

# Competitive Advantage Through Marketing Strategies

AUTHOR

Dr. Shwetabh Mittal  
Reader in Commerce &  
Business Administration  
M.M.H. (PG) College,  
Ghaziabad.

## ABSTRACT

Globalisation has made the world smaller and the markets bigger. The development of marketing is now evolutionary rather than revolutionary. In this competitive age one has to make a clear policy or strategy to be in the market. Strategies refer to determination of a course of action to achieve a desired result. No magic formula exists to prepare for the future. The requirements are excellent insight to understand changing consumer needs, clear planning to focus our efforts on meeting those needs and flexibility. The aim of competitive strategy is to master a market environment by understanding and anticipating the actions of other economic agents, especially competitors. In the present paper, an attempt has been made to analyse the complexities of marketing and the strategies helping the firms to maximize product sales growth and profitability in the competitive, growing market.

### 1. MEANING OF STRATEGY

“Strategy” means an artifice or a subtlety of contrivance. A dictionary describes strategy as an “artful means to some end.” It is a realistic process of solving or tapping or nabbing opportunities by identifying the consistency of the alternatives with the corporate goals, policies and available resources. Like a magnifying glass, strategy brings in to notice the critical activities requiring prior concentration and special efforts. It acts as a bridge between a firm’s objectives and its action plans or programs.

Marketing strategy is the path through which marketing resources are matched suitably with the market opportunities and problems. It is the basic approach that the business unit will use to achieve its objectives, and it consists of broad decision on target markets, market positioning, market-mix and marketing expenditure levels.

The aim of competitive strategy is to master a market environment by understanding and anticipating the actions of other economic agents, especially competitors. A firm that has privileged access to customers or suppliers or those benefits

from some other competitive advantage will have few of these agents to contend with Potential competitors without any advantage, if they have their wits about them, will chose to stay away. Thus, competitive advantages are actually barriers to entry. Indeed, the two are, for all intents and purposes, indistinguishable.

“A competitive advantage is something a firm can do that rivals cannot match”. It either generates higher demand or leads to lower costs. “Demand” competitive advantage gives firms unequalled access to customers. Also known as ‘customer captivity’, this type of advantage generally arises from customer’s habits, searching costs or switching costs. “Cost” (or “supply”) advantages, by contrast, almost always come down to a superior technology that competitors cannot duplicate – because it is protected by patent, for example-or a much larger scale of operation, accompanied by declining marginal costs, that competitors cannot match.

These three factors (customer captivity, proprietary technology, and economics of scale) generate most

