

Consumer behavior strategies used in markstrat



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Markstrat simulates the real dynamic world, driven by customers and market decisions which shape our product growth hence high revenue generation. In the beginning of simulation, our company “ U” is competing in the F2M6A0 industry. Company has two products SUSI and SULI, targeting different customers. The customers which the industry caters to are segmented into 5 sections:

Bufs: Driven by quality and are technologically knowledgeable.

Singles: Oriented towards performance, singles are targeted by basic and augmented Sonite products.

The Professionals: It is an attitude driven segment. High quality with peak performance satisfies this segment. Status quo is also one of the major factors of influence for this segment.

High Earners: This is relatively a small segment which comprises of consumers with high income but lower knowledge. Their purchasing depends on influencers and they seek performance in the products they buy.

Others: This group is the most evolving segment for the Sonite industry, specially low end products. The factors shaping purchase for this segment also keep varying.

AIM and Objective of the company

The company aims at generating high value and brand recognition amongst its perceived customers directly enhancing their sales and capturing high market share.

Company Overview

Our company “ U” competes in the market through its two brands, SUSI and SULI. SUSI started with lowest market share in the existing scenario targeting Others, highly vulnerable target segment. SULI targeted Professionals and has the highest market share in the existing market for Professionals.

Analysis: From the consumer’s point of view power and price are the two most driving factors for any purchase of products in this market. In the existing industry, which is highly saturated, the decisions and strategies we used focused upon the following:

1. High Brand awareness.
2. Building a brand personality for the products.
3. Narrowing the difference between perceived value and the actual price of the products.

Product-wise Strategy implementation addressing Behavioral aspects of Consumers

1. SUSI

Market dimensions of the product are as follows:

Production: SUSI has high inventory, so there was no point in increasing production.

Segment: A use-related segmentation was done owing to the shopping habits of the customers.

Target: Others and Singles, as their contribution in the market was highest.

Positioning: Our intended positioning for SUSI was, a high performing economical mass product available at generic touch points of the customers like mass merchandise stores etc.

Strategies Implemented in timeline

Period 1 and 2:

1. Enhancing Brand Personality: SUSI demanded brand Personification according to their customers. High advertising spend was required to create a concrete personality of the brand among the customers.

2. Tapping Consumer Perception: It was seen that the targeted group “others” decreased their purchase intent of SULI. IT was required to map the perception of the customers and hence, influence the next targeted group i. e. Singles.

The basic parameters of purchase of SUSI by others are Performance through Power and economic value through pricing.

Perceptual selection was done and economy scales were varied with a repositioning of the brand.

3. Brand Awareness: As the product is a question mark in BCG market, Perceptual mapping was done to revamp the product over time which leads change in customers mind. It was intended to target the Singles, to manage high inventory. Change in attitude was required. To attain this, certain attitude components of the customers were targeted which are:

- a. Cognitive component: To tap into the cognitions of the customers which drive the sales, an enhancement in product experience and knowledge was aimed. For this, high distribution with increase in Sales force was the decision taken which would mean more visibility hence, more probability towards atleast trying the product, if not buying.
- b. The affective Component: As it was seen, SUSI was not doing well initially, an enhanced involvement of customers with the product in terms of feelings and emotions would lead to better brand perception in the semantic scaling of products. For this, affective component was triggered by implementing lower price strategy but, introducing the product as a type of specialty product available at high end stores which would capture certain eye balls of High Earners, who are the aspirational group for others and Singles.
- c. The conative component: Semantic scaling gave a fair idea of the current intentions of buyers. The conative component demanded better intent of buying by matching the perceptions and enhancing attributes of the product.

Period 3:

As SUSI's market share was very less and the contribution coming in from it was low, we thought of launching a better product for the 'others' market. We got the ideal dimensions from the ideal values.

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After a lot of thought, we finally decided to reincarnate our brand. SUSI was not able to satisfy customers. There was a need gap which was identified.

The customers perceived SUSI as a brand which was comparable to its competitors but lacked brand awareness as compared to them.

Decisions Taken

1. Manage inventory by enhancing distribution. This will lead to higher brand visibility

And impact the brand recall in customer's mind.

2. Lowering the prices. This decision was mainly taken because of competitive pressure and the market dynamics. Research and Development on design and other R&D expenses were done to set a new imagery amongst customers.

3. Higher ad spent. As evident, SUSI was not a recognized brand, nothing but spending in terms of communication with the customer was required. We also repositioned the brand as “ highly convenient performer”.

