
UNIT 18 STRATEGIES FOR ACCOUNT MANAGEMENT

Objectives

After reading this unit you should be able to:

- integrate the theories of strategy, communication and competitive advantage and help building the firm's strategy including, industry and home nation's competitive advantage.
- study the customers' value seeking process and identify the role of influencers in shaping (or reshaping) customer wants.
- give a theoretical framework that puts a Customer at the heart of the strategy.
- integrate the concept of 'Shared Values' into this model: integrating it 'backward' with the customer and 'forward' with the strategy & competitive advantage building process of the home nation and value creation by the family of nations.

Structure

- 18.1 Introduction
- 18.2 Planning, Communication and Strategy
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18.1 INTRODUCTION

Two phenomenon have emerged in recent times:

- i) the development of 'Knowledge Society' that depends increasingly on human capital for creating competitive advantage of both firms and nations. Human capital, in turn, depends on communication to utilise best its own potential and disseminate information to increase the fund of knowledge. This generates a need to affirm the importance of communication that binds this capital together to build a firm's strategy.
- ii) an increasing appreciation of the compatible processes that interlink the development of a firm's strategy with the building of the industry's and nation competitive advantage. Communication helps bring information and human capital resources together in a way that shapes the firms's strategy. Again, the process of shaping of individual firms-strategies both influences and is influenced by the home nations competitive advantage. The need, therefore, arises of identifying the key variables of communication that not only help build the firms strategy but also give the industry and home nation a competitive advantage. These variables are used informally by firms to achieve competitive success and are hidden in the theory of strategy and national competitive advantages. This analysis seeks to identify these variables by integrating the theories of strategy, national competitive advantage and communication. This task is undertaken by first appreciating the interrelationship between planning, communication and strategy. The processes of

communication that emerge out of this appreciation are then presented in a simplified model. Each communication process is finally elaborated upon separately.



18.2 PLANNING, COMMUNICATION AND STRATEGY

Communication and strategy building have moved so close to each other that it may now be difficult to understand one without appreciating the other. Communication (in the context of strategy building by the firm) that is bereft of strategic orientation will be reduced to 'noise' or 'clutter'. Similarly strategy building that does not recognize the growing role of communication or exploits the possibilities that are opened by it both in the area of technology as well as in harnessing of human potential, is unlikely give an adequate response as competition relies on it.

Communication and information technology have made the world a small place, simplified tedious tasks, increased consumer options, made information so easy to access that delivery of products and services can be revolutionised. How will strategy exploit these changes is often the question. A study of communication, in the context of a firms requirements, is therefore linked to a study of strategy. Planning, communication and strategy building emerge as an integrated process in determining a firms competitive response. Discovering their interlinkages is the task that is addressed here.

18.2.1 Planning

Planning & Communication processes run parallel

Planning and communication processes within a firm run parallel to each other. This enables the firm to continuously update itself with the growth in knowledge and use this knowledge to devise its own competitive strategy. In the last few decades growth of knowledge has had a tremendous impact on the efficacy of communication methods. Technology is continuously making communication simpler.

Growth of knowledge has enabled the fast exchange and flow of ideas. it has shaped and reshaped product and service offerings, changed channels of distribution or customer access and enabled customers to get the same or added values at lower cost. Information about the growth of knowledge is therefore critical to a firms responses.

Today, video conferencing allows people from all over the world to "meet" without stepping in a airplane. This enables quick transmission of information and exchange of ideas. Therefore new possibilities of adding values can emerge faster. Similarly growth of knowledge has improved delivery of information and services. Internet is revolutionizing the delivery of banking services. Personal banking and investing can now be done from personal computers. Growth of knowledge has also made execution of tasks simpler. Mini computers strapped to inventory clerks wrists greatly increase warehousing and distribution efficiency. Wearable computers guided by voice navigation can now be used for inventory and maintenance of industrial machines. Computers can transmit to the firm data of movement of stocks as soon as they are lifted from store shelves. This data can be immediately transferred to suppliers enabling minimising of inventory costs and keeping track of changes in customer tastes. The availability and transmission of information has a direct impact on a firms planning process. These processes may need to be re-engineered to meet the quick supply of information inputs.

The key question the firms face is what can facilitate the growth of knowledge within a firm, how to do it and how to process and deliver this addition to knowledge in a way that the customer perceives as value added.

Growth of knowledge depend on the availability of information. Information needs to be sourced. This requires co-operation with those who possess it and building channels for its inward flow. The firms planning process increasingly depends on the ability to process this information with discrimination. The firms output or response to this inflow and its processing can be called as the firms competitive response.

The Planning Process and Communication Tasks have a parallel flow:

The planning process, shown below, highlights this through the depiction of 3 Sub-processes:

- i) **Inflow:** Information from many sources is available to a firm How to choose,

the right sources that can help the value addition process of the firm is the first task. These sources could generally be suppliers, related industries, scientific community, new customers, present customers, trade association etc.

How to develop channels of information-sharing with these sources is the next task.

- ii) **Processing:** The firm needs to evolve a discrimination process that first sifts the clutter from the information flow. Next it needs to build with its human capital the systems, processes, skills etc that can process this information inflow in a manner that can identify where value addition can be done by the firm. The nature of internal processes of the firm is important here.
- iii) **Value added outflow:** Finally the firm needs to deliver value added to both customers and society. If the firms outflow also helps build value added for its suppliers or related industries, or even its competitors it can start a mutually supportive process of value addition helping create competitive advantage for the nation.

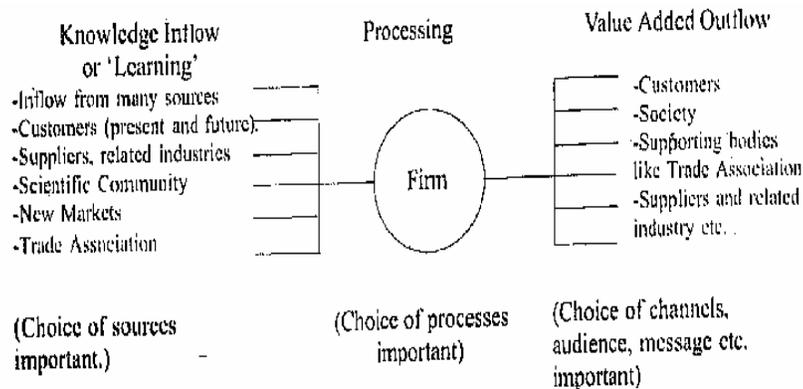


Fig. 18.1: The Communication Process for Planning

Planning objectives for knowledge inflow:	Planning objectives for processing:	Planning objectives for value added outflow:
<ul style="list-style-type: none"> - Identify variables that could influence the achievement of objectives of planning. - Source all possible information and knowledge about variables. The task involves information gathering, listening, observing and absorbing from all possible sources to add to fund of knowledge of the firm. 	<ul style="list-style-type: none"> - Process the knowledge now available within the firm in a manner that identifies and builds on the ability of the firm to deliver value added to its customers. 	<ul style="list-style-type: none"> - Delivery of valued added or delivery of a firms competitive response.
Communication tasks:	Communication tasks:	Communication tasks:
<ul style="list-style-type: none"> - Build communication channels with sources of information and knowledge - Sustain these communication channels to enable a continuous net inflow 	<ul style="list-style-type: none"> - Build systems of processing the inflow of knowledge within a firm in a manner that can help identify the firm's ability to add value to customers using the new knowledge. This requires discrimination ability. This ability does two tasks; <ul style="list-style-type: none"> (a) identify which additional knowledge is relevant for the firm. (b) how to convert this additional 	<ul style="list-style-type: none"> - Use channels of communication to deliver the firms competitive response in a manner that the customer perceives the value addition.



Therefore the growth of knowledge and the ability to translate it into value for customer depends on three things. These can be referred to as the 3 communication processes or the 3Cs.

- 1) **Cooperation:** The ability to find sources of information and the ability to build channels for their inward flow.
- 2) The ability to process this flow with discrimination. This requires an ability to focus on the small things that make big things possible. This focussed Concern is the strength firms need to develop to enable them to respond adequately to competition.
- 3) **Competitive response:** The ability to give a response in the market place that can differentiate the firm from its competitors by the fact that it has added value for its customers and has been able to communicate this value added to them.

All the above factors depends on communication. Firstly for the information to flow in. Secondly for exchange of ideas among people who have to use their discrimination to process it. Thirdly to deliver and convey value added to those who will benefit from it.

The firm has to plan for the future. This implies analysing not only the nature of competition but also the influence of knowledge on it. It also requires a recognition of the growing dependence of both planning and strategy development on communication.

18.2.2 The importance of National context and relevance of 3 communication and strategic processes

While the customer in the global economy today can choose from an increasing number of products and services that are being offered by firms placed all over the world, the firm that has to offer products has to make strategic choices within its national context. Of course, it can set up production facilities in a different nation but even at the new location it will be working within a national context,

Planning must recognise the role of the national context. National environment plays a central role in competitive success of firms. The home nation influences the ability of its firms to succeed in particular industries by building a national competitive advantage. The nature of this influence has been studied by Porter. He states that the home nations competitiveness is not just a macro economic phenomenon of exchange rates, interest rates and deficits for nations have shown rapid growth despite budget deficits and high interest rates. Neither are low wages or abundance, of national resources and explanation for national competitiveness for nations have succeeded despite high wages and lack of natural resources. Government policy, too, he proves has not often played a decisive role. What, then, determines this national competitive advantage?

A nations competitive advantage, we will conclude, uses the 3Cs as it is 'built on:

- i) A realisation that no nation can be competitive in (and be a net exporter of) everything. hence the role of dependence is important both within the country and between countries. Porters analysis shows that within the country it is the firms dependence on factor conditions and related and supplier industries apart from demand conditions that necessitates the use of cooperation. Competitive advantage is built by firms excelling in an environment of mutual interdependence with suppliers, scientific community, related industries and even computers. Mutual inter-dependence requires cooperation. Developing cooperation, within the national context is conducive for competitive success. At the second stage, co-operation should percolate within the firms function as well as its style, staff, structure, skills etc. the increasing use of cross-functional teams for strategy building reflects this.
- ii) A focussed **Concern** on micro variables to understand the determinants of productivity and rate of productivity growth. Porter states that to understand the determinants of nations competitive advantage we need to begin with a focus not on the economy but on specific industries and industry segments. This will find answers to the key issue of why and how meaningful and commercially valuable

skills and technology are created.

Competitive advantage results out of a process that is closely connected to competition in particular industries and the focussed concern of its human resource to react to the competitive forces. The competitive pressure leads to a focussed concern on activities of the firm. This enables upgradation of skills in an effort to perform these activities better or in a unique way. This process helps build a firm's strategy. In modern international competition it is the specialised skill for the human resource that is the most decisive factor, Communication enables it to first build channels of cooperation and then helps express its creative potential through a competitive strategy which emerges from a focussed concern to react to competitive forces.

- iii) Competitive response: Within a specific industry, competition plays a very important role. Porter shows that the greater the degree of competition, the better the ability of the individual firm to innovate. Hence the delivery of better value added products depends on degree of competition and the ability of the firm to use the competitive pressures not only to increase its operational efficiency but also improve its ability to combine activities in a manner that enhances value. This is the area of execution of a firm's strategy and will be elaborated later.

18.2.3 Marketing Communication

Marketing Communication: Beyond traditional definitions

While 'planning communication strategy' the word communication holds the centre linking both planning and strategy. Communication has enabled homosapiens to progress both by transmitting knowledge and being a channel for addition to this knowledge. It encompasses within itself the potential for generating change as well as development of behaviour and response systems.

What holds true for mankind applies equally to both organizations and marketing strategy. Our study of 'communication', however, is often limited by the definition we give it. Marketing communication, as we define it, remains always a subset of the company's overall communication and strategy. As little emphasis is given to this overall communication, it does not result from formal planning but is something that is informally achieved. Competitive success is achieved due to this overall communication, then, may be more a result of accident rather than design. The effort here is to give a formal structure to this overall or integrated communication of the firm.

Purpose of Marketing Communication revisited

Before we attempt an understanding of marketing communication, it is essential to start with the purpose that it seeks to achieve.

We know that the purpose of marketing effort is to increase value delivered to the customer. This is to be done at the minimum cost to the customer. The following equation sums it up

	Total	less	Total
Customer Delivered value=	Customer Value		Customer Cost

The purpose of marketing communication can be no different from the purpose of marketing i.e. to maximize customer delivered value. This can be increased by increasing the total customer value or lowering customer cost. Offering to customers which involve delivering more value or lowering cost can not be successful by effort of only the marketing department but have to involve all departments of the firm. A need therefore exists to recognise all communication that is innovation-driven (or driven by a desire to add value to customers) as part of marketing communication. Cross-functional cooperation is essential to design and implement a superior customer value delivering system. Hence efforts of marketing department alone in building a communication



strategy may not be able to ensure greater delivered value. The formal recognition of this mutual interdependence within the firm to deliver value, will make its focussed concern build a superior competitive strategy.

Today's age has been revolutionised by communication. Scientific technology that aids it has enabled this process. The world today is a world of innovation and open competition. Every firm therefore, in the words of Porter, "has to attempt to put itself in a position where it is likely to perceive and best address the imperatives of competitive advantage." To achieve this competitive advantage firms must focus their concern on improvement and innovation. This has to result from a willingness to compete and a realistic understanding of the environment and how to improve it. Information and communication play a very important role in the ability and capacity of a firm to innovate and successfully deliver their competitive response through value added offerings to their customers.

Where communication has so significantly affected the ability of a firm to influence itself, its customers, suppliers and related industries, it is time for communication to update its own theory and upgrade the level of comprehension of its enhanced abilities.

Value addition for customers and society

Communication, again, is not just with present and prospective customers but also with employees, vendors, related industries, other advanced factors like human resources including skilled and scientific resources and external environment. This appreciation of the role of communication is especially critical in "knowledge intensive" industries. The primary task of all the firms efforts is to devise a competitive strategy and communication can contribute effectively to it. In-company training is one of the most important tools of communication. A good in-company communication strategy about what the customer needs and the need for ensuring cost control or increasing customer satisfaction could help increase productivity, profitability as well as offer better value and satisfaction to the customer. This will especially be the case as the service element attached to the product keeps increasing.

18.2.4 Strategy

Strategy: Build it with Integrated Communication

Corporate strategy depends on understanding the business and marketing environments. Only after a correct understanding has resulted can the Marketing or Marketing Communication planning be determined. hence strategy should be one that flows thematically across the corporate and marketing plans to the promotion planning process of the firm.

In today's competitive scenario communication strategy cannot ignore the imperative of competitive advantage. In fact, strategy of a firm should germinate from its ability to (a) perceive and (b) create this advantage through value added offerings. Communicating this competitive advantage of this value added is the third or final task to which all discussions of communication strategy are usually restricted. It is suggested that a full appreciation of communication strategy is not possible unless all the three roles are understood. A firms strategy, thus, has to be built with communication. Before exploring the inter-relationship of communication and strategy building, it maybe useful to begin with the parameters of strategy first.

18.2.5 Three Generic Strategies and their 3 strategic fits

To counter the competitive forces, Porter shows how the firm's Strategy can be built in 3 ways:

1. **Overall cost leadership:** Developing a focussed concern for and investing in cost-saving processes enables this. So does a high market share, economies of scale in production or favourable access to raw material.
2. **Differentiation:** This is the ability to create something that is perceived as unique. This could be in product design, brand image, technology, product features, customer service, dealer network or other dimensions.
3. **Focus:** Instead of targeting the complete market, the firm focusses on a particular buyer group or geographic market to serve it more effectively & efficiently.

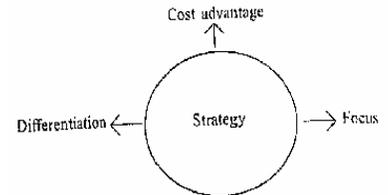


Fig. 18.2: Porter's strategic alternatives

Each of the three generic strategies can be fulfilled if three fits, listed by Porter, occur in all the activities undertaken by the firm.

A successful strategy should ensure that these three things are occurring in the activities as well as their interactive process within the firm.

- i) **Simple consistency:** There should be a consistency between each activity (function) and overall strategy. Identifying the three C's of communication strategy of a firm in the manner described here enables this simple consistency to occur. Co-operation between the functions of the firm followed by a focussed concern for ensuring consistency leads to delivery of the firm's competitive response.
- ii) **Reinforcement:** The various activities of the firm should reinforce each other, This is exactly what the identification of the 3C processes seeks to do.
- iii) **Optimisation effort:** The configuration of the individual activities of the firm and the way they relate to each other should be an optimisation effort. This, is the objective of identification of the 3C processes.