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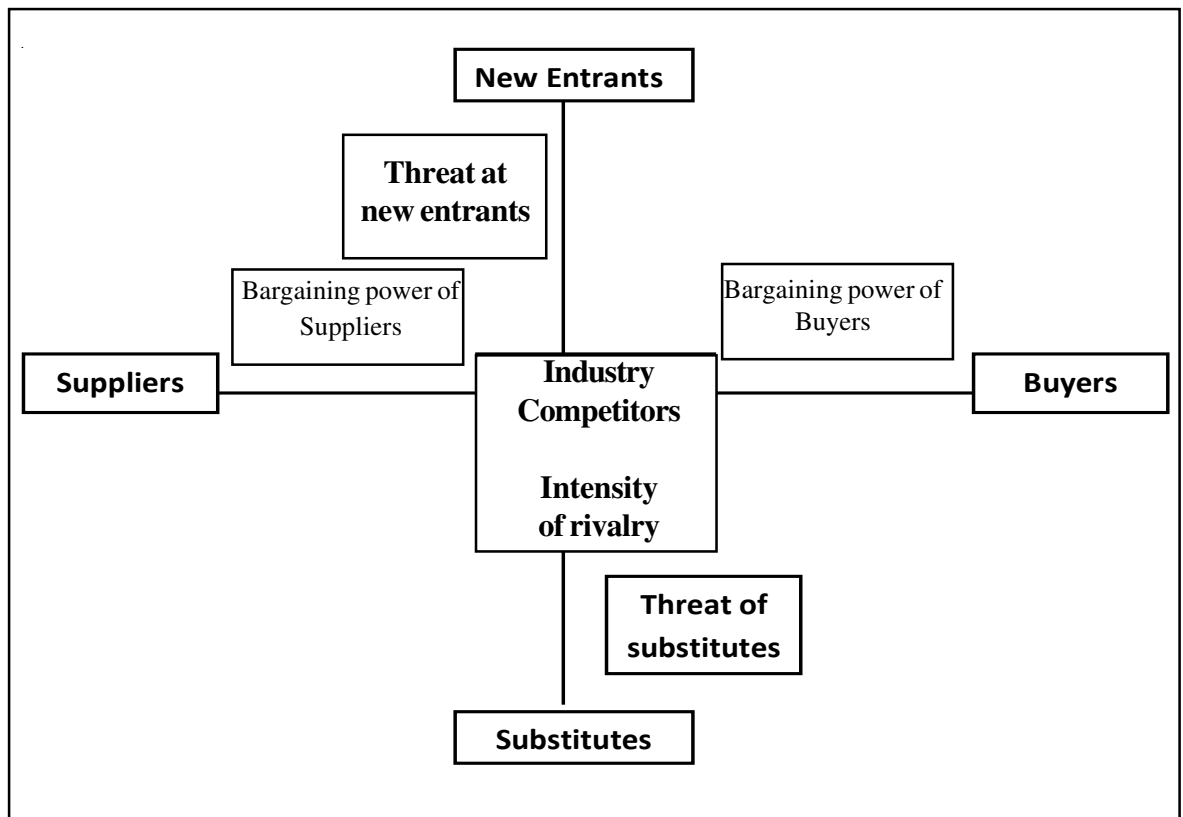
competitive advantages. The few other sources – government support or protection, for instance, and superior access to information – tend to be limited to particular industries.

Sustainable competitive advantage refers to the company's attempt at building up and maintaining advantage over competition for a long period. The most influential analytical model for assessing the nature of competition in any industry is Michael Porter's Five Forces Model, which is described below :

- entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g estate agency, restaurants). Key barriers to entry include.
- .. Economies of scale
- .. Capital / investment requirements
- .. Customer switching costs
- .. Access to industry distribution channels
- .. The likelihood of retaliation from existing industry players.

**B. THREAT OF SUBSTITUTES**

The presence of substitute products



**2. COMPETITIVE FORCES**

Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five “competitive forces” are :-

**A. NEW ENTRANTS**

New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High

- can lower industry attractiveness and profitability because they limit price levels.
- The threat of substitute products depends on :
- .. Buyer's willingness to substitute
- .. The relative price and performance of substitutes
- .. The costs of switching to substitutes

**C. BARGAINING POWER OF SUPPLIERS**

**Bargaining Power of Suppliers**  
(Supplies are the businesses that supply materials & other products into the industry)

The cost of items bought from supplies (e.g. raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when :

- .. There are many buyers and few dominant suppliers
- .. There are undifferentiated, highly valued products
- .. Suppliers threaten to integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets)
- .. Buyers do not threaten to integrate backwards into supply
- .. The industry is not a key customer group to the suppliers

**D. BARGAINING POWER OF BUYERS**

Buyers are the people / organizations who create demand in an industry

The bargaining power of buyers is greater when

- .. There are few dominant buyers and many sellers in the industry
- .. Products are standardized
- .. Buyers threaten to integrate backward into the industry
- .. Suppliers do not threaten to integrate forwards into the buyer's industry
- .. The industry is not a key supplying group for buyers

**E. INTENSITY OF RIVALRY**

The intensity of rivalry between competitors in an industry will depend on :

- .. The structure of competition – for example, rivalry is more intense where there are many small or equally sized

competitors; rivalry is less when an industry has a clear market leader.

