7 Market Position

1 Genre of Market Position
◆ Leader
- Largest share
◆ Challenger
- Medium share
- To challenge the leader
◆ Nicher (niche player)
- Small market size
- Segmentation other firms cannot think of
- Small share ≠ nicher
◆ Follower
- No offensive posture against the leader

Matrix of Market Position/Managerial Resources

<table>
<thead>
<tr>
<th>Relative Position of Managerial Resources</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Large</td>
</tr>
<tr>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>LEADER</td>
</tr>
<tr>
<td>Low</td>
<td>CHALLENGER</td>
</tr>
</tbody>
</table>

Quantitative managerial resources: number of sales force, input financial power, production capacity, etc.
Qualitative managerial resources: corporate/brand image, marketing power, technological power, leadership of top management, etc.

2 Strategy by Market Position
2.1 Leader’s Strategies
2.1.1 Strategic Objective
◆ Expand the current share
- To consider a marginal revenue with the share expansion
◆ Maintain the current share
- Direct confrontation: Price competition — the ¥390 Combo
- Interception: Pressures on parts/associated suppliers — MS
- No blind side — full line, price/ P
- Innovation — New products
◆ Expansion of the whole market
  - New users
    Electronic notebook: Females, young people
  - New application
    Nylon: From military production to nonmilitary uses
  - To Increase the quantity consumed per usage
    Ajinomoto
    Michelin

2.1.2 Leader’s Marketing Mix
◆ Product
  - Plural targets/full line
  - Quality at world standard
◆ Distribution channel
  - Open-type channel policy
◆ Sales promotion
  - Aggressive
◆ Price
  - Somewhat higher than the industrial average

2.1.3 Leader’s Homogenization Strategy
◆ Thorough homogenization (imitation)
  - To instantly implement a thorough imitation when a competitive firm shows some sign of
    success with certain growth product. ··· Walkman, RV cars
  - Victory by the leader with a larger scale
  - Preparation for a swift imitation (research and development)
◆ Complete homogenization strategy
  - To completely imitate products/marketing of competitors
◆ Improved homogenization strategy
  - To improve the first-mover’s products/marketing leveraging the late-entrant’s advantage

2.2 Challenger’s Strategies
2.2.1 Strategic Objective
◆ Expand the share and get to the top
  - To deprive upper-rank firms of their shares
  - To deprive lower-rank firms of their shares
◆ Confrontation with upper-rank firms
  - Head-on confrontation?
  - “Differentiation”
Guard against the leader’s homogenization
-To utilize managerial resources that is not possessed by the leader
-To implement the differentiation that the leader cannot homogenize

Examples of challengers
Casio’s digital watch
-Low price
-Differentiation by multifunction
-Discount stores
-TV commercials (Momoe Yamaguchi “Digital is Casio”)
-Seiko countered with “Alba”. (Homogenization strategy)

2.2.2 Conditions for Success
Challenger not to be homogenized
-Usage of managerial resources not possessed by the leader
-Kao challenged Shiseido with Sofina utilizing a reservoir of its “dermatological research”.
-Differentiation of which the leader cannot take its homogenization action
-J & J’s toothbrush “Reach”: Its brush part is smaller than that of ordinary toothbrushes. The leading firm Lion could not follow because it was also the top-rank maker of toothpaste.
-Cecile: Door-to-door sales of underwear

Strategies for the successful challenger
“For the leading firm, its advantageous resources per se constitute the constraint.”
-Customer property, customer network
-Lens mount for single-lens reflex cameras
-NEC98
-Xerox’s big client, rental sale
-Distribution channel
-Direct marketing of personal computers: Dell
-Home delivery of books
-Clock shops → Stationary/mass-sales stores
-Brand power
-Kirin of lager beer
-Nikon of single-lens reflex camera

2.3 Nicher’s Strategies
2.3.1 Strategic Objective
Maintain a high profit ratio in the limited niche segment
2.3.2 Nicher’s Marketing Mix

◆ Marketing Mix
- To provide a specific segment with a limited product line of the quality above the medium level at the price above a medium level
- Closed-type channel policy
- Not requiring any large-scale promotion

◆ Notabilia: To prevent other firms’ entry into the niche market
- The niche’s market size appears too small for other firms to find attractive.
- To enforce a segmentation that no other firms can think of
- To leverage own unique capacity no other firms possess

