Marketing strategies for small-share players

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Lessons from past marketing battles demonstrate that regardless of a company's size, the right strategy and tactics can produce sizable gains in market share.

There are no military secrets in the marketing war. Strategies and tactics have been scouted, reconnoitered, and dissected by experts ever since early American merchants found ways to drum louder and distribute better and faster than those in the next wagon. Yet, despite the growth of interest and the number of articles, books, and studies written about marketing during the past half-century, many firms disregard conventional wisdom and head off into no-man's-land.

In the interest of clearer strategic marketing approaches, what information can planners gather from the best military lessons of the past forty or fifty years?

Military lessons? Of course. Is there any doubt that marketing is a warlike game? It is structured on the strictest battleground concepts and fought successfully only by those with the right weapons and a clearheaded fix on competitive targets. The concept of marketing as a military science, outlined in the classic works of Karl von Clausewitz and B.H. Liddell Hart, translates into strategies based on competition, not on product appeal or distribution. And nowhere is the competition more intense than in the battle for market share. Every market has, of course, a leader and any number of challengers, followers, and nichers—all wanting to defend their current position or battle others to capture the prize of a larger market share.
If you have a market-share objective, your strategy options are determined strictly by the position you already occupy. To be effective at increasing market share, the strategy selected must be appropriate to your market position, must be capable of sustaining your edge, and must be a valid mechanism for carrying on your continuing growth.

**Market position reality**

Are your strategies appropriate to your position? One example of inappropriate strategy is based on self-delusion, such as when a company that is not "number one" proclaims itself to be so. In the hope of launching a self-fulfilling prophecy such a firm goes promotionally all out, rallying the troops around the "We're number one" banner.

While this corporate motivator may have merit as internal adrenalin, it falls short out there in no-man's-land (which is really some-man's-land in the marketplace). Leadership strategies employed by non-leaders miss a key point: There is no other leader than the one defined by market share. Good old-fashioned dollar volume share is all that counts in marketing. There is no other type of meaningful leadership.

While a given firm might really be number one in research, product design, or even profitability, or "first," "best," "latest and greatest" in some other area, if it does not actually dominate market share, then any promotion built on the "We're number one" theme can be wasted by its own lack of credibility.
Sustaining your edge

The more damaging consequences of such misspent resources can be crushing—a weakening of other products in the line and a psychological virus that can fizzle morale at home and invite your competition to pillage and plunder. In the drive to secure or expand market share, only certain strategies are appropriate for low-market-share players. Inner-focused promotional dollars, rather than feeding a self-centered image concept, should have gone into a better tactical effort (e.g., frontal attack, flanking maneuver, or guerrilla or psychological warfare) to gain competitive ground. At the very least, resources should go toward upgrading your marketing research, developing stronger competitive analyses, or arming your salespeople with better types of support materials.

The "promotional burst," for example, is strictly a leader's strategy, part of an overall offensive that is considered the single best defense against attack by competitors. This strategy often fails due to naive application by a challenger, a market follower, or a nicher. Consider the example of Case-U.S., a subsidiary of a British heavy equipment manufacturer. Case had decided to challenge the market leader with a $1.5 million burst of trade media advertising. Response fell so far below expectations that the firm was unable to recoup in time to avoid divestiture.

Defending market share

How can low-market-share companies develop enduring competitive clout? Just like the leaders, they, too, should employ certain fundamental tactics:
• Tailor their strategies to differences in the market environment
• Provide higher quality
• Offer lower prices than the competition
• Maintain low total cost

In *Competitive Advantage*, Michael Porter identifies a number of "logical avenues of attack" for market challengers and the actions necessary to block them for market share security. One of his basic precepts is that it will be difficult for any firm to successfully challenge the one that invests in improving its costs and product differentiation. There are three types of defensive marketing:

1. Raising structural barriers
2. Signaling potential retaliation
3. Lowering the inducement for attack.

**Structural barriers**

Because this area of strategy embraces the lion's share of data concerning marketing tactics, structural barriers are treated at greater length here than the other two defensive strategies.

