pursue social pricing objectives.
- The demand curve can be used to depict variations in the quantity demanded at different prices.
- Several factors relating to buyers’ perceptions and preferences, their awareness of and attitudes towards alternatives, and their ability to pay, affect price sensitivity.
- Price elasticity of demand is the degree to which demand changes in response to price, and may be elastic, inelastic or unitary.
- The chosen price must cover total costs. A firm’s costs can be fixed or variable. Marketing mix costs can be a combination of fixed and variable costs, as well as other costs such as distribution channel mark-ups.
- When making pricing decisions, managers should take into account economies of scale and the experience curve. Competitors’ costs and prices should also be considered.
- Managers can use various pricing methods, which tend to fall within three categories: cost-oriented methods, competition-oriented methods and customer-oriented methods.
- The final stage in the pricing process is developing a price structure that adapts the price to market variations. This may involve making geographic and global adjustments, discounts and allowances, differential pricing, and product line pricing adjustments.
- The case study shows that pricing was a key element of the marketing mix for S&N, when creating a strong position for its new white beer.
- Importantly, pricing decisions are not dictated simply by factors beyond managers’ control. Managers can make strategic pricing decisions and implement appropriate strategies that will support their product’s overall marketing mix, enhance its desired position, differentiate it from the competition, and ultimately provide superior customer value.
12 Distribution Decisions

12.1 Introduction
12.2 Module Overview
12.3 Case Study 12. Russian Beer
12.4 Conclusion

Summary
- Good distribution channel decisions are critical in the successful marketing of alcoholic drinks. Consumers will not buy your product unless it is readily available when, and where, they want to buy it.
- Developing distribution channels that are both effective and cost-efficient are key challenges for marketing management.
- Channel design involves decisions about the appropriate types and number of middlemen required in the distribution channel.
- Distribution channels may be designed to accomplish several different objectives, some of which may compete and therefore require trade-offs to be made.
- Channel management decisions involve policies and procedures to gain and maintain the cooperation of channel intermediaries.
- To gain the support and direct the efforts of channel partners, drinks manufacturers may use vertical integration, legal contracts, or economic incentives, and/or develop mutually beneficial relationships based on trust and the expectation of future benefits. Increasingly, drinks manufacturers are seeking to develop long-term relationships with their channel partners.
- Drinks manufacturers can try to exert influence over channel members through: economic power, coercive power, expert power, referent power, and legitimate power.

13 Integrated Promotion Decisions

13.1 Introduction
13.2 Module Overview
13.3 Case Study 13. Plymouth Gin: from History and Place to Promoting Taste
13.4 Conclusion

Summary
- Winning the hearts and minds of ever-more demanding customers requires the development of more creative and innovative promotion than ever before.
- Increasingly, firms draw on more than one element of the promotional mix, to create an integrated marketing communications (IMC) plan with a stronger message and greater impact.
- There are five stages in the development of an IMC plan: define the audience(s) to be targeted, set SMART promotional objectives, set the promotion budget, design the promotion mix, and evaluate the results.
- There are several budgeting techniques, including competitive parity, percentage of sales, and objective and task.
- Four key promotional tools are available to the marketer: advertising, personal selling, sales promotion and public relations (PR).
- Mostly either advertising or personal selling is chosen as the primary tool, depending on whether a push or pull strategy is required.
- Advertising decisions are complex, involving setting advertising objectives, setting advertising...
Budgets and making media choices, developing the creative strategy and measuring advertising results.

- When setting advertising budgets, managers must consider the media reach and frequency required to meet the advertising objectives, and use these measures to develop a media schedule that ascertains the total advertising expenditures.
- Traditional media types comprise television, radio and print media and out-of-home, exhibition and supplementary media.
- Technological advances, and in particular the growth of the Internet, have led to the emergence of new media, such as website development, search engine positioning, portal deals, email and banner advertising.
- Measuring advertising results can be achieved through before-and-after tests.
- The personal selling manager will be confronted with several strategic issues. What is the sales cycle? Is the sales effort to be international in scope? What policies and procedures are in place for customer service? Does technology play a critical role in the personal selling plan?
- The key to salesforce performance lies in effective recruitment, selection, training and compensation. Evaluating and controlling the salesforce are also essential: three main approaches exist – sales, cost and behavioural analysis.
- Although sales promotion and PR tend to play a supporting role to either advertising or personal selling, important decisions concerning them still have to be made.
- For firms with limited marketing budget, such as small firms or new entrants, the role that these mix elements play can be substantial.
- Although managers often see promotion as draining scarce financial resources, the Plymouth Gin case study illustrates how, with appropriate decision making and careful planning, promotion can be used to bring a brand back to life by spending very little indeed!

14 Marketing Strategies for New Market Entries

14.1 Introduction
14.2 Module Overview
14.3 Case Study 14. FABs: Two Dogs Lead the Way
14.4 Conclusion

Summary
- Both competitive advantages and risks are associated with being the market pioneer. This presents managers with a strategic question: Is it better to be a pioneer or a follower?
- Importantly, not all new products are equally ‘new’. New products can be classified as: new-to-the-world products, new product lines, additions to existing product lines, improvements in or revisions of existing products, repositionings, and cost reductions.
- A business’s objectives for its new product influence the kind of entry strategy it should pursue, and the marketing and other functional programmes needed to implement that strategy.
- The competitive advantages that pioneers enjoy include: first choice of market segments and positions; the ability to define the ‘rules of the game’; distribution advantages; economies of scale and experience; high switching costs for early adopters; the possibility of positive network effects; and anticipating scarce resources and supplies.
- Competitive advantages enjoyed by followers include the ability to take advantage of the pioneer’s positioning, product and marketing mistakes, and the ability to take advantage of the latest technology and the pioneer’s limited resources.
- A pioneer’s chances for long-term success are enhanced when the new product–market is insulated from competitive entries by strong patent protection, propriety technology, substantial investment requirements or positive network effects.
A pioneer’s chances will also be stronger if it has sufficient resources and competencies to fully capitalise on and maintain its pioneering position.