- .. The structure of industry costs – for example, industries with high fixed costs encourage competitors to fill unused capacity by price – cutting.
- .. Degree of differentiation – industries where products are commodities (e.g. steel, coal) have greater rivalry: industries where competitors can differentiate their products have less rivalry.
- .. Switching costs – rivalry is reduced where buyers have high switching costs – i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier.
- .. Strategic objectives – when competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are “milking” profits in a mature industry, the degree of rivalry is less.
- .. Exit barriers – when barriers to leaving an industry are high (e.g. the cost of closing down factories) – then competitors tend to exhibit greater rivalry.

**F. MARKETING AND COMPETITIVE ADVANTAGE**

‘Marketing is the Guardian of the customer’ and therefore best placed to determine the deliverables that will contribute most to building strong relationships between customers and organization. Fluctuating customer requirements and competitive forces are putting more pressure on marketing and are demanding superior sales and marketing strategy and tactical execution. The cycle time from product creation, to product launch, for a winning go-to-market strategy, leaves no margin for error.

**3. MEANS TO GAIN COMPETITIVE ADVANTAGES**

The rapid commoditization of complex solutions calls for concise marketing strategy and timely execution, yet many

companies are finding their best sales and marketing strategies. In this paper two means have been described in detail by which competitive advantage can be gained these are :

A. CREATING COMPETITIVE ADVANTAGE THROUGH MARKET DIFFERENTIATION

A focus on differentiation was and always would have been the vehicle to achieve Sustainable Competitive Advantage. There are different ways with which the organizations can achieve differentiation and can create competitive advantage. These are:-

Consider marketing in the bigger picture context to maximize the uncovering of differentiation opportunities.

Differentiation can arise from a wide range of areas of an organization, in its interaction with customers, including, achieving competitive advantage from products, brands, pricing, promotion, geographic location, communication, manufacturing efficiencies, sales, capabilities, distribution, financial strength, proper business performance measurement, people etc.

Properly considering the differentiation opportunities most relevant to customers also ensures the impact of funds appropriated is maximized.

Recognize that differentiation in marketing initiatives changes the "value equation" for customers when they make choices between you and your company.

Understand the relevance and importance of differentiation opportunities to customers before making them part of strategy to maximize impact and the profitable appropriation of marketing funds.

Make market knowledge a critical and ongoing part of your marketing

disciplines and ensure this knowledge is interpreted by people with appropriate marketing experience able to convert it into actionable differentiation strategies.

Another factor that hinders the creation of tangible marketing differentiation is "fixed mindsets" predicted on beliefs that nothing can be changed or improved from the current circumstances. So avoid "fixed mindsets" and encourage endless curiosity of what can work.

B. USING WEB TECHNOLOGY AS A MEANS TO STRENGTHEN COMPETITIVE ADVANTAGE

Many firms underestimate the value of using their websites to gain significant competitive advantage in their given markets. Most businesses only utilize their website as a means of displaying their corporate profile, list of products as well as things like their contact details and email address. At the risk of "preaching to the converted" Alex Margarit highlights some of the ways that a firm's website, when used as an effective Internet Marketing Channel, can enhance competitive advantage.

It is fairly safe to say that managers should always view web technology in light of the whole marketing mix instead of merely as an extension of their existing advertising efforts. This happens again and again and therefore some of the ways can be highlighted, that a website can positively impact each of these marketing mix elements:

**Distribution (Place)**

Ways to enhance distribution networks may include using the web portal to enhance logistics, create new marketing channels (for example affiliate channels) or provide better or faster product access for customers. Be careful however when creating new e-commerce sites as it is important to conduct a thorough online



market analysis of your product to ensure that you are also competitive as far as other Internet based competitors are concerned. Internet retailers such as Amazon are growing in size and dominance and should be taken into account when planning any online strategy. Affiliate marketing channels may also be something to look into in terms of gaining more traffic to your site. New incoming marketing and information channels can be easily established by creating an affiliate program which entails other firms listing your site URL on their pages which in turn can equate to more traffic for your site. Look at your existing business referrers; can you enhance or strengthen these channels through the use of effective and relevant hyperlinks ?