The task of communication within a firm is, therefore, to ensure that its activities are consistent, reinforcing and optimising in nature. The ability of communication to ensure this will enable the firm's competitive advantage as well as competitive success. Communication strategy and firm's strategy building processes therefore flow with each other. The communication processes help build the strategic processes of the firm. This appreciation requires having a relook at the role of communication, as it has been popularly understood, till date.

18.2.6 From Integrated Marketing Communication to Integrated Communication Concept

The focus of Integrated Marketing Communication is to, integrate all sources that deliver the outflow of communication from the firm to ensure the delivery of a clear and consistent message to target markets. The integrated communication concept, on the other hand, stresses on the dynamic integration between both inward and outward channels of communication. This enables a consistent, mutually reinforcing and optimisation effort to make the firm's plan and build its strategy. Finally, the integrated marketing communication of the firm is developed. This enlarges the appreciation of the



role of communication to: (a) highlight its contribution to the value addition process of the firm and (b) enable the delivery of the value added with the help of a clear consistent message.

The Integrated Communication concept starts with the customer as a focus and recognises that his needs and wants are evolving and not static. It recognises that firms need to build their communication processes keeping in mind the three forces that are acting on consumer needs at all times. These forces or Primary influences on consumer needs and wants are:

- i) Seeking better value delivery for current wants through current products: This is met by the firm's ability to satisfy current consumer wants through current products in a better way. This often requires modification strategies only. The modification could be in production or distribution processes, product attributes or in clarifying products uses.
- ii) Seeking better value delivery for current wants through alternate products: Alternate strategies are required when there are alternate ways of satisfying current wants which are developing or have developed. Technology usually builds up such threats. Kodak for example is worrying about the long-run threat from the recent invention of filmless camera. This is one of the biggest threats to the film business.
- iii) Seeking better value delivery for new wants through new products: New strategies are required for new emerging want opportunities in the market emerging from new innovations that the firm can offer. Such innovations could be the result of working closely with the customer or they could emerge from related or supporting industries, firm's own R&D or by new people joining the firm or its competitors. The role of supporting industries and links between scientific people across firms in spurring innovations has been widely acknowledged.
 - i) the national environment and available international resources.
 - ii) forces within the firm to spur innovation, deliver 3 fits and manage the dynamics of competition and co-operation.
 - iii) with customers.

This can ensure that it is able to devise a competitive strategy that delivers customers additional value and gives the firm a long-term competitive advantage.

To build these linkages it:

- a) needs to appreciate the determinants of competitive advantage esp: in the national context the firm operates in
- b) needs to learn from internal practices of firms seeking excellence.
- c) use tools of strategy building in a manner that is competitive strategy is delivered by activities that are consistent, reinforcing and optimum.

A good communication strategy builds channels that help the firm absorb from the environment especially the national environment, enable it to 'process' the absorbed information within the organisation in such a way that it can offer a unique delivered value to customers and finally communicate this value added to them in a manner that they can perceive it.

18.3 THEIR INTER-RELATIONSHIP

Planning and Strategy depend on communication

All three tasks of planning, communication and strategy formulation are interdependent. Communication, however, is the key tool they use. The role of communication within the firm nurtures and fosters the process of bottom-up planning. One of the advantages of such a process could be what Ries and Trout call "Bottom-up" marketing where one marketing tactic generates the necessary value to build a strategy around it. When the same bottom-up communication happens in non-marketing departments along with an upgradation of skills, knowledge of techniques of production and understanding of customer needs it could lead to cost advantage, productivity increases or even innovation as in new product and process ideas. The advantages that "good communicator" organisations have are the ones crucial to attaining strategic positions and competitive advantage. Hence both strategy and planning depend upon communication.

Communication, too, should germinate from planning and strategy

Communication that germinates from needs of planning and subsequent development of strategy enables the creation and delivery of additional value, lower cost or both. The answer, then, to the 5 W's of communication (listed below) cannot be found without inputs from firms planning and strategy development process. These 5 W's are: Who (source), What (message), Whom (audience), which (channels) medium and with What effect. The choice of alternatives at later these 5W's will have to be answered at 4 levels in any strategy and communication strategy building exercise.

18.4. THE ROLE OF COMMUNICATION IN VALUE CREATION AND DELIVERY

Communication has a critical role to play in the new competitive scenario where global players have easy access to local markets and can deliver better value to the customer if the local firm has not kept itself abreast of developments in technologies, processes, marketing and changing nature of consumer demand. To safeguard its position the firm has to develop and nurture its channels of communication to enable it to anticipate and adequately meet these challenges.

18.4.1 Primary influences on consumer: The basis of communication strategy

This study of communication strategy begins by taking a dynamic view of the customer. The customer and his wants are not taken to be static which respond to gives cues. Marketing is therefore is not an exercise of using predetermined cues to ensure customers response. instead it is an exercise that recognises the evolving nature of the customer and seeks to understand the influences working on him. Instead of using predetermined cues, it is itself in the process of seeking those cues that can help it comprehend the influences on the customer in a better way.

To understand the primary influences on the customer we have to appreciate the factors which are the main influencers. These influencers are both internal and external to the customer. The internal influencer is the 'inner driver'. For simplicity it is being shown as being expressed in two ways i.e. seeking better value and individuality and creativity. It is affected by the position of the customer in Maslow's need hierarchy. Customers at the lower level of need hierarchy may express their individuality and creativity in a different way while seeking better value. The inner influencers form part of the customers private self.

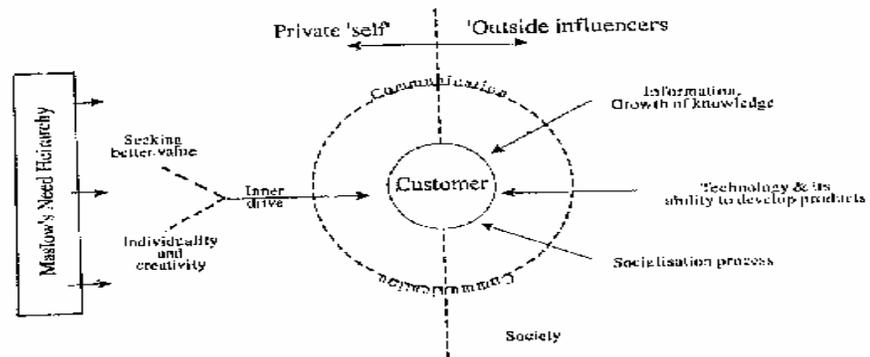


Fig. 18.3: The 'influences' and the customer: Their interplay

Communication is the common thread that not only ties up the customers private self with the 'outside influencers' but also has a role in linking the outside influencers with each other too. The importance of communication can be understood in figure 18.3 shown above. Influencers play a very important role in shaping customer wants. The nature of this influence has been illustrated in this figure.

Three 'outside influencers' can be identified. They are:

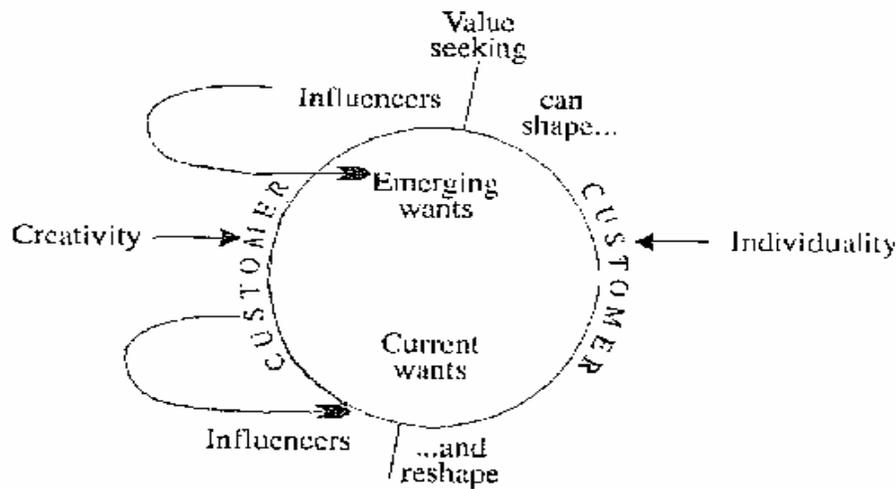


Fig. 18.4: The shaping and reshaping of customers wants

(i) growth of knowledge and information (ii) technology and its ability to deliver products (iii) the socialisation process.

The growth of knowledge and availability of information has an impact on the process of technology development. This creates not only the present products but also new products through efforts of firms. Technology influences the way customers fulfill their needs. This sometimes has social implications. Often these may be hidden influences.

Figure 18.4 shows the influencers at work on the customer to both shape and reshape wants. They tend to shape emerging wants and re-shape current wants. This process is a dynamic and on-going one.

While seeking better value is an inner desire of all customers, it is the individuality of customers which enables segmentation. All customers do not seek greater value in exactly the same way. They have their individuality of needs. Creativity is another important variable which imparts the element of dynamism to customer wants. This aspect makes the study of marketing management interesting. Customers possess an ability that enables them to relate the ever-increasing knowledge and information in new and different ways. This creates the need for better products to satisfy current wants and also creates the search of new ways of satisfying current wants. This creative process can shape new wants as the customer is exposed to greater information, knowledge and technology possibilities in the socialisation process. Of course, some customers and firms may prefer status quo in varying degrees. Such firms may be less exposed to the growing information and knowledge or may not be able to develop access to it. Organisational inertia may be a cause of this. Similarly, some customers may not be inclined to assimilate the new learning curve that consumption of new products may require. Others may not feel the need for doing so. Their response to the influencers may be slower or non-existent,

The influencers impact on the customer results in the emergence of the primary influences for customer wants. These primary influences can be satisfied through present, new and alternate products.

A view of the emergence of primary influences on customer needs and wants is shown in Figure 18.5.

We have seen above that the value seeking customer has three primary influences working on him.

- a) Seeking better value delivery for current wants through current products i.e. the desire to satisfy the present needs and wants through present products in a better way.
- b) Seeking better value delivery of current wants through alternate products i.e. alternate ways of satisfying present needs and wants

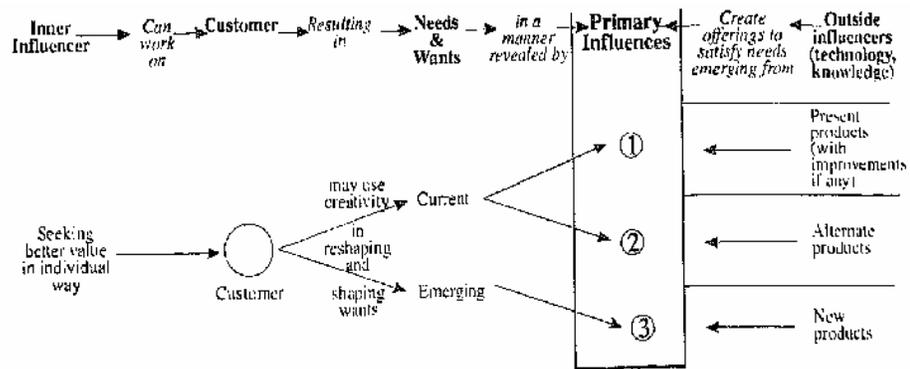


Fig. 18.5 : Emergence of three primary influences on the customer

- c) Seeking better value delivery of new wants through new products Here products have to be designed for fulfilling new and emerging needs and wants.

The value seeking customer re-shapes his current wants which can be satisfied with present or modified present products. These could also be satisfied through alternate products that satisfy the same want in a different way. Emerging or new wants, being different from current ones, are unlikely to be satisfied with present products or even their alternates.

The nature of these three primary influences give a new dimension to the firms dynamism. Firms which ignore the continuing nature of these influences are unlikely to hold loyalty of such customers who keep evolving their needs and wants based on new information and knowledge. To keep their loyalty the firm has to concentrate on the wants of the customer and develop and adapt its products to suit them. This may require different strategic choices.

For giving better value through present products, firms may need to rely upon modification strategies. The modification could be in product features and attributes or in production processes to give more efficiency and result in lower cost for customers. The quality of product could be improved and newer models designed to suit individual needs offered. The styling of the product could be improved to improve its functional use. Even repositioning could be done to highlight those features which can give additional value but were not perceived by the customer in that manner. New or alternate distribution channels may be opened to make it more convenient for customers to access the product.

Technology fuelled by growth of knowledge could create alternate ways of satisfying current wants. Such threats could be faced more by firms in the knowledge based industries. Development of new software could make many old processes redundant. The use of computers could change delivery of banking services. Internet has opened many new possibilities. In the area of impact of technology Kodak, for example is worrying about the invention of the filmless camera and the bearing this could have on its future business.

The firm also needs to develop new products to meet the emerging wants of the customers. While the customer has many alternatives in terms of firms and countries offering products, the individual firm has to develop core strengths that can help build systems as well as structure that augments innovation. This process should form a part of the firm's strategy. Innovation, often results from working closely with the customer or from cooperation within the firms' departments with a concerned focus for delivering better value. It could also emerge from cooperating with related or supporting industries, firms own R&D as well as new people joining the firm. Even 'if a firm keeps track of competitors who have inducted new people, a study of their responses and processes could give a firm many new, ideas. Links with scientific community, laboratories, universities and other research institutions also helps the firm prepare itself for the challenge of change thrown up by the new and emerging wants of customers.

The firm and the customers view the changing nature of time differently. Customers view the future based on the three primary influences working on them. Firms have to understand these primary influences but prepare for their future using their core strengths. These core strengths have to be supplemented, re-shaped or shaped a new keeping the three primary influences on customers in mind.

Firms that are not addressing themselves to these three tasks continuously are unlikely to deliver value and therefore may see declining profitability levels. The question, then, to be answered is how should firms address themselves to these tasks.

While the customer can choose products that are being offered by firms placed all over the world, the firm that has to offer them has to produce these products within its own national context. Of course, it can set up production facilities overseas but even at the new location it will be working within a national context.

The national context, then, emerges as a critical variable in determining how firms address their future and its tasks. However, firms may choose a national context to work in.

Firms, therefore, to succeed have to plan to achieve a competitive advantage through present and future product offerings in a given/chosen national context.

18.4.2 The relevance of national 'diamond' and Mckinsey's 7S model in communication theory

Porter's theory of competitive advantage shows that there are 4 determinants of competitive advantage within a nation or a national context. These form the "diamond". The favourable factors (and therefore strategic choices before the firm) in producing the product are largely determined by the forces working along the 'diamond'. Therefore, the first task of communication strategy is to build its communication channels around the forces working within the diamond to enable it to formulate winning strategies that can make it offer enhanced value to its customers.

The four determinants are:

- a) Factor conditions.
- b) Demand conditions.
- c) Related and supporting industries.
- d) Firm structure and nature of competition within an industry.

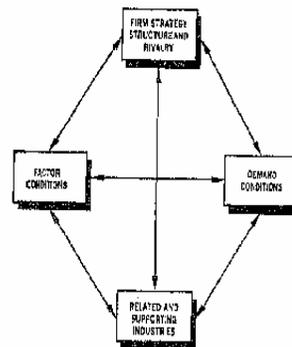
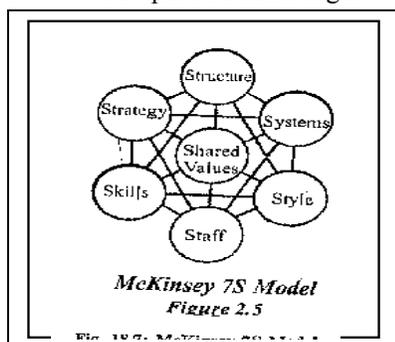


Fig. 18.4: The Determinants of National Competitive Advantage
Source: Michael Porter: The Competitive Advantage of Nations

The ability of a firm to succeed within a national context depends on:

- a) How it is able to seek information and build communication channels with the determinants of competitive advantage.



- b) Process' the 'information' received within the firm to formulate a value adding strategy. For doing this task it has to understand how firms seeking excellence build their organisation strategy. The Mckinsey 7S Model illustrated here is a good beginning alongwith a study of excellence-seeking processes of successful firms.

- c) Communicate the strategy with customers to enable them to perceive the value addition.

18.4.3 The new model of 'Communication and Strategy'

Keeping these tasks in mind the imperatives of the firms strategy building efforts can be summed up in the Figures 18.8, 18.9, 18.10 and 18.11. Kotler, when discussing about the development of management thought, has remarked: "In the 60's" Theory Y" called on companies to treat their employees not as cogs in a machine but as individuals whose creativity can be released through enlightened marketing practice. In the 70's "Strategic Planning" offered a way of thinking about building and managing a company's portfolio of businesses in a turbulent environment. In 80's excellence and quality" received major attention as new formulas of success. All of these are valued and inspire business thinking. In the 90's many firms have acknowledged the critical importance of being customer-driven in all their activities. It is not enough to be product-driven or technology-driven.... Success in 1990's and beyond rests on a market and customer based view of business. "This analysis seeks to present such a view.