A pioneer might choose from one of three different types of marketing strategy: mass-market penetration, niche penetration or skimming.

Maximising customer adoption of a firm’s new product as quickly as possible requires a marketing programme based on 1) increasing customers’ awareness and willingness to buy and 2) increasing customers’ ability to buy.

The marketing programme elements of a niche penetration strategy are similar to those of a mass-market penetration strategy, but niche penetration requires more selective and targeted marketing efforts.

One major difference between skimming and mass-market penetration strategies is their pricing policies.

This module has shown that, by adopting an appropriate strategy given internal strengths and weaknesses and external opportunities and threats, market pioneers can reap substantial rewards.

However, a pioneer strategy is not suitable for every firm. The Two Dogs case shows how Bacardi and Smirnoff came into the FAB market as followers, and having built on mistakes made by former alcoholic soft drinks, were able to take the market by storm.

15 Marketing Strategies for Growth Markets

15.1 Introduction
15.2 Module Overview
15.3 Case Study 15. Latin America: A Battle of the Brewers
15.4 Conclusion

Summary

It is critical for business success to develop and implement an appropriate strategy during market growth, to capitalise on opportunities, reduce threats, and secure a sustainable competitive advantage.

In general, it is easier to gain share when a market is growing: share gains are more valuable than in mature markets, price competition is likely to be less intense, and early entry may provide opportunities for technological advantage.

Although generally valid, these opportunities can be misleading, which means that managers should thoroughly understand them before entering a growth market.

The primary objective for the share leader is share maintenance, which involves retaining current customers and stimulating selective demand among later adopters to ensure that the firm’s sales volume growth is at least equal to that of the overall market.

There are five internally consistent share maintenance strategies: a fortress or position defence strategy; a flanker strategy; a confrontation strategy; a market expansion strategy; and a contraction or strategic withdrawal strategy.

There are two basic options for a challenger: steal away some of the repeat purchase or replacement demand from its competitors’ current customers; or attract a larger share of potential new customers.

Five key share growth strategies that may be employed by a challenger are: a frontal attack; a leapfrog strategy; a flanking attack or encirclement; and guerrilla attacks.

A challenger may decide to attack the share leader within its primary target market or peripheral segments, or a follower who has an established position within a major segment, or one or more smaller competitors who have only limited resources. Alternatively the challenger may avoid direct attacks on any established competitor.

The case study shows how these growth market strategies might be employed by the share leader and a powerful follower in the Latin American beer market.
As big brewers turn increasingly to emerging economies in search of expansion, it will become ever more important to understand the ways in which a sustainable competitive advantage may be achieved during a market’s growth.

16 Marketing Strategies for Mature and Declining Markets

16.1 Introduction
16.2 Module Overview
16.3 Case Study 16. Otaru Beer: Customer Value in Market Maturity
16.4 Conclusion

Summary

- To survive the shakeout period, firms must avoid several common strategic traps.
- Both analyser and defender strategies may be appropriate for businesses that have a profitable share of at least one major segment, seeking competitive advantage in mature industries.
- Sustaining competitive advantage by differentiation or low cost is critical to the success of either strategy.
- Two primary means of differentiation are superior product quality and superior service.
- Eight dimensions of product quality are: performance, durability, conformance with specifications, features, reliability, serviceability, fit and finish, and brand name.
- Five dimensions of service quality are: tangibles, reliability, responsiveness, assurance and empathy.
- To implement a low-cost strategy, firms can: produce a no-frills product; undertake innovative product design or production processes; use cheaper raw materials; use low-cost distribution; and reduce overheads.
- During the early years of maturity, a business’s primary marketing objective should be to maintain and protect market share by keeping and growing existing customers.
- To increase customer value, managers must first fully understand how satisfied customers are with current offerings.
- Not all customers are equally valuable to an organisation, and thus equal amounts of effort and expense to keep them all loyal may prove unprofitable.
- Many of the strategies used to maintain market share in growth markets are equally viable in mature markets. For share leaders, a fortress defence strategy is the obvious option.
- Small-share competitors can also profit in mature markets, especially if they avoid prolonged confrontation with large players, by employing a niche strategy for example.
- If a slowdown in growth occurs owing to limitations in current marketing strategies, several strategies can be applied to prolong the product–market’s life cycle and extend volume growth: an increased penetration strategy, extended use strategy and market expansion strategy.
- Three factors help determine the strategic attractiveness of declining product–markets: conditions of demand, exit barriers and the intensity of future competitive rivalry.
- Several strategic options exist for companies that choose to remain in the decline stage: a harvesting strategy, maintenance strategy, profitable survivor strategy or niche strategy.
- The case study shows that the application of the right strategy during market maturity and decline can reap substantial rewards.

17 Implementation and Control

17.1 Introduction
17.2 Module Overview
17.3 Case Study 17. Red Wing Brewery
17.4 Conclusions

Summary

- Strategic fit is key to business success.
- Strategic fit involves an alignment between the competitive and marketing strategies of a business with the external environment and also the business’s internal environment, that is, organisational structure, policies, processes and plans.