Results

Inspite of all our efforts of strengthening the brand, the inventory was unmanageable with SUSI seeing a decline in its market share.

These factors led to withdrawal of the product from the market.

Reasons

AS “ others” is a highly vulnerable group mainly focusing on performance and economy, a perfect balance had to be achieved between the two. High frequency and channelised distribution was an effort towards it, but, this was more a problem of consumer attitude. Multi-attribute target group required

generation of motivation towards satisfying their needs through SUSI could have been achieved if a differential strategy in accordance with the vulnerability of the target group was required.

2. SULI

SULI was our second product in the SONITE market which was launched with SUSI. With the highest overall market share of 39.1 % and it being the market leader amongst its target consumers, the market variables of this product are as follows:

Production: As inventory of the product was almost zilch, manufacturing led to strategy building.

Segment: Based on shopping habits and the segment's purchase intention, sales force & marketing mix was decided. Higher sales through specialty and Departmental stores was intended

Target: Professionals were seen as the influencers of this market segment. It directly led to buying of SULI by High Earners who regard Professionals as their aspiration.

Positioning: A quality product with high performance in the long run was the positioning of the brand. A product which aids higher technical demands and power based operations was the core of our communication with the customers.

Strategies Implemented in timeline

Period 1:

1. Identification of psychogenic needs: It was seen that Professionals and High Earners needed a product which satisfies and reflects ambition, power, accomplishment and praise. Thus, this group is not a price sensitive but performance sensitive group which seeks perfection.
2. Consumer Influence and diffusion of Innovations: Professionals were the opinion leaders in this market, so, satisfying them was the basis of our growth. Once we tapped the minds of influencers our aim was to target high earners. High earners were basically opinion receivers who don't risk their purchase and wait for conformation form the opinion leaders. AS, High earners were not technologically savvy they did not invest much time in buying a product.
3. Profiling the customers: As SULI addressed two different set of needs for two different types of customers i. e. Professionals and High earners, we profiled the customers so as to set different touch points for both.
 - a. Professionals: Professionals are ' thinking problem solvers', so, we had a cognitive view of them. These people are actively searching for new products and innovations and to satisfy them, the product needed a timely evolution in accordance with the change in needs and desires of this opinion leader group
 - b. High Earners: High Earners were approached with a passive view, as, they do not show a change in their behavior in spite of the attitude change unless and until they receive a conformation of quality and performers. More than <https://assignbuster.com/consumer-behavior-strategies-used-in-markstrat/>

usage of the product, recognition of the brand and its perceived value among the group shapes their buying behavior.

Period 2 and 3:

1. Brand Recognition: As high influencers were a growing group, we decided to increase the visibility of our product.
2. On going R&D: Professionals were perceived as people with changing needs. With old needs being satisfied, these people erg for newer and better means to satisfy them. This was our intention for the existing period.

Period 4 and 5:

1. Repositioning: The market share was constant till period 3, so, we decided to reposition our brand. We added the attribute of pricing as our inventory was high and tried to enter a different TG.
2. Attribution: A change in perception was intended by introducing the factor of convenience in our product communication. This would excite the professionals to try our new product.

Period 6 and 7:

We lost our market share immensely in spite of trying to keep our customers loyal. The strategies of competitors and with launch of newer and newer products, it was difficult to re-engineer the brand everytime a new competitor brand entered. Eventually, we tried to cut out losses by lowering prices and removing inventory.

From consumer's point of view we targeted singles and tried to create a market for the group just to clear our lasting stocks.

Decisions Taken in timeline

Our strategy implementation was executed by the following actions taken:

1. Limited Advertising: A collective decision of not increasing the ad spent was taken by the team keeping into account the type of customers we were catering to. Bombarding opinion leaders with advertising was seen as a risk which might dilute the brand and have a negative impact on professionals.
2. High Manufacturing spent for period 2 and 3: It was quite evident that quality could not have been compromised for the product. We invested heavily in manufacturing quality products because for professionals a product itself is a sort of communication as these people are on the hunt for new and better products. This would directly lead to a better word-of-mouth which works best in this scenario.
3. Higher sales force throughout lifetime: this decision of ours was basically driven by competitors. We divided our sales force in departmental and specialty stores. Specialty stores attract a lot of professionals and one to one marketing was seen as the best communication tool to convert professionals into our consumers. Departmental stores were generally used to keep the brand visibility of the product and hit high earners so as to generate some information about the product in their mind.
4. Increase in Price: Higher price is perceived as higher quality. With this intention we increased the price by approximately 7%.
5. Repositioning: Earlier positioning was on Economy and Performance with excellent message quality. But the product perception was not perfect in

terms of Convenience, so we focused on Performance and Convenience this time. This attribution was expected to generate higher ROI.