The two figures shown earlier presented a market and customer oriented view of business. The first Figure (Figure 18.3) showed the forces of growth of knowledge, information, technology and the socialisation processes as the predominant forces working in the market. The second Figure (Figure 18.4) showed how the needs of the customer are shaped and re-shaped keeping in mind his individuality and creativity. The following Figures (18.8, 18.9, 18.10 and 18.11) build a model of how the firm should respond within this market and customer-orientation. Therefore it seeks to create a 'fit' between the firm's activities and the customers emerging requirements. Firms that are able to generate this 'fit' or this match between product and market/customer are likely to build competitive advantage and achieve competitive success.

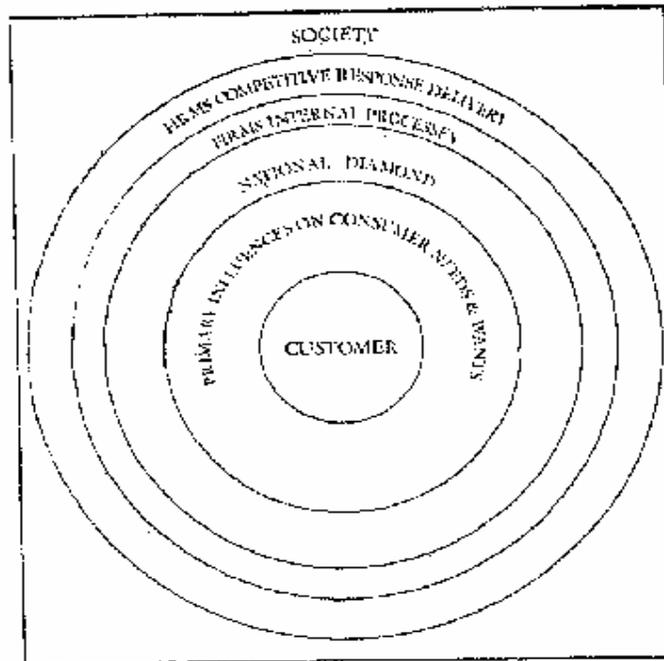


Fig. 18.8: The customer, home nation, firm and society's interaction during the process of value creation

The figures present a customer-centric view of the market, the opportunities it presents as well as how the individual firm can develop its strategic responses. Each of the lines representing the boundaries of the concentric circles could represent channels of two way communication. The first two concentric circles represents the interactive nature of customer wants and market opportunities. The last 3 concentric circles represent the three C's which are the necessary ingredients of both communication and strategy building. These help develop the firm's competitive response to the customers need and the market opportunities that they create.



These 3 Cs represent processes of strategy and communication. These are:

1. Co-operation (The first 'C' and the area within the third concentric circle).

The circle mainly represents External communication (Communication with external world) to generate a 'net inflow' of information: This entails both working closely with sophisticated buyers (through understanding 'home demand composition' in the demand conditions) and developing communication channels around the determinants of national competitive advantage. Infact, working closely with sophisticated buyers and trade association is so important that it needs separate attention. A good framework of understanding this process is through appreciating Porter's National Diamond and the implication it has for both the firm's strategy development and communication strategy.

(The term Net inflow of information it used because cooperation would entail outflow of information also. Overall each firm plans to gain from this communication and exchange).

2. focussed Concern: (The Second 'C' and the area within the fourth concentric circle)

For successful strategy development two focal strength need to be developed by the firm in this concentric circle. These are:

- 2a. internal communication (processing): To interanalise the interaction or "process" the inputs received. A good framework of understanding this process is through Mckinsey model and study of processes of firms seeking excellence.

- 2b. (Discrimination): This implies the ability to sift the 'wheat' from the 'chaff' i.e. separate the relevant information from the irrelevant one. Then it should identify where the firm can add value. This needs a good understanding of the firms current strengths as well as a realistic assessment of the strengths it can or needs to develop. It also implies an ability to identify the key activates critical for the firms competitive success and to focus on them.

The area of focussed concern contains within itself the forces of both cooperation and competition which have to be managed with discrimination.

3. *Competitive Response: (The third 'C' and the area within the fifth concentric circle)*

This represents the area of execution of both strategy and communication with the customer (i.e. Net Outflow): The firm develops the delivery system for its competitive response. The firm has two tasks here. (a) delivery value added (b) making the customer correctly perceive the value addition. Such communication of the value added to the customer when done makes the marketing communication meaningful.

(Net outflow is the term used here because inflow of information through distribution channels, salesmen, Market Research (MR) etc. also exists in this circle).

4. The above 3C's represent the present processes of communciation and strategy (whether formally planned or informally achieved). However, some unfulfilled tasks remain in the depiction of the three C's. When the interaction between the firm and society generates competitive responses that are Compatible with society's long-term interests, the 4th C emerges. This is shown in Figure 18.9 and involves anticipating the impact of firms value addition on society. Satisfying customer wants and serving long-run customer interests may not always be the same thing. Firms need to study the impact of their offerings on social processes, earths resources as well as look at other legal, ethical and moral issues. When a firm has anticipated these issues, it enables a competitive response that benefits from a compatibility advantage. This offers the customers, firms, cluster, industry, nations and society the advantage of compatibility in their value seeking, value delivery and value creation processes.. It ensures that conflicts that are reflected today through concerns for environment, decay in cultural values through influences of new behaviour patterns and lifestyles associated with 'development', ethical and legal issues are resolved by informal processes of firms and society before they can arise. The emphasis here is on tempering the growth of knowledge with the realisation of wisdom. This has been elaborated upon in Section 18.10 as the challenge facing communication.

18.4.4 The SW approach to communication in this model



Every successful communication exercise needs to identify and answer the 5W's i.e. Who (source), What (message), Whom (audience), Which medium (channels) and What effect. Any process of communication, to be successful, should be two-way. Hence feedback is an essential component, of the communication process.

The 3C (and 4C) model, too, need to identify and answer the 5W's. Of course, the 5W's would need to be discussed or every 'C' or communication process separately. These three (or four) approaches or levels of the 5W's is elaborated here.

The 'C'	Who source	What message	Whom audience	Which medium channels	What effect	Feedback
1st level Cooperation (Interaction with determinants of national competitive advantage.	Firm	Seeking information and giving information that identifies and generates thinking about what can add value to customers (role of discrimination important here)	<ul style="list-style-type: none"> - Cluster - Scientific community - Competitors & Industry association - Universities & Laboratories - Apprenticeship programmes - Market Research Agencies. - Demanding customers - Related industries - Supporting & Supplier industries - Other sources of information 	Mainly personalised communication	<ul style="list-style-type: none"> - understanding how the 3 influences on customer can be satisfied. - explicit factor conditions or lack of them to drive innovation. - build channels of external communication & information sharing. - the above exercise would give inputs for resource flows investment flows to sectors that can build competitive advantage and to activities that can fructify it. - co-operation is thus the key variable here which will lead to Design/ adaptation of present, alternate new products and technology development programmes with industry. Also Skill development within the firm & other such activities occur. 	Feedback on scientific research in areas relevant to the firm, especially in product process technology improvements, Feedback on markets, customers, new needs competitors strategies etc.
2nd Level focused Concern (Interaction with employees and among firms)	Firm	Feedback received from 1st level.	Firms employees	Personal Communication	<ul style="list-style-type: none"> - developing firms response to 3 customer influences. - decisions on resource allocation for sectors and activities. - build internal communication systems to process information received from external sources with use of discrimination. - Value chain identified - re-engineering work flows. - cross functional teams - firms 'systems' re-looked at - firms 'skills' development - firms 'structure' relooked at - activities which will deliver strategic advantage to firm identified - Firms strategy development 	Feedback from firms internal sources on how strategy of the firm should be developed. Identify where the firm can add value & for whom (i.e. identify target audience). Also how this value is to be added
3rd level Competitive Response (Interaction with customers).	Firm	How the firm is delivering value	Customer & dealer	personal & impersonal Communication	<ul style="list-style-type: none"> - Delivering firms response to 3 customer influences - More customers and dealers to purchase product service 	Is "Delivered value" same as "Perceived value" received by customer
4th Level (Compatibility Advantage. 3Cs need to be compatible with values and long-term interest of society	Firm Customer Society	Shared Values Interaction with Society. The question is "How can customer & firms shared values move towards shared values of society?" These shared values are the welfare & benefit of all. The competitive response of firm needs to be compatible with long-term interests of society. These long term interests include environmental, ethical and legal issues. They also involve questions of preservation of beneficial cultural processes if they are under attack from commercial processes.				



18.4.5 A comparison with previous communication theory

A study of the differences between the previous theory and the one proposed here is essential. This differentiation will enable identification of the 'value added' by the theory presented here. Such a differentiation can best be measured by a comparison of how the 5W's are identified/answered in both approaches.

The new theory of communication strategy differs from the previous models on the following counts:

5 W's	Previous	As Suggested now
Who	<ul style="list-style-type: none"> Starts with the marketing person as the source who has ideas to be disseminated. 	<ul style="list-style-type: none"> Starts with the firm as the source of communication.
What	<ul style="list-style-type: none"> Starts with the assumption that a marketing strategy is already built and has only to be communicated (i.e. <i>Begins with strategy</i>) 	<ul style="list-style-type: none"> Starts with the influences working on the customer and how communication not only through market research but also with factors as well as related industries can release forces of values addition which can help fulfill customer wants. (i.e. <i>Begins with customer</i>).
Whom	<ul style="list-style-type: none"> Defines target audience as customer only 	Defines target audience as: <ul style="list-style-type: none"> (i) all who can contribute to value addition process i.e. scientific community, R&D, related and supplier industries, firms employees etc. (ii) those who receive it. (i.e. present and future customers).
Which medium	More focus on impersonal communication with customers, through advertising etc.	More focus on personal communication with sophisticated customers to understand their needs and as well as with contributors to firms values addition process. Finally personal and impersonal communication with customers to convey value added offering.
What effect	Take customer through AIDA process	Take all participants through value addition process and customers through AIDA process.

18.4.6 4th C: The future of strategy and communication

The 3Cs of communication and strategy are active as the processes of value creation and delivery in society today. However, both consumer interests and long term interests of society can only be adequately catered to when the firm offers value addition that does not impinge upon the total value enjoyed by society. The need therefore exists, not only for the firm to generate a competitive response but also to ensure a compatible one. The firms competitive strategies should be compatible with society's processes. When this happens, all firms as well as society enjoy a compatibility advantage. Its emergence has been shown in Figure 18.11 as well as discussed in the 5W approach. Will the achievement of such a state remain a fantasy? How can the compatibility advantage be achieved? What steps need to be taken to make it a reality? Section 18.10 shall address these questions.

The concepts as developed in the early section of this unit can be summed up in five points;

18.5 THE FIRST 'C' CO-OPERATION: HELPING FIRMS, AND INDUSTRY



The firm, in today's scenario of global competition, is likely to have its fortunes interlinked with the cluster, industry and home nation. Global market shares depend on competitive strategies built on the strength of a home nation's competitive advantage. This competitive advantage is usually the result of cooperation and communication.

18.5.1 Cooperation: The new challenge for communication

Porter's study of competitive advantage of nations has thrown up a new challenge to firms and nations that wish to achieve competitive success. The challenge is one of cooperation. Firms can no longer fight shy of cooperating if they need to build up their own competitive strategy and their nation's competitive advantage. Governments, it has been demonstrated, have a marginal role to play. The dynamics of competition and cooperation has to be nurtured by domestic firms themselves in their quest for both excellence and competitive strategy. In fact, Porter conclusively observes that the greater the degree of competition, the more conducive the environment for cooperation to generate innovative results.

Cooperation is essential to augment the firm's capabilities. The consumer needs are not static but are empowered by the dynamism of the three primary influences. The firm has a national context; an internal structure and the option of building channels of communication that are backed by easy international flow of certain information and offerings. The firm has to adequately meet the challenge of change imposed by influences on the consumer. For this it has to recognise the imperative of cooperation.

Often innovation that reshapes products and creates new products is the result of cooperation. Information plays a large role in innovation. Innovation is in both methods and technology. Innovation in methods involves, new production methods, new ways of marketing, identification of new customer groups etc. Organisational inertia is the biggest barrier to the possibilities of innovation. For sustaining advantages the firm has to continually move earlier than its rivals. The ability of the firm to innovate has much to do with information sources available and consulted by it. Information that will be useful is that which is not sought or available to competitors, or information available to others that is interpreted in new ways. Sometimes it results from sheer investments in R&D and Market Research. Seeking information, that can help the firm respond to the primary influences working on the customer, implies cooperation. The cooperation is the new challenge for communication.

18.5.2 The national diamond implies cooperation and communication:

Porter states "The mutually reinforcing activities of the diamond all conceal an important channel of communication that add value, give competitive advantage and therefore marketing strength. All these channels, therefore, contribute to both firm as well as, marketing strategy".

Further, he elaborates "Underlying the operation of the national diamond and the phenomenon of clustering is the exchange and flow of information about needs, techniques and technology among buyers, suppliers and related industries."

Finally, he concludes that "Advantages throughout the diamond are necessary for sustaining competitive success in knowledge intensive industries, Advantage in every determinant is not a prerequisite but the interplay of advantage in many determinants yields self-reinforcing benefits that are hard to nullify and replicate," This interplay is the result of cooperation.

18.5.3 Role of cooperation in firm's strategy building

The 'diamond' highlights the role of factor conditions, related and supporting industries and demand conditions. Among factor conditions, the advanced factors are critical in

our analysis for they include modern digital data communication, educated personnel & university research institutes. The advanced factors are now the most significant factors to achieve higher order competitive advantage like differentiated products and proprietary production technology. They have to be built by human resources and capital factors and may be difficult to procure in the global market. Denman's success in enzymes for example is based on interactive communication and cooperation with its base of scientific knowledge in fermentation. Its success in furniture depends on its interaction and cooperation with the university that trained designers. The U.S. stock of human skills and scientific experience in both computer hardware and software interact and cooperate to yield advantage not only in these industries but also related ones like medical electronics and financial services. The advanced and specialised factors reflect the firms capacity to absorb information, process it and add value through its products, process and designs. Therefore they reflect the cooperation, communication and innovation abilities of the firm.

Sometimes, the home base advantage itself can even be translated through a communication strategy to create an international competitive position. The success of the Swiss herbal candy Ricolas in the international market shows how a marketing campaign can be built around the home base advantage.

Competitive advantage comes not only through using current factors but also through factor creation. It is firms (and not the governments) in most cases that indulge in factor creation that leads to factor advantage in industries. The Italians indulge in factor creation through cooperation by transfers of knowledge within extended families for there is strong family inter linkage between operating firms inmost of the industries.

Cooperation or working with buyers, suppliers and channels involves not only helping them upgrade and extend their own competitive advantage. Open communication with suppliers can give early access to new equipment, supplies and ideas that are critical for creating competitive advantage. The Japanese case illustrates how working closely with suppliers with free information flows lead to superb service and rapid changes. The role of related industries in spurring innovation has been widely acknowledged and recorded. It is cooperation that builds channels of communication which lead to sharing technology, channels and buyers.

Similarly demand conditions are important for a firms success. Understanding buyer needs requires access to buyers, seeking their cooperation through building open communication between them and a firm top technical and managerial personnel. This interaction should help create an intuitive grasp of buyer circumstances. Again, firm that 'cooperate' and do not shy away from demanding buyers are more likely to succeed. For it is the sophisticated and demanding buyers who push a firm towards innovation. However working with them alone may unnecessarily drain resources or may not produce commensurate results. It is close interaction with the customer and the grasp of this needs that can result in a winning tactic for a company. Ries & Trout call it as "Bottom-up" marketing. This tactic can be the basis of a winning strategy. The inability to understand the changing market place, customers and the need to provide competitive values has created a situation where some powerful US companies of the '70s are struggling to remain profitable today.

18.5.4 Role of communication in building cooperation

The firms which have developed strong internal and external communication channels, recognise the importance of cooperation both within the firm and with outside sources and build channels of information with them are likely to succeed. The features of successful communication strategy would then be the same as those of the firms competitive strategy. This not only ensures consistency and reinforcement but also optimises the firms cooperation and communication efforts.

Cooperation is a state of mind which, by its very nature, does not exclude anybody from its ambit. Not even the competitor. However, it has been discussed earlier that cooperation with the competitor needs the use of discrimination. Now this interesting dimension, of when cooperation and communication with the competitor can add value, will be discussed. The other dimensions of cooperation will be discussed next.