2.3.3 Examples of Nicher

◆ Okamoto Glass Co.
  Dental mirror for dentistry
  - Domestic share at some 90%
  - Product differentiation
    Astral-light effect, “Cold Mirror”, natural light
    To evaporate on the glass surface many layers of membranes with the variant refractive index in unit of 1/10000
  - Product evolution
    Reflecting mirrors for liquid-crystal projectors: Number one share in the industry with 80% within the home country and 55% around the world

◆ Tokyo Keikyubin – Home delivery of flowers
  - Limited to the 23 Wards of Tokyo
  - What is a service that major home-delivery firms cannot provide?
    Flowers are not only likely to deteriorate during the transportation to require special treatments, but also smear other packages, thus major transport firms were reluctant to handle them.
  - Training of all drivers on flowers
    Drivers give their extra consideration in accordance with characteristics of flowers during the transportation, and are capable to answer names of flowers if questioned by their receivers.

◆ Kyoden Co. – Experimental manufacture of printed-circuit boards at free of charge

2.4 Follower’s Strategies

2.4.1 Strategic Objective

◆ Keep on surviving
- To target at a market segment which is not attractive to high-ranking firms, hence avoiding their competitive challenges
  ◆ Set sequence: To imitate the leader’s marketing mix by downgrading it by one level
  ◆ Thorough cost reduction is indispensable.

2.4.2 Example of Follower
  ◆ Sanyo Electric Co.
    - Weak brand power
    - Whereby price discounts at electric-appliance shops
    - Thorough cost reduction in production sites

3 Summaries of Strategies by Market Position

<table>
<thead>
<tr>
<th>Market Position</th>
<th>Characteristics</th>
<th>Objective</th>
<th>Fundamental Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader</td>
<td>Firm with the largest share</td>
<td>Maintain/expand the largest share</td>
<td>Full line, full coverage, homogenization, open-type channel policy, demand expansion, aggressive promotion, innovation, brand establishment</td>
</tr>
<tr>
<td>Challenger</td>
<td>To challenge the leader firm</td>
<td>To gain top share</td>
<td>Differentiation (4Ps the leader cannot realize), semi-full-coverage policy, brand appeal and function appeal</td>
</tr>
<tr>
<td>Nicher</td>
<td>To provide specific market with strong &amp; unique product/service</td>
<td>High profit</td>
<td>Full coverage of specific market, closed-type channel policy, security of advantage in specific market, quality and price above medium level</td>
</tr>
<tr>
<td>Follower</td>
<td>Not large share, imitation-oriented</td>
<td>Profit for survival</td>
<td>Responsive to low price, price-appeal-type channel, target at economy segment, imitation of the leader firm’s 4Ps</td>
</tr>
</tbody>
</table>

Origin: Shimaguchi, Mitsuaki and Ishii, Jyunzo, Contemporary Marketing, Yuhikaku Publishing, p.186

Edifice of Competitive Strategies by Market Position

<table>
<thead>
<tr>
<th>Competitive Position</th>
<th>Market Position</th>
<th>Fundamental Strategic Policy</th>
<th>Competitive Domain</th>
<th>Strategic Set-Sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader</td>
<td>Market share</td>
<td>Omni-directionality (standardization)</td>
<td>Managerial creed (focus on cliental functions)</td>
<td>Expansion of peripheral demand, Homogenization, Non-price response</td>
</tr>
<tr>
<td>Challenger</td>
<td>Market share</td>
<td>Differentiation</td>
<td>To narrow down cliental functions and own unique capacity (vs. the leader)</td>
<td>Policy other than the above (differentiation from the leader)</td>
</tr>
<tr>
<td>Nicher</td>
<td>Profit</td>
<td>Centralization</td>
<td>To narrow down cliental functions, own unique capacity, and market segment coverage (vs. the leader and challenger)</td>
<td>Mini leader in specific market</td>
</tr>
<tr>
<td>Follower</td>
<td>Profit</td>
<td>Imitation</td>
<td>Vulgar philosophy (e.g., good stuff, cheap price)</td>
<td>Check on policies of the leader &amp; challenger for swift imitations</td>
</tr>
</tbody>
</table>

Origin: Wada, Mitsuo et al., (1989), Rise and Fall of Leading Companies, Diamond Co., p.20