While the analogy to battlefield architecture may seem simplistic, structural marketing barriers have the potential to stop a competitor in its tracks, like a wall or a moat, by causing the challenger to expend efforts far out of proportion to any possible gain. And if the existing barriers are high enough or deep enough, then the incumbent is in the happy posture of not having to invest further in the defensive structure.
On the other hand, it makes sense to continue strengthening existing walls (or widening the moats) to block a contender's attack by taking actions that come naturally as a result of ongoing marketing activities. One vital strategy is to fill gaps in your product line, thus preempting alternative market positions that a challenger might attempt to occupy. (Seiko, for example, acquired the Pulsar brand to block attacks at the low end by Citizen and Timex.)

A second basic technique is to impede the challenger's access to distribution channels. This not only defends your present channels but blocks a contender's access to alternative channels that might have become a springboard for entry into your turf. IBM, for example, has packaged all feasible sizes and permutations of its hardware, software, and service support, thus crowding competitors out of many market channels.

Another strategic maneuver is to defensively increase economies of scale. By accelerating its new product development through investment in technology, a firm throws greater barriers in the challenger's path, forcing the competitor to spread matching development costs over a smaller base of sales. By increasing the amount of capital needed to compete, the leading player can reduce the contender's willingness to go forward. For example, by providing better service or raising credit margins for your dealers, you may block the challenger's thrust into your market sector.

A legendary example is the strategy Air Products & Chemicals Incorporated devised in the 1940s to save delivery costs of industrial gases. Instead of shipping to customers from far-flung plants, the
supplier linked smaller, localized plants to the facilities of its larger customers, efficiently locking out competition.

Porter also cites the technique of foreclosing alternative technologies as a block to challengers. In photocopying's early stages, Xerox not only scooped up new patents, but it also acquired licenses, had pilot plants humming with new-technology tests, and teamed with other firms to keep abreast of the art. (See the accompanying sidebar on last page for details on how Xerox was one-upped when "A Small Player Changes the Rules in Photocopying."

Still, there is no doubting the powerful techniques that make the difference between those who dominate, those who follow, and those who niche. Well-applied strategies nurture success in each stratum, especially if there is no letup on financial commitment. Vertically-integrated Michelin, for example, guards its in-house process innovations and modifications by aggressive patenting and litigation against all infringers. Additional structural barriers against market-share invaders include:

- Foreclosing or limiting a challenger's access to the best sourcing, such as Coca-Cola's reported long-term purchase contracts for natural sweeteners, thus constricting availability to competitors
- Raising competitors' production costs, such as bidding up the price of labor to increase that cost percentage to competitors with less automated plants
- Forming coalitions with likely challengers, which can transform a threat into an opportunity
Signaling retaliation

Intimidated challengers have been known to retreat when there is sufficient threat of a costly spanking for daring to mount an invasion against the dominator. The market-share strategist must make expected retaliation plain as a bomb burst. One way is to constantly signal a plan to defend the position through public statements, in the trade press, and through distributors and buyers.

Dow Chemical’s example is a model of well-executed tactics. For years, the firm was known to enlarge its capacity in advance of the demand for magnesium, indicating the commitment to defend its market share. If Dow had lacked adequate production capacity, challengers might have been more tempted to enter the magnesium market.

Another tactic is to signal incipient barriers. A firm might leak information about a new product or a new type of technology, which could wither the will of a challenger who is not up to a supposedly higher state of the art. High-technology leaders practice announcing new products generations in advance of release. This can cause a challenger to postpone commitments until the signals are proven true or otherwise. Then there is the "we will not be undersold" commitment, aimed at halting any consumer momentum triggered by a competitor’s undercutting tactics.