- (i) Cooperation with the competitor can help firm, industry and nation:
Some things are best achieved by cooperation among competitors. There are many examples of such an approach. Under certain conditions it is necessary to followed this approach. Under certain conditions it is necessary to follow this approach. These are elaborated below:
- b) Communicate when factor conditions don't exist: When firms in countries are severely handicapped by lack of a factor, it is the, best meeting ground for cooperation. For the survival of all competitors may be at stake. Such pressure is often a good breeding ground of innovation. Some of the best inventions in the world have been fuelled by the absence of factor conditions. The development of Italian steel Mini mills technology developed out of a lack o many conditions faced by the steel mills situated far away from ports and their active cooperation to overcome the odds.
 - c) Communicate when international competitive positions are possible for the industry: It is in the common interest of industry members to develop some factors when all other enabling factors exist Such factor creation needs communication channels and cooperation environment. The Japanese industry has successfully produced values added products through cooperation.
 - d) Communication within industry and with customers when need to understand/ increase generic demand. There are many instances: when local competitors have joined together to prepare communication programmes that seek to raise consumer interest in the product. The impact of such communication benefits all brands. Even joint consumer research by the industry members can be undertaken. The American Coffee Market had seen such an activity by producers. In India generic advertising of milk, eggs etc. has been undertaken to have an impact on the level and nature of demand.
- (ii) Cooperation has many other dimensions too. These are:
- a) **Communciate within the cluster:** The cluster is one of the most important phenomenon that makes competitive advantage possible. Realising the value of communication and cooperation within the geographical cluster can make value addition and international competitive advantage a reality.
 - b) **Communicate with Industry Association:** The industry association has played a decisive role in developing competitive advantage of many industries. In Italy industry associations have helped apparel, shoe, and ceramic tile and furniture industries. They played a key role in improving communications and logistical facilities. In U.S. industry association in electronics is working with schools and universities.
 - c) **Communicate with factors, related and supporting industries and customers:** German chemical firms have relationships with major German Universities. They sponsor institutes devoted to chemical research and upgrading the industry. The firm participates in apprenticeship programs involving local technical schools and maintains close contacts with local university departments. This enables factor creation and upgradation. To be close to customers two world ranking Insulin producers from Denmark own two hospitals that specialize in treating patients and conducting research in diabetes.
 - d) **Invest in information, Market Research, In-company training Infrastructure and R&D etc.:** A firms investments in information, Market Research (MR), in-company training infrastructure, R&D are the vital dterminants of long term competitive advantage. All these combined with cooperation with industry association determine the ability of a firm to achieve competitive advantage.
 - e) **Manage dynamics of competition and cooperation:** Experience the world over shows that when interchange among buyers, suppliers and related industries occurs at the same, time as active rivalry, the conditions for competitive advantage are most fertile. The key strength of the firm is the ability to discrimnate between what must be shared and what should be used for developing the firm's own competitive response. As many information

flows are not one way, a firm has to be prepared for an outflow of information from it. The discrimination ability to manage the inflow and outflow can be an important skill to develop. Development of technology is, usually expensive and industry needs to collaborate. However, development of special processes which save cost, improve quality or ensure better delivery of value added in any other way, may be the firms competitive response.

18.5.5 Interrelationship among determinants and their influence on stage of National Competitive Development

The firm is dependent on the determinants of national competitive advantage for formulating its competitive strategy. The determinants are, again, interdependent on each other. They have interrelationships which are supported by strong under currents of communication and cooperation.

The role of cooperation, as it emerges, illustrates not only its importance in building the competitive response of the firm but also enabling a competitive advantage for the cluster, industry and home nation. This non-zero sum result of cooperation comes from exploring inter-relationships and building upon them. Such inter-relationships are strong among the determinants of national competitive advantage. This is depicted here:

Relationship Among Determinants

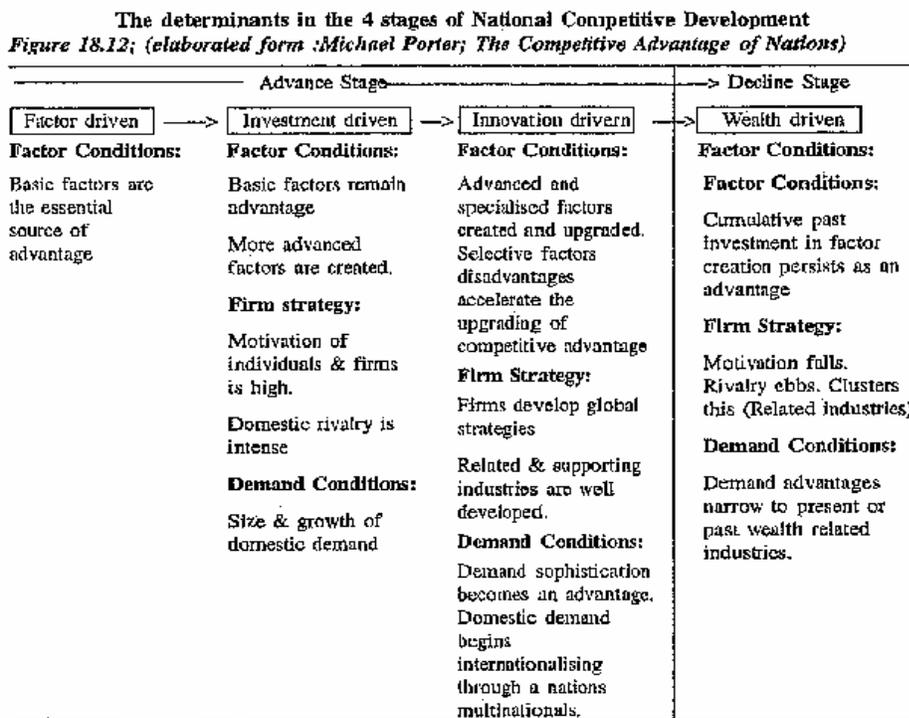
Variable	Factor Conditions	Firms, Strategy, Strategy & Rivalry	Demand conditions	Relating & Supporting industries
Factor conditions	X	<ul style="list-style-type: none"> - A cluster of domestic rivals stimulate factor creation. - Perceived national challenges can also stimulate factor creation. 	Home demand influences priorities for factor creating investments.	They create or stimulate the creation of transferable factors.
Demand conditions	Sophisticated factor creating mechanisms attract foreign students and participation by foreign firms pulls through the nations products.	<ul style="list-style-type: none"> - Intensive rivalry makes home demand larger & more sophisticated - A group of rivals builds a national image & recognition as an important competitor. 	X	The image of world class related or supporting industries spills over to create demand for the industry. - Internationally successful industries producing complimentary products pull through foreign demand for the industry's product.
Related & supporting industries	- Specialised factor pools are transferable to related and supporting industries	- A group of domestic rivals encourages the formation of more specialised suppliers as well as related industries.	- Large or growing home demand stimulates the growth and deepening of supplier industries.	X
Firm strategy structure & rivalry	Factors abundance or specialised factor creating mechanisms spawn new entrants	X	<ul style="list-style-type: none"> - World-class users enter supplying industries. - Early product penetration feeds entry 	New entrants emerge from related and supporting industries



The relative importance of each determinant and its nature has an impact on the stage of the national competitive development of the home nation. Just as the firms depend on cooperation and communication flows with the determinants for competitive success, the determinants depend on their interrelationships i.e. cooperation and communication flows with each other (among other things) for their development. Finally the home nations stage of national competitive development is determined by this development of the determinants. Cooperation thus helps the firm, industry and nation.

Cooperation is thus an imperative not only for competitive success of the firm but also for the cluster and industry too. The development of national competitive advantage depends on cooperation and the development of the determinants. The analysis as discussed till now gives important insights of how cooperation can enable not only firms to achieve competitive success but nations to achieve higher stages of competitive development. The lack of conditions for reaching a desired state of national competitive development can be overcome by the use of cooperation.

The determinants differ in various stage of national competitive development. This is shown here:



18.6 THE SECOND 'C': FOCUSED CONCERN

The first task, while discussing focussed concern, is to recognise that the area of focussed concern contains within itself pressures of both cooperation and competition. It is like the brain bank of the firm which not only processes the received information but perceives the information in a way that is capable of translating itself through value added processes, techniques, products etc. The "discrimination" ability is the key variable here. The same information may be available to more than one firm, yet the response to the information can be different. Therefore the task of sifting the relevant information from the irrelevant is important. Viewing the relevant information in a different way is the next task. Moreover the dividing line between cooperation and competition as well as managing its dynamics both within the firm and with the outside world needs discriminating ability. A firm needs to be clear about what information to share with competitors; cluster and industry and what secrets to keep. This is the role of discrimination. Finally the firm has to decide how to

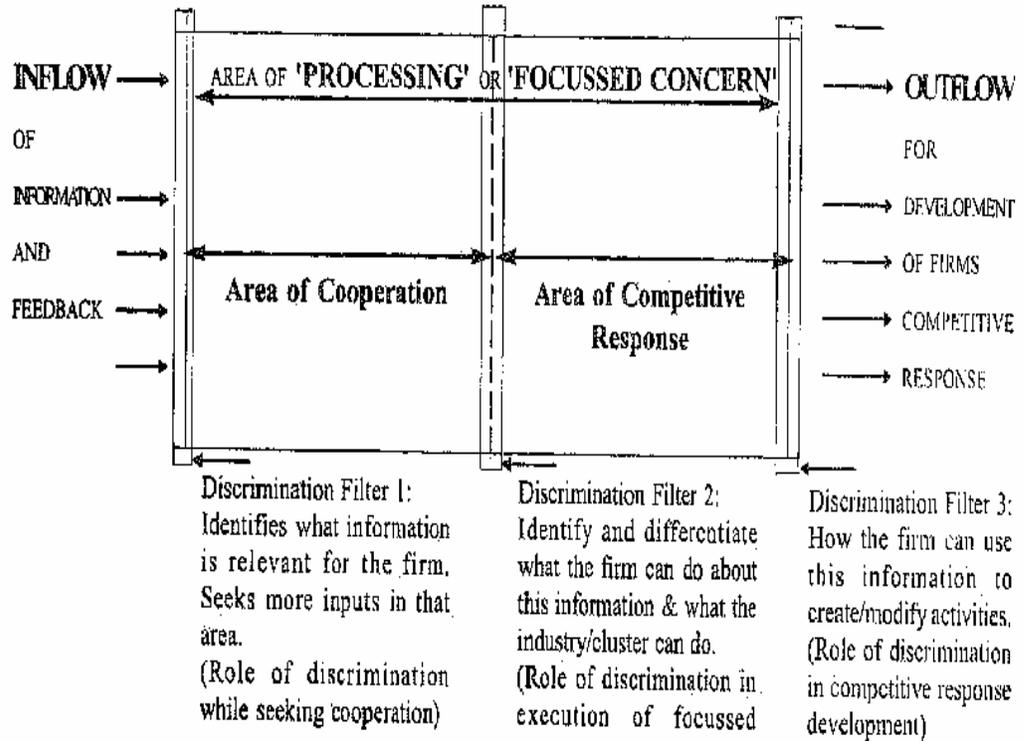


Fig. 18.13: The role of discrimination in focussed concern

18.6.1 Focussed Concern drives firms

Firms need to be driven by a focussed concern. This concern could be about what the 3 influences on consumer can do to the firms profitability. This leads to a search for information on technologies, skills, processes, competitor behaviour. This concern builds up into product improvement, process improvement and other value added activities. Alternatively firms can have a focussed concern for excellence which results in a dynamic work environment where cooperation and a subtle competition to excel propel innovation in products, processes, ideas and ways to market products etc.

Thus focussed concern is the engine of growth for firms. The sharper the focus and the deeper the concern, the more the likelihood for value addition and delivery to take place. Porter, McKinsey and many other valuable contributions have identified how a firm can build and execute this focussed concern. The concepts contributed by them will be discussed how.

18.6.2 Communication of focussed Concern adds value

Having a focussed concern is not sufficient. The firm needs to communicate it to suppliers, related industries, scientific organisations, universities or schools and within the organisation. It needs also to set up channels not only with the outside world but also with its sales force, distributors, and employees to participate in not only cost reduction strategy (which is a generic strategy beneficial in all stages of a product life cycle) but also in improving the firms production, products and services. Toyota claims that its employees submit 2 million ideas annually (about 35 suggestions per employee) and over 85% of them are implemented. Hence internal marketing of the focussed concern of the firm is as important as their external marketing to people/organisation who can contribute in the area of concern.

Here are the ways in which internal communication creates value added and competitive advantage:



a) **Communication makes McKinsey 7S model seek excellence**

The McKinsey model outlined that firms need to concentrate not only on the hardware i.e. strategy and structure but also on the 'software' i.e. systems, skills, staff and shared values. The productive way of organising business activity encompasses these seven variables as well as what Peters and Waterman say are "the present and hoped for corporate strengths or skills". The communication theory, as presented here, helps identify and build upon these present and hoped for corporate strengths and skills. The gap between 'hoped for' strength and fulfillment by present skills is then used by the firm to churn out a response that fills this gap. The innovative firms are those that respond continually to a change in their environment. This usually comes from being 'close to the customer' and knowing the evolving nature of his needs. These firms have strong external and internal communication channels that help them change, adjust, transform and innovate. Communication and information sourcing nurtures innovation. Instead of being paralyzed by problems, the firms make their top heads communicate with each other, and the focussed concern pushes them to emerge with an answer which the firm gives them the autonomy to implement. This 'bias for action' leads to the culture of 'autonomy and entrepreneurship'. It helps build 'productivity through people', making them 'hands-on and value driven'. Easy communication flows give the firm a 'simple structure and form' with 'simultaneous properties of centralisation and decentralisation'. The resultant higher productivity enables a 'learn staff'. The communication process helps these firms to discover their core strength. This enables them to keep building around it 'avoiding wild jumps in unknown areas' leading to a higher success rate. The firm's 7S model seeks excellence in this way.

b) **Internal communication to build focus on activities**

To give a winning or competitive response the firm should be able to command a premium price or lower the cost of the products it produces. Ultimately, all difference between firms' in cost or price results from activities that create, produce, sell and deliver their products or services. These activities could be related to delivery of value to customers, assembling final products or training employees. Activities contribute to cost, value delivery and value creation. Activities performed more efficiently than competitors give the firm a cost advantage. The ability to charge a premium price depends on the ability to create, sustain and communicate a credible product differentiation. This differentiation is created within the firm first before it is communicated to customers. Again differentiation arises from both the choice of activities and how they are performed together or combined.

Activities, then, are the basic unit of competitive advantage which is the basis of competitive strategy. To generate a competitive response, the firm therefore must concentrate on the activities it performs and try to see what it can do to them. Overall advantage results from not just doing a few activities better but is a result of all of the company's activities performing together in a better or different way.

The firm's value chain is a systematic way of examining all activities of a firm by disaggregating them into strategically relevant activities. This brings out the behaviour of costs and potential sources of differentiation,

c) **Communicate Benchmarks, review core processes**

The firm's task is to examine its cost and performance in each value creating activity and look for ways to improve it. The firm should use estimates of competitors costs and performance as 'Benchmarks' for comparing its own costs and performance. These benchmarks can help the firm in assessing which activities can be performed better and which ones at lower cost. This can help a firm achieve competitive advantage.

The firm should concentrate on improving and managing the core processes better. A firm's competitive strength depends on them. These are: new product realisation process (all activities that enable high quality new product development and launch within budget), Inventory, management process (managing adequate inventory of raw material, semi and finished goods will low overstock costs), Order-to-remittance process (all activities involved from receiving order to shipping goods on time and receiving payments early) and Customer Service process (making it easy for



customers to contact appropriate people within the firm quickly and receive solutions to problems and service quickly too). A focussed concern on these core processes could help deliver better value for customers or lower cost.

d) Better cross-functional communication lead to Operational Effectiveness.

A firm's success does not depend on efficiency alone but on Operational Effectiveness which includes efficiency. Operational Effectiveness refers to a number of practices that allow a firm to better utilise its inputs by, say, reducing defects in products or developing better products faster. Often operational effectiveness depends on cross functional communication. Kotler, stresses that new product development is most effective when there is teamwork among R&D, engineering, manufacturing, purchasing, marketing and finance from the beginning. Similarly reducing defects in products depends on purchase of components, R&D, study of production processes, SQC as well as strong organisational commitment created by in-company communication.