**Promotions**

The growth of the Internet’s accessibility is inevitable and firms would be well advised to start the web advertising function as soon as possible. The reason for this is that “staying power” is paramount with more and more people starting to use the web. Firms that have been around the longest and which have high levels of interconnectivity will always maintain a pretty big competitive advantage over newer entrants. Once a firm’s web page has established a decent ranking and is featured on other related sites, the ability for firms to utilize this coverage to reach out to new domestic and international markets can be quite powerful. The success of large Internet advertising campaigns is well documented. The last US election was a real eye-opener as Internet marketing played a dominant role in key advertising campaigns with staggering amount of marketing messages being delivered via the Internet to target audiences.

Email marketing lists are also a great way to stay in touch with your customers and their effective use can provide a valuable marketing and information channel. The benefits are two fold with the ability for marketers to use them to heighten brand

awareness whilst strengthening customer relationships. Newsletters and other marketing can be used to let customers know about new products or services as well as provide segment relevant information to them designed to offer value and a “good read”. A word of caution though, make sure you clearly outline your privacy and anti-spam policy so as not to breach any anti-spam laws. You will need to get your customer’s consent first as well as provide an unsubscribe link so that they may choose whether they want to receive your communications.

**Product**

While observing the product part of the marketing mix, an Internet portal can substantially strengthens your firm’s current product offering. Ways that a web site can enhance your product offering are many, ranging from offering new web related products through to establishing outgoing affiliate programs. Giving customers better services that bolster the appeal of the core product is a great way to effectively relate products to customer needs. This usually involves the creation of secondary or ancillary products that can either be sold or provided for free. These additional offerings can help to generate higher, sometimes passive, earnings as well as increase a firm’s potential differentiation. Ways in which your firm can do this include :

1. Setting up a knowledge base that your clients can have access to that includes a FAQ or query function allowing your clients to query you for information. This helps them to use the service better or more efficiently.
2. Using a feedback form where clients can offer their input as to their needs and product suggestions can help you to determine valuable information about your customer’s needs.
3. If you have a product that is hard to operate, providing free or subsidized

training can assist your customers to overcome difficulties.

Many firms actually charge their clients for the support component you will have to refer to the existing competition situation to determine whether this is something that you can implement. Either way product enhancements could include increasing the availability of products and services by putting order forms and support forms on your website.

### Price

The automation of some of the firm's functions using web technology usually equates to a significant saving of operational costs? That's if you are doing it right of course! For instance having an effective inbound ordering form, can reduce sales staffing costs, because ordering online doesn't require a sales representative to take the call and then effectively turn it around.

The firm should encourage clients to use the web form as opposed to other methods of product ordering as this form may be an effective means of reducing staffing costs, and by reducing this cost the firm may offer "better deal" to Internet customers. Also, this can help to establish a pattern of online behaviour in your customers that can sometimes be translated to other online firm functions such as support pages. These are just a few of the ways in which an effective online strategy can turn your small web site into a virtual cost saver and income-generating machine. I challenge you to make the most of what is available and remember that constant revision of new web technology is always beneficial if you decide that it may

or may not be for you. Naturally, not all web technology is suitable for every firm and it is important that you are conscious that ongoing development can be costly both in terms of time and other development and infrastructure expenditure. Effective development research as well as cost, change and market analysis is paramount to ensure that the benefits of any change outweigh any given realistic investment cost.

Certainly in the technology domain, any country that wants to create and sustain competitive advantage in the global market needs to ensure innovative developments can be protected in the marketplace. In terms of technological achievement, South Africa is ranked 39<sup>th</sup> out of the top 162 countries. Despite our relatively small economy on a world scale. South Africans have over the years, achieved significant global recognition for important contributions to technological innovation. Many of these achievements, however, were made in other countries.

### 4. CONCLUSION

The competitive advantage offers the firms those ways with which they can sustain themselves for a longer time in the market. The two means, which the author has described, help the firms to maximize product sales growth and profitability with a keen look and consideration of public welfare through comprehensive business management including introduction, development, execution and follow up of the total marketing effort. Competitive advantage provides the access to the market place and hence this gives a significant recognition in the global world.

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