6. Withdrawal of the product: SULI kept losing its market share. It was becoming difficult to manage the costs and the dynamics of the market environment. We decided to withdraw the product after period 7.

Results

1. The Product Life Cycle of our brand SULI eventually saw a decline coming in the 6th period of its life. This was mainly due to tight market situations and old products replacing the new ones.

2. Production of the product was ceased after period 7, as we could not incur the costs. Finally, the product was withdrawn after period 7.

Reasons

1. Owing to market conditions, professionals drifted from one product to another rapidly because of their intentions of discovering new and better technology in the market. Repositioning the brand again and again was seen unfeasible as it was already positioned for high end users and influencers which are a basic variable of the market dynamics. We could not risk the name of our company by diluting the brand name.

2. Ad spent and other communication activities were not given importance as the target audience is a group for researchers who are on the go looking for products rather than products looking for them. This decision helped us strengthening the brand in its growing stages before it was finally diminished with launch of new products.

3. There were a lot of subjective aspects to the behavior and attitude towards our product. This was mainly due to the reason that professionals do not have an emotional view towards their product. They quantify their needs in terms of performance and latest technology, which an old brand would have never satisfied.

3. SUTI

Introduced after Period 3, SUTI was defined by the following market parameters:

Production: Started with low level of production (70)

Segmentation: Mass product owing to the shopping habits of the general mass.

Target: Others, as they were the highest segment and the fastest growing one.

Positioning: Looking at the TG needs we found out that they were looking for ' Power' and ' Price' and thus we tried to position it on these dimensions.

Strategies Implemented in timeline

Period 3:

1. Push Strategy: As the product was launched in an existing market, we focused on creating a brand name within the introduction phase of the product. We decided to push the product towards the targeted customers as their dimensions were economic performer.

2. Evaluating Brand for evoking consumer purchase: Owing to high vulnerability of the targeted group, the brand had to be present all the time within the communication sphere of the customer. We set a target of positioning our brand within the evoked set of known brands. This was intended to make the brand acceptable among target group.

Period 4 to 6:

1. Concentrated Marketing: Our positioning was aided by perceptual mapping, where we wanted to strike a balance between power and pricing. It mainly was done to keep track of the “others” target group and we wanted to focus our attention only on that sector.

Period 7 and 8:

1. Adoption Process: By now, we had a strong position in the market. We decided to convert the non-users into users. Trials and brand experience would enhance the adoption rate which would increase sales.

Period 9 and further:

This period was mainly marked by competition led by a price war. We had to decrease prices. Our adoption process led to high inventory, so, production was on a halt and we slightly repositioned our brand on MDS scale.

Decisions taken in timeline

1. High ad spent: Mainly to implement our push strategy, we spent highly on advertisement to increase brand recognition. We spent highly till the 8th period.

2. Reduction in sales force from specialty stores: We wanted to have concentrated approach, so, we just focused on others who were not regular visitors to specialty stores and secondly, it might have confused the customer about the positioning of our brand. After period 8 we stopped the distribution in specialty stores.

Lowering prices: This was in accordance with market environment.

Result

Price war in the later stages made us lose market share. Inventory was mishandled and the product is still struggling to gain its position in the market. It is somewhere between a cash cow and dog in the BCG matrix.

Reasons

Mainly our pricing strategy failed in the later stages. Our repositioning the brand time and again also had a negative impact on the customers as there was a negative scaling of our ad spent.

Lowering the prices always kept the customers in two minds and the brand lost its confidence among the users from a consumer analyst point of view.

4. SUNG

We introduced SUNG in the 9th period. The market dimensions of the product are as follows:

Production: Launched with about 90k units.

Segmentation: Owing to shopping habits, market mix was decided and SUNG was introduced as a high end mass product with a better perceived quality among customers.

Target: Singles were targeted as they had the maximum footfalls in specialty and departmental stores.

Positioning: Power and Price again defined the needs of the target audience but with a higher value on the semantic scale.

Strategies implemented in timeline

Period 9:

Differential marketing: As the product was introduced in the later stage of the ILC, we decided to promote our brand as an economical performer adding more value to money invested in the customers mind.

Period 10:

Manufacturing was increased as there was no inventory. But there was negative contribution from the brand, hence, it was withdrawn from the market.