Cross functional teams and re-engineering of work flows to add value are increasingly being used by high performance firms, Xerox, for example, has a customer operations group linking sales, shipping, installation, service and billing so that these activities flow smoothly into one another.

e) Internal Communication System for Competitor Analysis and Tracking

Another important task is the setting up a system that builds a Competitor Response Profile. For doing that it must use discrimination to decide which competitors should be examined. The four diagnostic components of competitive analysis fall in two categories (i) what drives the competitor, (ii) What the competitors can do.

While (i) includes his future goals (at all levels of management and in multiple dimensions) and assumptions (held about itself and the industry), (ii) includes current strategy (how is he currently competing) and capabilities (both strengths & weaknesses).

The response profile should seek to answer the following questions:

- Is the competitor satisfied with his current position?
- What likely moves or strategy shifts will the competitor make?
- Where is the competitor vulnerable?
- What will provoke the greatest and most effective retaliation by the competitor?

In addition, gathering competitive information should be a carefully designed, cost effective process. Sometimes cross-disciplinary teams are used to enable all departments not only to sense, serve and satisfy the customer but also to track competition. The system identifies sources of information, collects the data, analyses and evaluates it for validity before sending it to relevant decision makers.

Some useful competitive tracking tools are:

- Watch small companies in the industry and related industries
- follow patent applications
- track job changes and other activities of industry experts
- be aware of licensing agreements for they give information about where, how and when a company can sell a product
- monitor formation of business contracts and alliances
- find out about new business practices that are saving the competitors money
- follow changes in pricing
- follow changes in social environment and customer taste that could alter the business environment.

18.7 THE THIRD 'C': COMPETITIVE RESPONSE

The firm's strategy, as has been pointed out earlier, is a flow: What is the nature of this flow? How do the marketing and communication tasks flow from strategy? How and where do the various tools of strategy contribute to this flow? The discussion below will explore answers to these questions.



18.7.1 Delivering the 3 strategic fits implies using the 3Cs

Strategy building by the firm is not an event but a process. Understanding the importance as well as dynamics of this process results in competitive success. Every firm irrespective of size, location or position in the market is indulging in this process formally or informally. The advantage of formally acknowledging the process is that due importance can be given to certain key activities which were related as "informal" in nature and therefore left to the judgement of say the top management. Lack of adequate feedback and data on these could lead to 'safe' or 'in-between' strategies which damage the ability of the firm to take a position in the market place.

The strategy building and communication tasks need to be understood together. For in a world based on communication, strategy building and execution both depend on (a) knowing where to build communication channels, (h) the ability to build them (c) their profitable use for inflow and outflow of desired information and response:

i. What the customers and target audience see(4P's. Marketing Communication, Total purchase experience etc.)

These include all activities of the firm visible to the outside world. It also includes the product, packaging etc. ad all non verbal cues that the target audience are exposed to

ii What the firm explicitly recognises(the building of strategy, say: differentiation, cost advantage or focus)

The firm has a visible process for strategy building. While the target audience view the firm based on what it communicates verbally and meta verbally, the firm recognises those explicit strategy building activities which are traditionally accepted within the firm as the routine for taking strategic decisions. Perceptions about these activities may vary from detailed, bureaucratic, informal, unstructural etc

iii. the area of activities that communication theory needs to explicitly recognise

:These sets of activities are being informally or formally undertaken by every firm It is then important in strategy building that needs to be recognised not only by the firm, the industry but also by communication theory as critical for building competitive advantage

- (a) cooperation with cluster, industry, trade association, competitor, scientific community, other source of information

- (b) Need to 'process' information received for possible value addition.

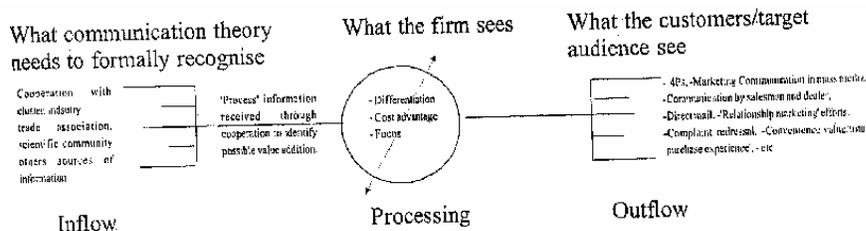


Fig. 18.14: Role of communication in firms strategy

The ability of a firm to deliver better value than its competitors is determined not only by which activities the firm will perform and how it will configure individual activities but also –how activities relate to each other . porter states that formulating a Strategy implies having three order of fits among activities of the firm . These 'fits' are not mutually exclusive . The first order fit is simple consistency . This implies a simple consistency between each activity and overall strategy. The second – order fit occurs when activities are Reinforcing each other . The third –order fit goes beyond reinforcement to an Optimisation effort.

It is not difficult to see that the 3 fits cannot occur without the 3Cs. Cooperation among the 'skills' of the 'staff' is essential for simple consistency, reinforcement and optimisation. Focussed concern help choose the activities which will be consistent, reinforcing and optimise results in terms of greatest value added at least possible cost. The strategy or competitive response is nothing but the 3-fits working in harmony with each other to create differentiation, focus or cost advantage.

Three competitive response alternatives in terms of Positioning (identified by Porter) need to be considered here. The 3Cs are interlinked in the execution of these strategic positions: variety based, need based and access based positioning. Firstly, cooperation among the firm resources and focussed concern leads the firm to identify and bring together a distinctive set of activities that can best produce particular products or services. This implies that the firms product or services range need not be produced identically and there may be better ways of producing a subset of them through unique activities or activities done in a unique way. This is variety based positioning. Secondly, where groups of consumers express their individuality through different needs, it is possible to focus concern on needs of a particular segment or group. Cooperation or bringing together of the firms activities can be done in such a way to serve the individuality of these needs best. This competitive response is called need-based positioning. The third alternative is a variant of need based positioning. This clarifies those instances where needs may be same but the customers need to be accessed or reached in different ways. This may be due to customer geography, customer scale or anything that requires a different set of activities. A focussed concern on ways of accessing them and a cooperation or bringing together of the firm activities to offer value added to them can give the competitive response called Access-based positioning. Building the strategy of differentiation or focus or deciding on one of the three positioning alternatives involves a clear identification of the target audience, marketing objectives and subsequently the communication objectives. These two important tasks of marketing communication are thus done at the early stage of competitive response planning and delivery. The 3 fits are designed to deliver to the target audience the firms competitive response in a manner that meets the marketing objectives. Execution of this process requires using the 3C's.

18.7.2 Competitive communication response needs focussed concern on and cooperation of tools of strategy

If one of three positioning alternative identified above naturally unfolds itself out of the process of focussed concern, a communication strategy can proceed with them. Otherwise, it may be useful to start with three questions instead:

- a) What should the firm do b) How to do. It c) When to do what.

Answering these three questions by interlinking strategy with communication is the task addressed here. The flows of marketing strategy and communication decision from tools of strategy will be explored here:

All the techniques / tools of planning are capable of answering these questions in a direct or indirect way. However, for convenience we could look at the following as a simplified way of understanding.

Questions of competitive response	Tools for competitive response	Strategic Decisions (The Competitive response)
What to do	SWOT, BCG Matrix	Build, Hold, harvest, Divest.
how to do it	3 Generic Strategies	Differentiation, Cost leadership, Focus
When to do what	Product Life Cycle, Competitor Response Profile etc.	When to expect competition? What strategies will competitors adopt? When to react & how. Other such competitive responses.
Tools	Strategic Decisions	Customer communication decisions.
SWOT, BCG Matrix	Build, Hold, Harvest, Divest.	-Listing firms strategy alternatives. -Deciding marketing objectives after



		balancing firms products portfolio. -Deciding budget available (including communication budget).
3 strategic positions	Variety-based, need-based, access based positions.	-Deciding firms strategy -Deciding target audience. -Determining marketing and communication objectives.
3 generic strategies	Differentiation, cost leadership Focus	-Communication message. -Choice of communication channels depends on exposure & preference of target audience.
Product life cycle and competitor response usually profile	How will competitors react? When will there be maximum competition? Impact on 4Ps When to react to competition & how?	--Deciding the promotion mix --Marketing communication tasks are influenced by the stage of product . life cycle

Flow of marketing strategy and communication decision from tools of strategy

18.7.3 Marketing communication, tasks, platforms, objectives and message

It is the totality of the firms communication process that reflects in the marketing communication. For example, the quality and extent of training of sales force or absence of it communicates something to trade as well as customers. The speed with which customer complaints or service needs or trades requirements are attended to reflect upon the communication processes within the firm. Ultimately this closeness to the customer, closeness to new sources of knowledge to fulfill his needs better and the ability to "process" them in an optimal manner establishes the firm's strategic positioning. The whole marketing mix communicates with the customer. The products styling, price, choice of features, packaging shape and colour as well as the way in which the product reaches the consumer all communicate something to him. The choice the firm makes in each of these have already, preceded the options of the message to be sent through the communication platforms.

The focus of marketing communication to overcome a lack of awareness, create an image, fill a preference gap in the target market may be too short-term and too costly for the customer now. Communication, marketing communication and strategy overlap. The ability to understand this overlapping nature enables the delivery of a competitive communication response. Thus marketing communication is a process not only of interactions of customers and the firm on one hand (from pre-purchase inputs to post-purchase response) but also of the firms interaction within itself and with the 'diamond' on the other. This process is on-going in nature.

Tasks of Marketing Communication and the 3C approach: The execution of marketing tasks is the competitive response of the firm to the competitive forces that are trying to satisfy the evolving needs of the customer. Shown below are the tasks and how they depend upon cooperation and focussed concern. marketing communication, as has been analysed till now, is a flow. Hence the execution of these tasks flows from the firm's strategy building. The nature of the flows which influence each task is also described here.

Let us begin with the marketing communication task of identifying the target audience. This flows from the concept of segmentation. Segmentation is determined by individuality of the customer. An intuitive grasp of the individuality of customers is needed therefore to build a differentiation or focus strategy. The firm's product or service offering is reshaped here. The discussion on generic strategies and positioning alternatives has already been done in 18.10.1

The nature of differentiation or focus that the firm is able to build and deliver determines the communication objectives for they flow out of the objectives of firms strategy. This has been discussed in 18.10.1 and the implications for communication in product portfolio analysis and product life cycle analysis will be discussed in 5.4a and 5.5 ahead. Some possibilities of communication objectives are listed in 18.10.3

The message, again, is determined by objectives but depends strongly on the choice of strategy. The nature of this dependence will be explored here. The promotional budget depends on the total budget allocated to the concerned product or service as a result of the portfolio balancing exercise of the firm. The decision of promotional budget, again, depends on the firm's overall strategy. This will be elaborated upon in 18.11.2.

The selection of communication channels depends on the stage of product life cycle. This will be discussed in 5.5c, The promotion mix, too; depends on the stage of product life cycle. This is also discussed in 5.5c and the trends in promotion mix elaborated in 5.d., in totality, the above discussion gives a perspective of managing the communication process within the firm.

Classical theory states the promotion mix depends on many factors like nature of product, market, budget available, stage of product life cycle etc. The present analysis of the 3C's of communication strategy and mix. The flow from generic strategy to product portfolio planning to product life cycle analysis on the 3C model automatically reveals the influence of the nature of product, market, buyer-readiness state, budget available etc.

Competitive Response (Tasks of marketing communication)	Area of cooperation <i>(Fulfilling these tasks requires co- operation within the firm & with outside sources of information)</i>	Area of concerned focus <i>(Execution of these tasks implies a flow from firms strategic planning exercise)</i>
1. Identify the target audience Flows from discussion in 15.1.11.1	Understanding influences on wants, changes in tech. etc. developing firm's products (through working with R&D, factor conditions, related & supplier industry etc.) to satisfy new wants	3 generic strategies, 3 positioning alternatives (They tell us basis for delivery differentiated product & value addition to customer).
2. Determine the Communication objectives Flows from 5.1 5.4a & 1.5.5.1.3 possibilities listed in 18.10.3	Firm's strategy and objectives decided above. marketing and communication objectives flow from above interactive process.	Flows from above. Firm plans for a percentage movement along AIDA hierarchy. Sales objectives as determined from PLC, BCG strategies & competitor analysis. In-company "systems", "style" influence success.
3. Design the message See 18.11.3	Flow from customer needs and strategy choice.	Flow from customer needs and strategy choice.
4. Select the communication channels Channels shown in 18.10.3 Their use & mix depend on media habits of target audience.	Personal communication and cooperation strategies with important buyers. For impersonal communication, source data on: Readership, viewership data of media etc.	Working closely with important or difficult buyers may give inputs on media use habits. In-Company "systems" can help identify innovative ways to reach audience at lower cost. Otherwise depend on published data.
5. Establish the total promotional budget See 18.11.2a	Total budget & allocation to particular product among all firms products.	Flows from BCG Matrix & In-Company "systems"
6. Decide the promotion mix See	Market feedback, competitor analysis.	Flows from stage of PLC & In-Company "systems"
7. Managing the communication process incl. measurement of promotion results. Topic xxxxx	Competitor performance, company performance vis-a-vis market share, profitability, new segments reached and other communication objectives need to be compared	In-Company "systems". "style", "structure" important comparison of firms strategy & sales performance to competitors needed Research inputs will prove useful.

Fig. 18.15a: Tasks of Marketing Communication flow out from firm's process of cooperation and concerned focus for delivery value added to customer.

The outward communication with the customer is commonly understood through these communication platforms. Common communication tools used in each platform are also listed.



Platforms of Marketing Communication:

Advertising	Sales Promotion	Public Relations	Personal Selling	Direct Marketing:
Print & broadcast ads Packaging-over Packaging inserts Telemarketing Motion pictures	Contests, games, sweep-stakes, lotteries Premium and gifts Sampling	press Kits Speeches Seminars Annual reports	Sales presentations Sales meetings Incentive programs Samples	Catalogs Mailings Electroning shopping TV shopping fax mail e-mail voice mail
Brochures & booklets Posters and leaflets Directories Reprints of ads Billboards Display signs Point-of-purchase displays Audio-visual material Symbols and logos Videotapes	Fairs & trade shows Exhibits Demonstrations Coupons Rebates Low-interest financing Entertainment Trade-in-allowances Continuity programs Tie-ins	Charitable donations Sponsorships Publications Community relations Lobbying Identity media Company magazine Events	Fairs & trade shows	

Fig. 18.15b: Source: Kotler, 'marketing Management' IX edition

Some objectives of Marketing Communication:

As discussed earlier marketing communication objectives flow from the firms strategy development. DeLozier has listed three desired conditions while stating the possible promotional objectives of a firm. These are:

- 1) Desired conditions to achieve in the consumer's mind. This involves clarifying customer needs, increasing brand awareness, increasing product knowledge, improving brand and company image and increasing brand preference.
- 2) Desired conditions to achieve in the consumer's behaviour. This involves, stimulating search behaviour, increasing trial purchase of the brand, increasing repurchases and finally increasing voluntary promotion by consumer's of the brand.
- 3) Desired conditions to achieve for corporate positions. This involves improving the financial position of the firm, increasing the flexibility of the corporate image to facilitate future growth and/or diversification, increase cooperation from the trade, enhance the firms reputation among financial community, present and potential employees. He also refers to the need to increase the influence of public opinion concerning political issues related to corporate welfare.

While the first two objectives go according to the AIDA, process, the third takes a macro look of the firms activities and long term objectives.

These objectives, in detail, have been listed as follows:-

- 1) Desired conditions to achieve in the consumer's mind
 - a) **Clarify needs:** Make the consumer conscious of the difference between he objectives and the present position. Clarify the nature of this differenc in this mind. Increase the magnitude of the differences in his mind Provide some urgency about eliminating the difference. Make him feel more certain that a difference does exist now or in the future.
 - b) **Increase Brand Awareness:** Increase the breadth of awareness. Increase the intensity of awareness Improve the timing of initial awareness in relation to purchase. Increase the duration of awareness Improve the quality of the prospects made aware. Improve the closeness of association between the need felt and this brand as a solution to it.
 - c) **Increase product knowledge:** Increase the consumers total knowledge about the brand Increase the ratio of favourable knowledge to unfavourable knowledge about this brand: Improve the accessibility of this knowledge in the consumer mind. Improve the appropriateness of consumer knowledge

especially on unique points of product differentiation and hidden qualities
Improve the credibility of consumer knowledge.

