

Chapter 15

Marketing Strategies in Competitive Markets and Challenging Times

Süphan Nasır
Istanbul University, Turkey

ABSTRACT

The challenging times and competition pose a serious threat to the survival of enterprises. The main objective of this chapter is to discuss the marketing strategies that help enterprises to continue their financial health in challenging times such as during the period of recessions or in rapidly changing competitive markets. A framework of strategies, which may enable enterprises to sustain and thrive their profitability in challenging and competitive markets, is proposed based upon the strategies on which the literature has reached a broad consensus. The proposed marketing strategies for challenging and competitive markets include creating customer value, differentiation and innovation, finding alternative ways to price cut, emphasizing brand value, maintaining marketing and advertising, focusing on targeted marketing communication, reviewing and measuring marketing budget effectiveness, understanding marketplace, developing strategies based upon customer insight, becoming customer-centered, focusing on customer retention and loyalty, and re-evaluating and prioritizing customer segments.

INTRODUCTION

Marketplace has been changing continually. Challenging times cause change-in customer purchase behaviour and also shift in customer needs. The change in markets and economic conditions affects various customer segments differently. Nielsen report indicated that in downturn times, customers are becoming more value conscious, showing a new norm of purchasing behavior, and they are using channel proliferation, new media opportunities and promotional offers to their advantage (Nielsen, 2012).

Forrester report states that enterprises have been entering a new era, which is called the age of the customer. Forrester report defines the age of the customer as (Cooperstein, 2013, p. 3):

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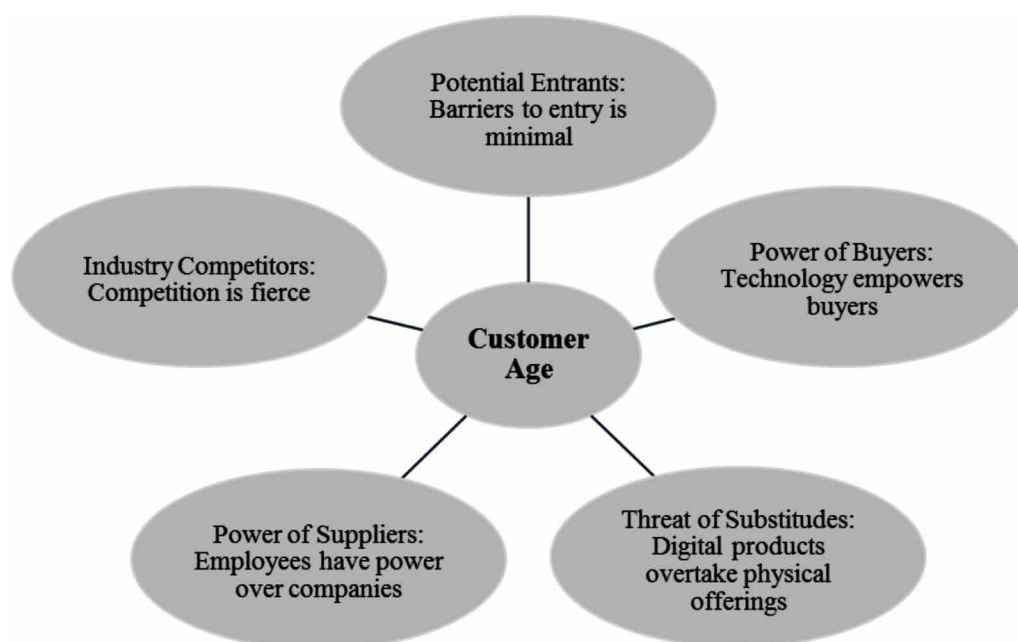
A 20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers.

Forrester report on competitive strategy in the age of the customer tries to explain the characteristics of this new era with Michael Porter's Five Forces. Figure 1 outlines the characteristics of the customer age. Forrester report indicates that in the age of customer, customers have been becoming more powerful. Barriers to entry are minimal in the customer age because outsourced manufacturing and digital connections make new entry easier. Online reviews and internet access enable customers to get information about products and prices and make comparisons easily. This increases the bargaining power of customers in the age of customers. Digital products are considered as threat of substitutes. Digital products overtake physical offerings and digital substitution erases profits across multiple industries. In the customer age, customers easily switch to the substitute products that offer them more value. Employees play a critical role in bringing knowledge, ideas, and relationships that companies need to remain competitive. Thus, in the age of customers employees are critical for the performance of an enterprise. If they are not satisfied with their jobs, they can leave and work for another enterprise. While they are leaving the company, they also carry knowledge, ideas and relationships with them. Competition is much fiercer in the industry. In the age of customer, companies have instant access to real-time information about competitors' pricing and policies from the web. This increases the competition, since companies can watch or react to each other's move instantly (Cooperstein, 2013).

Changing market conditions require changing approaches. As the pace of change increases, enterprises have to understand purchasing behavior of customers and adopt more flexible new business models in order to respond to the shifting customer needs. Success of an enterprise depends on its ability to:

Figure 1. Characteristics of the age of customer

Source: Adapted from Cooperstein, D.M. (2013). Competitive strategy in the age of the customer. Forrester. Retrieved October, 10, 2013, from http://solutions.forrester.com/Global/FileLib/Reports/Competitive_Strategy_In_The_Age_Of_The_Customer



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