Decisions Taken in timeline

1. Lower Price: We introduced our product at a lower price than market leader. This price differentiation would encourage the trial of our product and brand shifters would feel valued due to lower pricing.
2. Repositioning: With slight shift in consumer habits we also shifted our semantics towards singles.

Result

Due to late introduction, we were not able to capture the consumers and SUNG could only earn 0.7% market share. Later, it was withdrawn out.

Reasons

Wrong evaluation of the target group was one of the basic reasons we failed. As it was a high end mass product, differentiation over price could not have helped us much. Need gap identification was lacking in our strategies as, it would have been a better differentiator and would have given our brand a USP to capitalize upon.

5. SUHI

It was launched based on SUNG to focus on the High Earners market.

Segmentation: Owing to shopping habits and psychogenic needs, we introduced it

as a high priced powerful performer.

Target: High Earners and Influencers.

Positioning: It was based on the parameters most important to the High Earners segment on MDS Dimensions.

Sales Force: It was decided based on Shopping habits of the TG as well as competition.

Advertising: Was focused mainly on High Earners with a small share on Pros and Singles.

Current status: The product is still in the introduction phase.

6. VUDI

VUDI was launched in the Vodite market targeted at followers. The basic competitive strategy involved was price differentiation, as, the market was bombarded with new products time and again.

From \$772 we dropped the price to \$600 from period 3 to till date.

7. VUVU

It was launched based on VUDI focused on the Adopter Market

As VUDI's contribution was not improving we decided to relaunch the product to cater to the needs of the other growing segment .

Price: Was based on the ideal price point and also the competitor price.

Positioning: Was based on the characteristics most important to the TG.

Sales Force: This was decided on the basis of available budget, shopping habits and competitor focus.

It was introduced in period 11 and is in its introductory phase.

Real World Scenario: Strategy implementation for favorable behavior of consumers towards the brand

Company Title: ASAPP Media Pvt. Ltd.

Brand: Construction World- A monthly magazine for the construction industry

Construction World is the company's first child and its heading brand. CW caters to the Engineers, Builders, Architects, Business developers, Contractors, and Manufacturers & Dealers of Building materials and Construction equipment, so to say, the whole construction sector. In this B2B segment, the company has formed a loyal base of readers amongst the top notch personalities in the construction sector. CW provides the most authentic, up-to-date & timely information from the world of Construction.

Current Status:

Construction World (CW) is the market leader in the B2B segment. Aimed at satisfying the information gap existing within the business world of construction, CW targets the professionals in the construction industry and hence leverages its brand name to tap smaller companies within the industry.

Market Scenario:

Though, CW has been the market leader, it has not been able to increase its market share and sales over 2 years. The growth of the product is stagnant and with competition going tighter, CW has seen a slight decrease in its market share.

Behavioral strategies of the company:

1. Push strategy: As it is a focused content product, it demands its readers a comprehensive knowledge about the construction industry. The readers of the magazine are also the influencers of the industry. To cater to such an audience, CW has started to look for advertisers providing content according to their needs. An additional feature section was introduced in January 2010,

which features an indepth analysis of sub sectors existing within the broad construction arena. They are pushing their products to new customers and are constantly looking for emerging businesses to tap them at the right time.

2. Brand Awareness and Brand Strengthening: As the brand is fairly old, the company decided to leverage the brand name for its other PR activities. The company started Construction World top 10 architects' awards in the year 2005, to appreciate the talent and innovation in the construction industry year on year. This has helped the company and the brand to create a strong hold among the top industrialists ranging from GMR-the construction giants to L&T- biggest manufacturers of construction equipments.

B2B model implemented by ASAPP Media driving purchase

Key Lessons

Sometimes withdrawing a brand is the best thing to do as you save a lot of money.

Think long term.

Correct estimation of production units.

Sometimes net contribution is more important than market share especially when you do not have enough money.

Never keep changing your price points and positioning frequently. It will only confuse your customer.

Understand your customers well.

Understand your competitors, their products and the market well

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Plan R&D more often as this helps you in understanding the current needs.

Future Recommendations

SUTI would do well to stay in the market as the 'others' market is still growing. The price fluctuations have to be avoided. Also in the current situation, where we are in no position to incur losses, the focus should not be market share but net contribution.

As Singles is the other segment which is going to grow, a good product with good positioning and price point should be launched.

Also as we never focused on the 'High earners' segment, it is high in terms of margin and thus can be looked at.

In the vodite market, only the followers segment has a high growth, thus VUDI and VUVU should stay in the market and compete. Only the positioning has to be improved.