- d) **Improve the company image:** progressiveness Honesty Reliability
Competence Friendliness
 - e) **Improve the brand image:** Improve consumer attitudes towards the product
attributes (design, capacity, expense, quality tc.) of the brand Improve
customer attitudes towards the personality attributes (age, status, gender etc.)
of the brand.
 - f) **Increase Brand Preference:** Increase the breadth of preference (the number
of consumers that prefer the brand): Increase intensity of preference (the
strength of preference). Extend the time period of preference.
- II) Desired conditions to achieve in the consumer's behaviour:
- a) **Stimulate search behaviour:** Increase store traffic Increase enquiries
Increase other forms of product enquiries.
 - b) **Increase Brand Trial Purchase:** Increase the number of triers Increase the
quality of triers (i.e. triers with the greatest possibility of repurchase)
 - c) **Increase Repurchases:** Increase the frequency of purchase: Increase the
volume of repurchase (decrease cognitive dissonance). Extend the period of
time over which repurchases continue to be made
 - d) **Increase voluntary promotion by consumers of the brand:** Increase the
quality and the amount of word of mouth communications among consumers.
Increase favourable consumer feedback to dealers
- III) Desired conditions to achieve for Corporate Position
- a) **Improve the financial Position:** Increase the sales volume per year. Reduce
the cost of sales per year. Increase the profits per year and/or Return on
Investement. Extend the period of profit flow. Increase the certainty of profit
flow
 - b) Increase flexibility of the corporate image to facilitate future growth and/or
diversification.
 - c) **Increase cooperation from the trade:** Stimulate the enthusiasm of company
sales representative
- Increase the shelf space at retail outlets Increase the completeness of inventory,
- d) Enhance the company's reputation in the financial community,
 - e) Enhance the company's reputation among present and potential employees,
 - f) Increase the influence of public opinion concerning political issues related to
corporate welfare
 - g) Build up management Ego.

Source: M.W. DeLozier (1976): "The Marketing Communication Process", McGraw
Hill Book Company. p-279-80.

18.7.4 Strategy, Portfolio Management and setting Promotional Budgets

Strategy and Portfolio Management

Firms may often be operating in more than one market. The choice of strategy for
each strategic business unit and the appropriate amount of funding for them become
key strategic questions. The firms range of product or service offerings may include
'yesterday' bread-winners (today's 'has-beens') as well as tomorrow's bread-winners'.
Identifying and building appropriate strategies for them is the task.

Despite a few shortcomings, portfolio models are found useful here. The product
portfolio analysis described below suggests specific marketing strategies to achieve a
balance mix of products that will produce the maximum long-run gain from scarce
cash and managerial resources.



Implication of strategy choice on communication message:

Three generic strategy choices are available for firms wishing to deliver greater value to customers. These choices have an implication on design of communication message. The nature of this implication is explored here.

Strategy Choice	Implications for firms activities	Implication on communication message
Differentiation	create something perceived industry wide as unique eg. product design, brand image, technology, product features, customer service, dealer network or other dimensions	Clarify buyer needs. Highlight difference in product channel. Then demonstrate how this difference satisfies the need in the way it has been clarified to add value.
Cost Leadership	This strategy is to be followed by all irrespective of whether they follow differentiation or focus strategy. Efficient scale production or favourable access to raw material or high market share leads to overall low cost (due to economies of scale)	Two strategy alternatives exit here: If cost leadership is used for market penetration strategy, then lower cost or greater promotion that it allows needs to be highlighted. If cost leadership is used to enhance profitability (usually cost leadership is enabled by superior technique) then it may be useful to highlight the better technology
Focus	Focussing on particular buyer group, segment of product line or geographic market. Achieve efficiency & effectiveness in serving this narrow market that competitors cannot imitate easily. Implies limitation on achievable market share. Trade off between profitability & sales volume acceptable here	The different needs of the segment chosen need to be highlighted first (to increase dissonance with the fulfillment levels offered by competition). Highlight the special offering of the firm that enable better value delivery

Figure 18.15c Implications of Strategy Choices on Communication Message:

The growth-share matrix or portfolio model attempts to explain how the market share, market growth and cash flow of a firm are tied together. The Boston Consultancy Groups (BCG's) growth share matrix identifies business as cash cows, stars, dogs and question marks based on their ranking on two criteria: market growth (or business sector prospects) and market share (or company's competitive capabilities). Each matrix position has an implication on firms strategy and therefore marketing communication strategy and budget allocation.

		Relative Market Share	
		High	Low
Market Growth	High	Stars	Question marks
	Low	Cash Cow	Dogs

		Business Sector Prospects		
		Unattractive	Average	Attractive
Firms Competitive Capabilities	Weak	Disinvest	Custodial	Double or quit
	Average	Phased Withdrawal	Growth	Try harder
	Strong	Cash Generation	Growth	Leader

Fig.: 18.16: The BCG Growth Share Matrix

Fig. 18.17: The GE McKinsey Matrix

The implication of each position on marketing and marketing communication strategy is listed below:

- a) **Low Growth/Dominant Share (Cash Cows):** These products generate more cash than is required to maintain share. Maintenance of market domination is essential (therefore if investments to generate technological leadership and Price leadership are required they need to be allocated. Sometimes, market share may be too high to be maintained. What has to be resisted is the pressure to overinvest through product proliferation and market expansion (which requires marketing communication support) unless primary demand expands.
- b) **High Growth/Dominant Share (Stars):** Such products have fast growth and high profitability. but they also need a lot of cash to finance the rate of growth. New users and new applications are the source of growth, both of which need extensive marketing and marketing communication support. hence the biggest marketing and communication budgets need to be allocated or such products.
- c) **Low Growth/Subordinate Share (Dogs):** Such products have few opportunities of growth at reasonable cost. Strategies (including marketing communication strategies) should focus on:
 1. Concentrating on a specialized segment of the market that can be dominated and protected from competitive inroads. Marketing Communication should focus on this.
 2. Alternatively cut back all support, reduce costs including marketing communication costs to a minimum level to maximize the cash flow over a foreseeable (short) lifetime.
 3. Disinvest sell the' business/delete product from range of products offered.
- d) The Growth Subordinate share (Problem Children) Strategy is to either invest heavily (in the product and its marketing and marketing communications. This will enable firms to get a disproportionate share of new sales). Alternatively firm can acquire competitors. Alternatively the firm should get out of business. Market segmentation strategy can also be considered, but only if a defensible niche can be identified and resources are available to gain dominance in the segment.

Basically 5 courses of business action emerge. These are: building, acquiring, holding, harvesting and divesting. **Acquiring** is an alternative strategy to internal development. This implies targeting other firms which may be problem children or question marks in their own context. **Hold** is a defensive position used by healthy cash cows to enable them to keep generating cash flows that fund the stars and question marks in the matrix. **Harvesting** implies a strategy that is generally applied to cash cows and dogs. It involves cutting costs, reducing product promotion to generate cash. Sometimes killing off a business by harvesting it may be the best option. **Divesting** implies getting rid of a business in the most advantageous way. The target is usually the Dogs and question marks of the matrix. **Building** is a strategy that is used exclusively for the stars and question marks. These 5 strategic choices can be further simplified as follows:

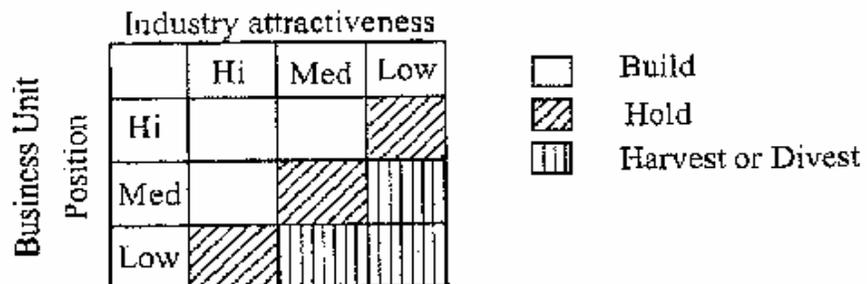


Fig. 18.18: Strategic Decisions for portfolio positions
 Source: "Marketing": Peter D. Bennet 1988.

Firms popularly use four alternative ways of setting promotional budgets. These methods are



Method	How firms view the execution	The Weakness
“ All- you –can – afford	The firm allocates budgets depending on available resources.	usually this implies that the least importance is given to marketing communication hence left over budgets are sanctioned to them. However, in small' firms where resources are genuinely a constraint this approach may reflect the firms reality and innovative use of available budget may be the only way out
Percentage of Sales method	The budget is decided by sales that have already occurred. A percentage, say 2%, 5% or 10% is set aside for marketing communication budget	This assumes that budget is a function of sales and not vice-versa. It only looks at sales that have occurred and does not plan for the sales that have yet to occur
Competitive parity	This method implies following what the competitors are doing in allocating budget ,	Competitors expenditure forms the basis of firms competitive policy.
Objective & task method	Budgets are set to meet certain objective & fulfill certain tasks of marketing. The estimate of costs on meeting the objectives & fulfilling the tasks is the marketing communication budget that is set. The objectives are usually market share growth. "age of target audience covered, how often they need to be covered, percentage of people who need to be moved from awareness to interest to decision to action. The cost of achieving this finalises the budget	The quality of estimates available of the marginal response of target audience to a marginal increase in the budget are the critical factor

- a) “All-you-can-afford”.
- b) Percentage of Sales
- c) Competitive parity.
- d) Objective and task method. Shown below are the weaknesses of each approach. How the same methods can be viewed differently to be a source of strength will be discussed later.

An alternative view is being suggested for setting promotional budgets, This view assumes that in a competitive situation, the firm needs to be guided only by a Objectives to be met and Tasks to be fulfilled' approach, Hence the process of budget setting is a 'Objective and Task' exercise. The choice of the same alternatives in this exercise is presented here, only the way firms can view these alternatives is changed

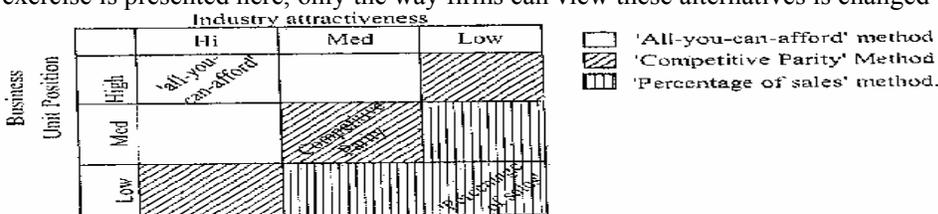


Fig.: 18.19: Firms Budget Setting: Objective and Task Method



Method	How firms can view its execution	The Strengths
All-you-can-afford'	The firm instead of viewing resources as a constraint, views the same resources as inputs that are in search of better returns. These inputs are invested in those areas and products where the returns are likely to be the best. hence "all-the-resources-you-can afford" will naturally flow to products who are likely to be tomorrows bread earners or 'stars'. Therefore this approach likely to contribute to "Build" strategy of the firm.	This thinking help the strategic planning process. It views resources as necessary inputs. It takes a positive view especially towards areas of future growth. This ensures that the firm is always investing in a way that secures its future.
Competitive Parity Method	The biggest feature of this approach is that it is only looking at the competition. This is a strength which should be used to defend products whose market share is likely to be attacked by competition. This is a good defensive strategy for it does not attack by suggesting that the firm spend more. Hence it should be used where positions have to be "held on" to. It will work admirably for "Hold" strategies of the firm.	It defends positions where attacking will give poor returns on investment and losing will make the firms cash flows suffer. Therefore it allows cash flows suffer. Therefore it allows resources to be diverted to areas where the firm gets the best return on investment.
Percentage of sales method.	The biggest weakness of the approach is converted to its biggest strength. While "all you-can-afford" method builds the firms links with products of tomorrow, the 'percentage of sales' method which is invariably linked with the performance of yesterday, is left to guard the 'performers of yesterday' only. Hence only as much budget is allocated to a product as its sales permit. This is useful for products in which no additional resources should be pumped in and where markets are mature or declining. hence 'harvesting' or 'divesting' strategies will find the technique useful.	It does not allow 'tomorrows bread-winning products' to suffer by diverting their resources to products which will not contribute very much in the future. It defends a product only to the extent it deserves promotion support. it recognises the changing nature of the market place and adapts the firms response to it.

18.8 STRATEGY, PRODUCT LIFE CYCLE (PLC) AND IMPLICATIONS FOR PROMOTION MIX

18.8.1 Generic strategies and their ease of use in PLC stages

Generic strategies should last the firm through all stages of the product life cycle. However alert competitors may copy the technology, cost saving processes and other value delivery means of the firm making this task difficult.

In certain stages of the product life cycle certain strategies may be easier to achieve. For example differentiation may be easier to establish in introduction and growth stage of product life cycle. Cost advantage may not be critical for competitive success in these two stages but if the firm develops this advantage, its success in the maturity and decline stage becomes more assured. Focus strategy, by its very nature, implies sacrificing some market share. In the introduction and growth stage firms may not find this strategy attractive unless they have limited resources or specialised skills which can only cater to certain customers. However in the maturity and decline stage 'focus' is probably the most useful strategy to follow for all firms, irrespective of their size.



AIDA Process				Generic Strategies		Focus	
A	I	D	A	Stages of PLC	Differentiation	Cost Leadership	
				Introduction	Easy to establish (Product benefit differentiation established here)	Low Criticality Need of customer more important than cost of product	More useful strategy for smaller firms or those having specialised skills only
				Growth	(More focus on technical and performance differentiation)		
				Maturity	(Market segmentation) Less product differentiation		
				Decline	Difficult to establish Little product differentiation	High Criticality Survival of firm may depend on low cost.	Most useful strategy for all firms

Fig. 18.20: Generic Strategies and AIDA process in stage of PLC

18.8.2 Influences of product life cycle on product, marketing, distribution and overall strategy

The marketing and overall strategy of the firm is often influenced by the stage of product life cycle. The implication on product design and development, distribution as well as marketing and overall strategy is listed below:

	INTRODUCTION	GROWTH	MATURITY	DECLINE
Product and Product change	-Product design & development is the key,	-Products have technical & performance differentiation, -Competitive product improvements	-Less product differentiation -Trade-ins become significant	Little product differentiation
-Marketing	-Very high advertising/sales ratio Creaming price Strategy	High advtg. but lower %age of sales than introductory stage -Advertising & distribution key for non-technical products.	Market segmentation Efforts to extend life cycle -Service & deals more prevalent. -Packaging important -Advertising competition -Lower advertising/Sales percentage	Low advtg. sales %age & other marketing costs.
Distribution	-Specialised channels	-Scramble for distribution -Mass channels.	-Distribution Channels pare, down lines to improve margins. -High physical distribution costs due to broad lines. -Mass channels.	-Speciality channels.
Overall strategy	-Best period to increase market share -R&D, engineering are key functions	Practical to change price or quality image -Marketing the key function	-Bad time to increase market share especially if it is low. -Competitive costs is the key -Bad time to change 'price' or quality' image. -“Marketing effectiveness” is the key.	-Cost control is the key

Source: Adapted from "Competitive Strategy: Techniques for analysing industries and competitors"

Michael E. Porter.

18.8.3 Implications for Marketing communication tasks in the product life cycle stages

i) Changing promotion mix in product life cycle stages

The cost effectiveness of promotional tools varies in different stages of the product life cycle. A speculative view is presented here:

In the introduction stage advertising and publicity generate awareness and interest. Personal selling gains distribution coverage and sales promotion induces trial. Hence all the tools are necessary in this stage.

However, once demand builds its own momentum the importance of all the tools starts declining. Word-of-mouth helps the product more in this stage.

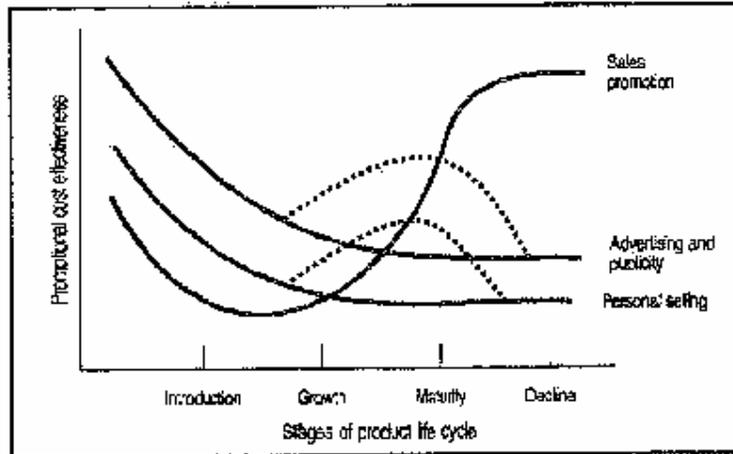


Fig. 18.21 Promotion mix in PLC stages.