Discouraging an attack

Other warnings of retaliation tell a contender that the position holder is dug in for keeps. These include:
• Raising the penalty for exit or lost share, such as increasing capacity well ahead of demand, entering into long-term supply contracts, increasing vertical integration, and investing in specialized facilities
• Accumulating retaliatory resources, such as maintaining a "war chest" in the form of excess cash reserves or holding new product models back while airing their existence
• Encouraging industry competition, a diversionary tactic to make other firms the first line of defense against a challenger

Why hasn't a half-century of marketing battles changed the attitudes of low-market-share players? Because the marketplace is not reserved for the clash of the titans: It is an arena where anybody can win. A study conducted by Michael Porter of 793 U.S. and Canadian consumer and industrial markets showed that barriers to entry (of an established market sector) are surmountable and that direct entry may be a viable alternative to corporate growth through acquisition and development of present markets. Direct entrants reduce or avoid barriers by measuring each barrier type and by taking one of two approaches:

1. Employing the same competitive strategy as incumbents, or
2. Avoiding barriers by using a different strategy altogether (such as Savin's maneuver)

A favorite tactic of the entrant is the flank attack, which is a position for gaining experience and credibility while invading the core market. When the timing is right, the flank position itself becomes the core
market, as exemplified by Michelin's push into the United States with steel-belted radial tires that accelerated the shift of the core market away from bias-ply to radial.

By combining the battle option with the game-changing ploy, it is feasible to negate the barriers completely. Considered a form of flanking maneuver, the idea here is to change the existing business structure and thus avoid the barriers. In the soft drink industry, Shasta negated the problem of a limited number of bottlers (most of whom were tied up in Coca-Cola contracts) by distributing its product directly to supermarkets.

What happens when the traditional strategist turns revolutionary? Procter & Gamble (P&G), the firm that in 1931 invented internal competition among its own brands, has cracked the mold and launched a marketing turnabout. Instead of pitting brands against one another in each category (e.g., soap against soap, detergent against detergent, mouthwash against mouthwash), P&G has adopted a category management approach. Rather than have brand managers come up with competing strategies, they now work in a coordinated system that fits brands together to use corporate resources more effectively.

The move was a solution to former bureaucratic slowdowns, a way to ease fierce internal brand rivalries, and a force to re-focus P&G marketers' attention on what other companies are up to. P&G's move turned out to be the event that opened the door to new challengers, but a classic one that also made the Cincinnati-based giant a lot more agile in the battle zone.
Some lessons

In maneuvering for market share in the new millennium, will your firm adopt the right battle options? If the lessons taught by experts can work, then it is worth translating their strategies into competitive tactics. First, determine that the strategies you apply are appropriate to your market position. Then, examine them for the ability to sustain your competitive edge. And decide whether these strategies are valid approaches to support your continuing growth.

Apart from the direct analogy to military operations, successful marketing in the decades ahead will rely on choosing markets whose needs you can satisfy and handling competitors whose attacks your strategies can vanquish. Challengers and incumbents alike have access to the same offensive and defensive tactics. So the ground that you gain is ground you need to secure. To defend it, the key strategies are raising structural barriers, signaling potential retaliation, and lowering the inducement for attack by a challenger.

Those strategies are always a test of your will and commitment because, large or small, leader or follower, marketing is everybody's war.
A Small Player Changes the Rules in Photocopying

Battlefield strategies like Xerox’s in the mid-Seventies do not always succeed in boxing in low-market-share players like Savin (In 1975, revenues of $63 million compared with Xerox’s $2 billion.) Savin defied the rules of the competitive game. In a classic maneuver, Savin and its partner, Ricoh, marketed a plain-paper copier aimed at the low end of the market, using a liquid toner system other firms had snubbed for quality reasons. In two years, by combining a different technology with innovative manufacturing, distribution and service, Savin saw its revenues climb to $200 million—and its market share increase to 40% of all new installations while Xerox experienced a low-end market share shrinkage to 10%. Savin, a firm with a small share of the market, had changed the rules, successfully offering a cheaper machine that delivered acceptable quality to a time- and efficiency-conscious segment of the market.