In the maturity stage sales promotion definitely increases as product differentiation is diffused, brand pull is weakened and customers are seeking value through other means. However on advertising and personal selling two views exist. If efforts are made to extend the product life cycle then advertising and personal selling are likely to be increased. Similarly if product differentiation, market modification, product modification or marketing mix modification strategies are expected to yield better sales then the marketing and communication budget is likely to increase. In the absence of such strategies or tactics the ratio of advertising to sales should see a decline. Personal selling expenditure will follow accordingly. 'Focussed' marketing for certain segments could increase advertising for them in focussed media but such an increase will avoid wastage & actually reduce the expenses. This is shown in Figure 18.21. In the decline stage sales promotion continues to give the additional value that customers seek when brands become undifferentiated. However if niche marketing is done and effort is focussed on specific segments where higher value can be offered by the firm in other ways, the sales promotion expenses can decline. This can happen if specific media exist where the target customers can be reached in a cost efficient way, then advertising may become more useful to invest in. In absence of such strategies advertising, publicity and personal selling will be less cost effective.

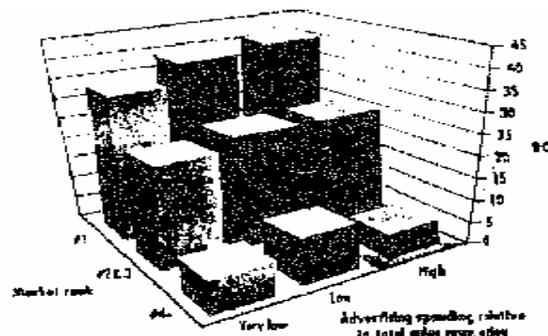


Fig. 18.22: Impact of firm's market rank on promotion mix.

Lee and Mohr's research on the allocation of funds to different promotional tools showed the following trends:



- 1) More money is put into advertising compared to sales promotion in the introduction and growth stages of the product life cycle, especially if the market growth rate is strong. Firms with the largest market share profit margin and/or product differentiation also spend relatively more on advertising.
- 2) More money is put into sales promotion when the competition is increasing, the managements focus is short-term, the political influence of firms sales force is more and the retailers strength is greater.
- 3) Advertising tends to have a positive effect on consumer attitudes and long-term market share but little effect on short-term market share.
- 4) Consumer and trade promotion tend to have a stronger effect on consumer attitudes and market share in the short-run.

Some research has shown that top ranking brands (top three) will get better return on investment from allocating a higher budget to advertising than sales promotion. For lower rankings the reverse is true. This shown in Figure 18.22 above.

The Marketing Communcation budget, objectives, message, channels and promotion mix are influenced by the stage of product life cycle. Some of the influences are elaborated below:

Introduction	Growth
<p>Target Audience:</p> <ul style="list-style-type: none"> — If the firm offers an 'alternate' product (i.e. alternate way of satisfying current needs) then the target audience is same as for the product it seeks to replace. — If new product for emerging needs is offered, firm should identify "what value is being added for which buyer circumstances?" what value is being added for which buyer circumstances?" Buyers sharing circumstances in which offering adds values become the defined target audience. <p>Marketing Objective:</p> <ul style="list-style-type: none"> — Best period to capture market share. Therefore marketing objective should be to increase it. <p>Communication Objectives:</p> <p>a) Create Awareness and Interest by:</p> <ul style="list-style-type: none"> — Clarifying Buyer needs. — Increasing product knowledge — Answer how product satisfies need. — Create brand awareness. — Stimulate search. <p>Message:</p> <ul style="list-style-type: none"> — Depends on strategy i.e. differentiation, focus or cost leadership. — Differentiation strategy is easier to use here. — Marketing Communication to be information oriented and designed to arouse interest. <p>Communication Channels:</p> <p>Select channels that buyers sharing need circumstances (i.e target audience) are exposed to. If product benefit needs demonstration media chosen should be able to do so effectively.</p> <p>Budget:</p> <p>Marketing communication expenses are highest due to:</p> <ul style="list-style-type: none"> — Need to inform potential customers of unknown product — Induce trial by changing established behaviour pattern — Secure distribution in retail outlets. — 'All you can afford' a good approach if market growth is good & firm enjoys good market share. <p>Promotion Mix:</p> <ul style="list-style-type: none"> — Advertising, publicity, personal selling & sales promotion will be effective. 	<p>Target Audience:</p> <ul style="list-style-type: none"> — Same target audience as in 'introduction stage only their needs are slightly reshaped. <p>Marketing Objective:</p> <ul style="list-style-type: none"> — Increase market share — Approach new segments — Increase brand awareness and image. — Try to stimulate favourable buyer 'word-of-mouth' referral. <p>Market shift:</p> <ul style="list-style-type: none"> — The product acceptability is built but new features and models needed. — Products need to have technical and performance differentiation. <p>Message:</p> <ul style="list-style-type: none"> — Marketing Communication focus to shift to features & models. — Marketing Communication to highlight new uses or needs. — Media and distribution channels should be able to demonstrate these benefits. <p>Communication channels:</p> <p>Select channels that buyers sharing need circumstances (i.e. target audience) are exposed to. If product benefit needs demonstration media chosen should be able to do so effectively.</p> <p>Budget:</p> <p>Total budget increase as sales volume increases. However, marketing communication expenses as a percentage of sales shows decline. 'All-you-can-afford' is a good strategy in early growth share for high market share firms. Competitive parity in budget setting becomes important if firm does not have enough market share in the late growth stage.</p> <p>Promotion Mix:</p> <p>Decline in percentage of expenses on advertising, publicity, sales promotion & personal selling.</p>



MATURITY	DECLINE
<p>Target audience:</p> <ul style="list-style-type: none"> — Same target audience as in growth stage only their needs are further reshaped to become more quality conscious. — Need to understand individuality of buyers. Market segmentation important. — Desirable to begin focussing on special segments needs. <p>Communication objectives:</p> <ul style="list-style-type: none"> — Depend on firms strategy. — 3 strategy alternatives: Market modification, product modification & marketing mix modification. <p>Marketing Communication strategy & message:</p> <ul style="list-style-type: none"> — High focus on marketing communication if efforts made to extend Product Life Cycle (PLC). — Three strategy alternatives need separate marketing communications strategies: — For market modification strategy advertising should emphasise on brands repositioning. — For product modification strategy advertising should emphasise on brands repositioning. — For product modification strategy it should emphasise on improved quality, features or styling. — If marketing mix modification then need to highlight consumer benefit of the 'P' or combination of 'Ps' changed. <p>Communication channels:</p> <p>Emphasis on reminder and 'focussed' media. If efforts to extend PLC made, then emphasis shifts to 'high impact' media.</p> <p>Communication budget:</p> <ul style="list-style-type: none"> — Increase in budget if firm bids to extend PLC. Otherwise decline in communication expenses. — For low market share firms advisable to follow 'competitive parity' or 'percentage of sale' method. <p>Promotion Mix:</p> <ul style="list-style-type: none"> — If PLC extending strategy then advertising, publicity & personal selling increase. — Otherwise decline levels of advertising, publicity, personal selling. 	<p>Target audience:</p> <ul style="list-style-type: none"> — Buyers become sophisticated and very quality conscious. — individuality of their needs increases. <p>Communication objectives:</p> <ul style="list-style-type: none"> — They flow from strategy objectives. — 'Focus' strategy is useful here. — Hence communication objectives are to increase re-purchase from the segments shown by the firm in its focus strategy. <p>Message:</p> <ul style="list-style-type: none"> — Address focussed needs of target group. — Preferably time the message to appear just before repeat purchase occurs to avoid wastage and minimise expenditure. <p>Communication channels:</p> <p>Emphasis on use of reminder media & media focussed on buyers, timed before purchase. Choice of Communication channels depends on exposure and preferences of the target audience.</p> <p>Budget:</p> <ul style="list-style-type: none"> — Low marketing communication costs. These costs show a declining trend. — 'Percentage of sales' is a good method of setting promotional budgets. <p>Promotion Mix:</p> <ul style="list-style-type: none"> — Advertising, Publicity & personal selling expenses are not very cost effective and thus continue declining trend. — Sales promotion expenses continues to be at the highest level.

Introduction Growth

18.9 TRENDS IN MARKETING COMMUNICATION (PROMOTION) MIX

18.9.1 Trends in technology and their implications

Technology is creating a new world. Just as newspaper printing, radio, telephone and television revolutionised the world at one time, new technologies will change assumptions, ways of doing business as well as ways of buying products. Newer media are emerging in the form of computers working with voice navigation, e-business, - World wide web, internet, e-mail etc. Fax machines, cellular phones, pagers etc. are making inter-personal communication quicker and easier. Some consumers may even be shopping by switching on the computer and shopping at a "virtual" site which shows the products on shelves as in a departmental store. A click will record the order and deliveries made at home.



How many of these technologies will create the impact they desire is a concern of some. It took the micro wave oven thirty years after its invention to become a popular household appliance. Irrespective of the success of technologies, the world is becoming a smaller place. The way businesses produce and market their products is likely to change. Telecommunications has created the possibility of bringing the huge global economy together and making its parts smaller and more powerful. Thus larger markets and smaller segments are likely to emerge simultaneously. Moreover growth of interactive media may change the nature of advertising. By decreasing communication costs, new technologies are encouraging firms to move towards more targeted communication and one-to-one dialogue. The success of the new medium is likely to decrease the importance of the mass media. The mass media, too, may become more focussed towards target groups. For example specialist magazines addressing focussed segments are succeeding while new general interest magazines may find it difficult to survive. What may be true for magazines today may become true for new television channels. An age of "concern" for "Focus" may arise in building competitive strategy for both senders and receivers of communication as the media environment becomes interactive and offers a multiplicity of audiences and channels.

18.9.2 Trends in the communication mix

Research available shows that sale promotion expenditure has been increasing as a percentage of budget expenditure annually for the last two decades. Kotler further states that a decade ago the advertising-to-sales promotion ratio was about 60:40. Today in many consumer packaged goods companies sales promotion expenditure is expected to continue. The rapid growth of sales promotion media (coupons, contests etc.) has created a situation of promotion clutter. If consumers stop responding to the cues, the ability to generate sales will get adversely affected having an adverse effect on the efficacy of sales promotion. It may be worth while to mention that many products in the consumer packaged goods industry are in the Maturity Stage of their product life cycle. Packaging upgradation is probably the only major tool they could have used apart from offering greater range etc. In such a situation promotion is the tactic that will yield results. If growing consumer promotion reflects that in the consumer mind the brands are getting undifferentiated then the need to search for them decreases. The opportunity exists for technology to allow consumers to shop on their computers while sitting at home. The success of this technology would be linked to the perceived 'value added' of the offer including delivery charges and speed. The success of home shopping offered by television channels depends on similar variables.

To study the emerging trends in promotion mix, Roberts has analysed the revenues of advertising agency WPP. While advertising still accounted for 55% of WPP's revenue and 69% of its operating profit, revenues from specialist communications such as direct marketing, identity and design grew by 11% (compared to a overall 7% growth rate exhibited by two of its largest companies) while public relations revenue grew by 8.3%. It was found that the steady rise of non-advertising activity was drawn by both media inflation as well as the growing efficacy of the other ways of communicating. Both brand managers and advertising agencies therefore need to know as much about "below-the-line" disciplines as they do about media advertising. A "total communications strategy needs to look at the total communication package including Direct Marketing, Promotion, Public Relations, Event Marketing and Interactive Media.

At the same time as this is happening, Bergstrom sees the need for a shift of brand management from short-term marketing activities to a broader, more central and long-term role. Steinberg has argued that the understanding of promotion is usually limited to tactics like coupon drops and dealer spiffs. The long-held belief that advertising build brand equity and promotion gains only short-term results, in his thinking, needs to be challenged. There is a need to recognise the opportunity to integrate equity building with promotions.

Another important trend is marketing communication is the growing importance of Relationship Marketing. While personal selling is transaction oriented, relationship marketing is customer need oriented. The type of selling to establish a long-term collaborative relationship is more complex: Relationship marketing is based on the premise that important accounts need focussed and continuous attention.



18.10 THE FOURTH 'C': COMPETITIVE ADVANTAGE

Communication has emerged as one of the most powerful tools of transformation. Its role in knowledge dissemination begins by transforming children into citizens, customers and value-seeking individuals. It has an important role to play in influencing the nature of human wants and needs. Communication is also used to transform firms or organisations from the inertia of mediocrity to the dynamism of 'excellence-seeking'. It transforms a nation's resources and capabilities into a competitive advantage. It binds society together and its interactive nature helps build processes which are mutually supportive for citizens, firms and nations. If communication can contribute so much, it is time to view it as a critical resource. The relevant question becomes, how to utilise it to its optimum potential? A sub-optimal use of resources can make a firm, cluster or nation lose their competitive advantage. Similarly a sub-optimal use of the resource of communication can make the processes in society lose the advantage of compatibility. Society, which survives on interdependence, then faces the danger of losing its way.

18.10.1 Will the 'Knowledge Society' lose its way?

The purpose of all business communication is to add value. We now discuss the meaning and dimensions of 'value'. Man is a social being. His existence forms the basis of - society. All value that he receives, therefore, has an impact on society. This is the area of concern here. While proposing the societal marketing concept Kotler states "In recent years, some have questioned whether the marketing concept is an appropriate philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty, and neglected social services. Are companies that do an excellent job of satisfying consumer wants necessarily acting in the best long-run interests of consumers and society? The marketing concept sidesteps the potential conflicts among consumer wants, consumer interests, and long-run societal welfare." How can the societal marketing concept work? The answer to this question is explored here.

Civilisations that are built on a focussed concern that the additional 'value' a customer receives should also imply values added for society are destined to last longer. Cooperation is the basis of not only a social structure but also its value creation and delivery structure. When specialisation and division of labour form the basis of social systems, co-operation becomes an imperative. This cooperation should result in compatibility between the creation and delivery of value for the individual and society. Such compatibility is important for long-term mutually supportive functioning of society. This approach will automatically build a focussed concern for environmental, ethical and other issues in the creation and delivery of value. Thus the competitive response of a firm, so long as it is within the framework of shared values of society will continue to add value to both the individual and society. In the absence of such an approach many legal and ethical issues emerge. Kotler's list of the major marketing decision areas that pose legal or ethical questions is presented in Figure 18.23.

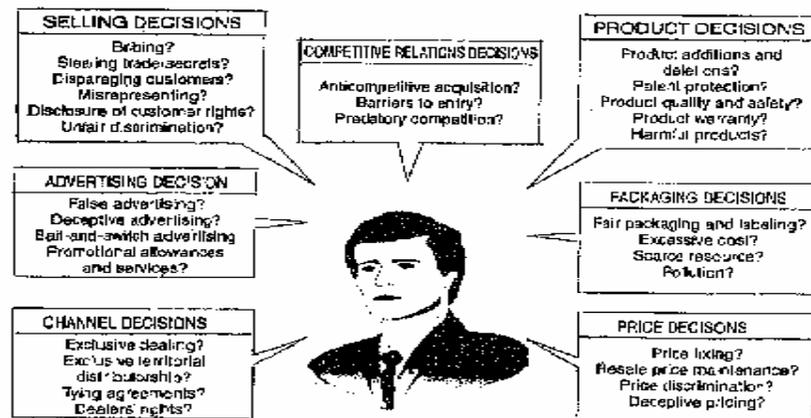


Fig. 18.23 Major Marketing decision areas posing legal or ethical questions.
 Source: Philip Kotler "Marketing Management" Ninth Edition.



There is also a rising concern for ethical issues in research, growth and use of knowledge for production of goods and services as well as their marketing and communication which stimulates needs. These concerns can only be adequately met through communication of society's shared values to all participants in the value creation and delivery processes. Shared values showed from the basis of value creation and delivery. Communication then, at the level of the 4th C, should try and move the shared values of the firm, cluster, industry, nation and customer closer to the shared values of society.

Information, in today's world, is power. The role of technology is going to make access to information much easier. However technology offers no solution on the nature of use of the power. With rapid growth of information and knowledge the dimensions of use of power will increase. For example, so much information on consumer likings may be available that the dangers of intrusion into privacy of citizens become real. Self-restraint based on shared values can be the only guiding light in using such power in every area from genetic research to consumer research.

What is the necessary determinant of Shared Values? Broadly speaking, it can be easily identified as a desire for 'wisdom realisation'. This desire addresses the highest order needs of individuals and takes a holistic view of man and society's interaction.

Protecting society's long-term interests and other such objectives would naturally flow out of this. When this determinant is at work, the growth of information and knowledge gets two things: MEANING and DIRECTION. The limitations of the knowledge society are then overcome with the respect, search and realisation of wisdom.

The 'Knowledge Society' thus has to transform itself into a 'Wisdom-Driven' society.

Such a transformation would ensure that the sum of value additions by firms (working in their clusters; industry and home nation) does not subtract value from society by damaging the environment violating social values and ethics or government laws. Porter has observed that when a society becomes 'Wealth-Driven' it enters the stage of decay. This eventuality is unlikely to occur if 'Wisdom-Driven' becomes the engine of growth, replacing the single-minded drive for wealth (ignoring totally any other objective). The objective of growth of knowledge should therefore, be to work towards this stage.

18.10.2 The role of Shared Values: Shaping and re-shaping Customer wants

Communication has an important role to play in influencing the creation and re-shaping of human needs and wants. The influence on human wants of growth of knowledge, the products it creates and the socialisation process has already been seen earlier. Communication is the medium through which all influences travel. This process starts from the early years of the life of every individual. Over a period of time, this individual evolves into a full-fledged customer. This customer should be 'values-driven' in expressing the 'value-seeking' nature of wants.

For values to be shared, communication is necessary. Today the concern of legal, environmental and ethical issues is being expressed after knowledge has created product and services and they have been consumed. This is like wondering how to shut the stable door after the horse has fled. The key question, then, is finding out when the task of shutting the stable door should begin and how it should be executed.

This task begins with the understanding that knowledge acquisition is different from wisdom realisation. The biggest question facing society is: 'will all the growth of knowledge be used for the end of realising wisdom?' This shall be the biggest challenge facing communication. Society and strategy building processes in the coming century

A study of dominant flows of communication, as they occur today, is revealed in Figure 18.24: The growth of knowledge, aided by ease of its delivery, has become the dominant influence today. This growth of knowledge is not always tempered with the influence of wisdom. This influences individuals as well as firms exposed to such knowledge. The socialisation process creates pressures on individuals to adapt quickly

to this growth of knowledge The individual in this case, has no control over this process and emerges as a 'puppet' or victim.

The need is to reverse the flow. Three possible steps in this direction are listed below:

- a) Shared values are formulated before human wants and needs are created. This implies that before customers are formed, values are shared. The role of ethics and human values in education of children needs to be highlighted here for this process to be realised.

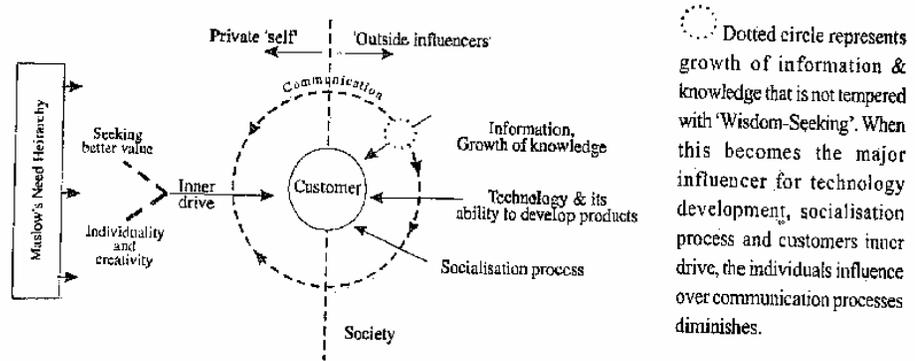


Fig. 18.24: The 'Influences' and the customer: their present inter play (An individual has little control over communication processes)

- b) The social implications of technology are given as much importance as the process of invention
- c) Informal social mechanisms monitor processes and their impact on environment and society. When such mechanisms are purely self driven and voluntary, they do not become self serving for those who monitor them.

Shared values influence best when they emerge naturally in behaviour patterns of individuals and firms. Hence the suggestion of imbibing human values at the early stage of education. Shared values re-shape individual goals thus enabling the individuality and creativity of individuals to express themselves in ways that avoid zero-sum situations. Figure 18.25 makes such an attempt.

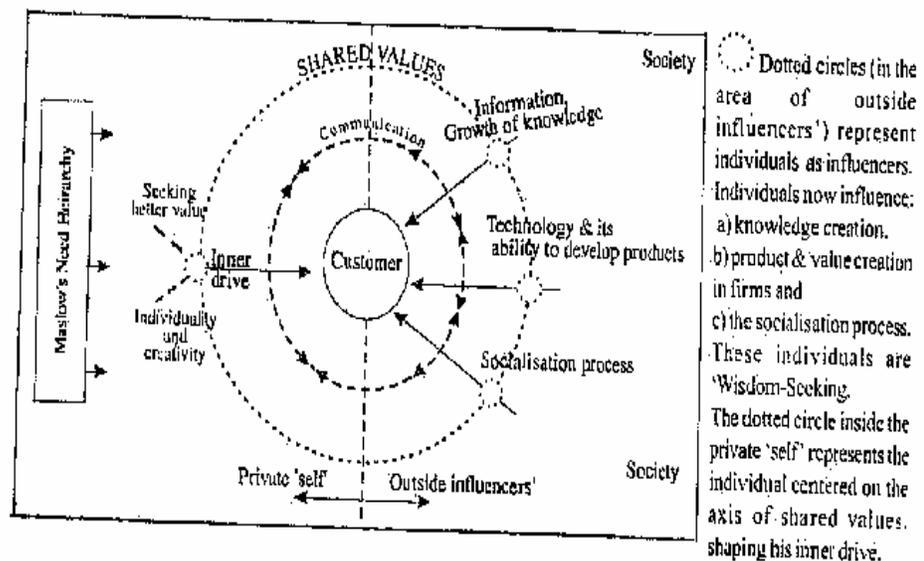


Fig. 18.25: The 'Influences' and the customer: their proposed inter-play (The individual, empowered with wisdom, communicates within ambit of shared values, to determine direction of growth of knowledge, technology and socialisation process)

The individual, in Figure 18.26, centered on shared values seeks wisdom. This individual then becomes the dominant influence for the growth of knowledge and socialisation process. Again the individual in the firm is the key which enables the conversion of growth of knowledge into products. When this process is tempered by wisdom, the socialisation process and growth of knowledge are both given a meaningful direction.

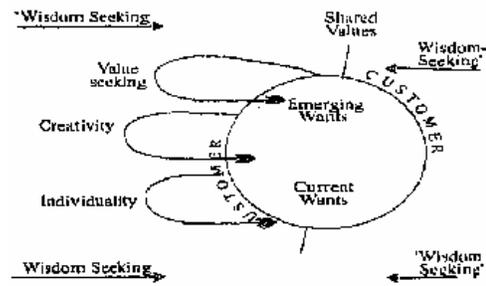


Fig. 18.26: The importance of shared values & new 'influencers' on customer wants.

18.10.3 The role of Shared Values: Mckins

The McKinsey 7S model, shown in Figure 18.27, places shared values where they rightfully belong at the heart of a firms value creation process.

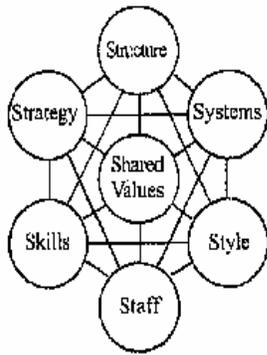


Fig. 18.27: The firm and shared values

The 'hardware' of the 7S model is driven by the 'Software'. The software is "individual-oriented" as it deals with the staff, their skills and the style in which the potential of these skills is used to add value. Share values move individuals first and build strategies later. For individuals working in a firm have to share values first to enable them to build these as common values of the firm. Value addition, when motivated by shared values, moves firms to excellence. Many examples exist where communities, firms and nations share values and use them for creating a competitive advantage.

Italians have deep clusters which use shared values of extended families. The Japanese share values of a work culture. The Swiss share values of respecting multiple culture and languages and combine it with a social

philosophy of compromise and accommodation (which reflects in their political neutrality, too). This becomes a competitive strength for the Swiss enabling them to trade and transact business with many countries. It also helps develop an image of 'trust' for their banking community. When common human values are shared in process of education itself, the task of creating value through excellence becomes simpler for firms.

The McKinsey model in Figure 18.27 above demonstrate how shared values of the firm drive it towards excellence. They also enable higher as well as better value creation and delivery.

18.10.4 The role of Shared Values: Moving from the '3C' to '4C' model

The 3C model explored how communication is necessary for value to be added by the firm. Similarly for values to be shared, communication is necessary. As stated earlier, the concern of ethical, environmental, moral and legal issues today is being expressed after knowledge has created products and series and they have been consumed. The 3C model as discussed till now showed how customers wants (influenced not only by 3 factors but also by the drivers i.e. nature of changes in knowledge leading to advances in technology and of social pressures) become the driving force for firms which operate in a national context to create competitive strategies. These strategies not only give firms competitive success but also create a competitive advantage for nations. Nations, again, work in an international environment of trade, exchange of knowledge and flow of information that enables transfer of value as well as value creation. This power of value creation through products and services; the new social pressures of builds, the new directions of growth of knowledge, information seeking and technology that it creates, raises social concerns, ethical questions and legal issues. There are instances

where global aggregation of individual value additions does not seem to be giving positive results.

The 'Earth summit' reflects the need of eco-friendly approaches to growth of knowledge and development of science and technology. This can enable man to live not only in harmony with himself and society but also with nature (environment) and resources of the planet too.

The task of communication is to move the shared values of customers, firms, national influences and international context closer to shared values of the society.

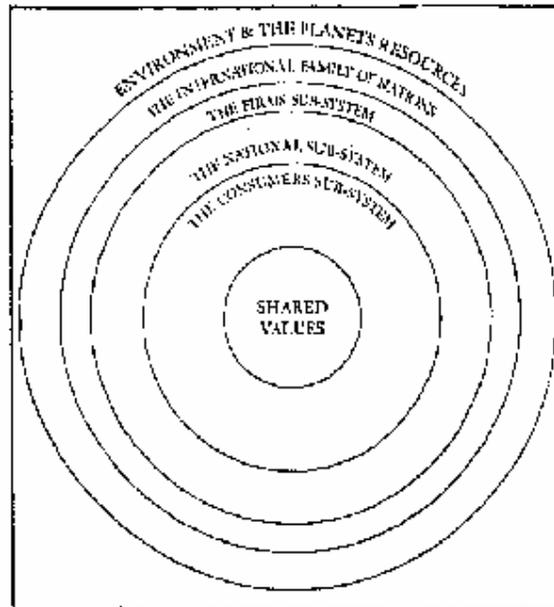


Fig. 18.28: The customer, home nation, firm and society's compatible interaction (on basis of shared values) during the process of value creation.

The new model would look something like Figure 18.28:

The new 4C model shows that communication flows of society, individual, home nation and firms need to be studied together to help develop strategy that adds value to society as well as the consumer. Shared values form the core of this model.

18.10.5 The Fourth 'C': The Compatibility Advantage at work

Values, when they drive the value seeking desire of the 'customer, create an environment where firms, scientists and other specialists spend as much effort in exploring the impact of the knowledge addition on society as they do in creating this knowledge. The re-shaped individual goals have an impact on evolving nature of customer needs on one hand and on the firms functioning on the other. After all, individuals work in firms and move the 'software' of the 7S model towards excellence. Shared values are the heart of interactions within the firm which can produce excellence. Shared values, when guided by wisdom-seeking' can make firms output and society's expectations match. When shared values of individuals and 'stated' shared values of society are different, the output of firms and the processes of commerce in society are not compatible. Environmental, ethical and legal issues begin to emerge.

Guided by discrimination and 'wisdom-seeking' the same individual drives the knowledge creation processes of society, adds value within framework of the firm and helps create the socialisation process. Figure 18.27 recapitulates the role of shared values in the firms processes. Figure 18.28 shows shared values as the core of the 4C process.

Figure 18.25 shows the interplay, as it should exist, between the individual, the influence of growth of knowledge and the socialisation process. It therefore clarifies the role of the forces that retard this compatibility from occurring today. Firms say that they are driven by customer wants and take the shelter of marketing ethic to justify creation of products that may not be suitable for natural and social environment. Social analysts and critics blame firms for creation of needs which are irrelevant, frivolous and may be

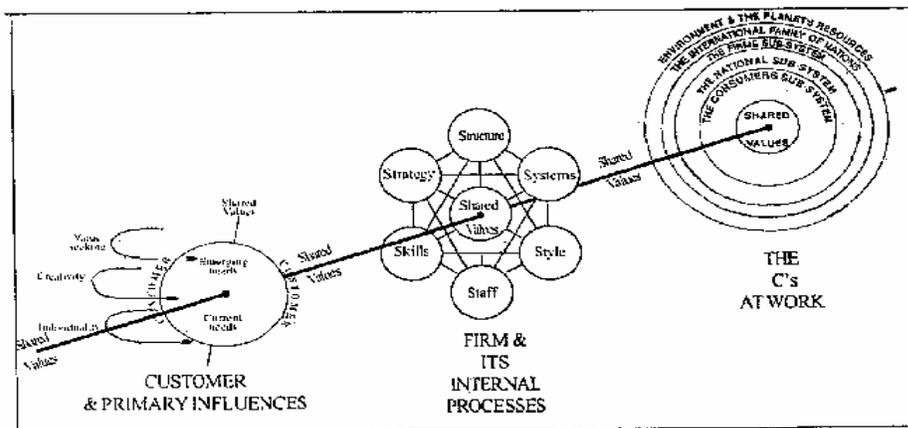


even harmful for both man and society. The nature of such accusations reveal the play of zero-sum games. The 'Knowledge Society' seems to be losing its way. The way out can be offered by the three possible steps suggested earlier.

Society, when guided by long-term concerns, creates an environment where the conversion of knowledge into products is done on the basis of a study of their long term impact on society and environment. Communication, to fulfill its objective, must become a two-way process as shown in Figure 18.25. Only in such a situation can the potential of communication as a transformational process and tool be realised. This model depicts how processes of communication in society can be used to their optimum potential to serve the purpose of adding value. They no longer become 'impositional' one-way flow of information and knowledge (represented in Figure 18.23). Kotler lists the example of the fast food industry which promotes products that are tasty but may not be every healthy. Their packaging may be convenient but leads to much waste. The process of satisfying human wants, here, may be hurting consumer health and causing environmental problems. A similar example is given of the detergent industry which caters to the consumers desire for whiter clothes by offering a product that pollutes rivers and streams, kills fish etc. The one-way flow information, from the firm to the consumer concentrates only on the firms short-term objectives of market share and profitability. Such a one-way flow does not inform adequately of other consequences. Instead, it seeks to impose its communication in a manner that influences the consumer to purchase the product immediately and encourages habit-formation to ensure repeat purchases. The transaction, then, becomes a zero-sum game with the firm gaining at the cost of the customer and society. In such a situation the processes of knowledge and value creation must give as much importance to the social implications of technology as they give to the process of invention. Informal social mechanisms voluntarily respected by all, are needed to monitor them. When the three steps suggested earlier have been undertaken. Figure 18.25 can become a reality. The first step of inculcating human values and Shared Values in the early years of education, will ensure that the following two steps occur as a natural corollary. This is depicted in the Figure 18.26 as all communication a society is now taking place within the ambit of shared values.

When shared values of individuals, firms and society are the same, a compatibility advantage (the fourth 'C') will emerge. Enabling this to happen is the future role and challenge that communication faces. Figure 18.29 shows how the customer, firm and society can participate in the process of compatible value enhancement for society on the basis of the values that they share.

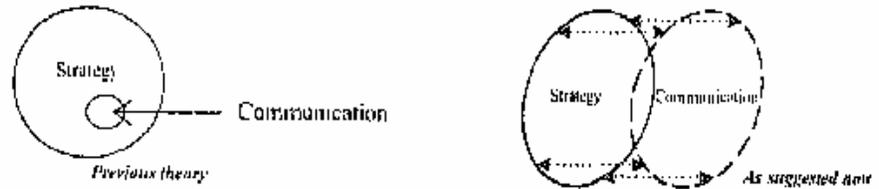
The future of Business and marketing rests with recognising the primary of the individual (as a customer) empowered with shared values of Society. The process of marketing interaction needs to ensure that these values are not compromised.



Compatibility Advantage at work
 Fig.: 18.29: When individual, firm and society share values, the process of value creation in society become compatible.

18.11 SUMMARY

1. Communication and strategy building go hand-in-hand. The previous theory of communication viewed it as a small subset of strategy.



The present analysis views strategy building and communication as processes occurring simultaneously.

2. Be-open to Co-operation (the first 'C') with all potential sources of knowledge that can enable the firm to add value for its customers.
3. Develop, within the firm, a Concerned focus (the second 'C') for excellence and manage the dynamics of competition and cooperation through discrimination.
4. Use this focussed Concern to build the firms Competitive response or strategy (the third 'C').
5. The three 'C's reflect the present process of communication. The future concern is that the firms competitive strategy should be compatible with society's long-term interests (the fourth 'C').

The second issue is cooperation between the firm and industry due to the following reasons:

1. Cooperation is the new challenge of Communication. It gives the firm guidance on investment flow by earmarking the sectors in which national competitive advantage exists for firms. It also reveals the sectors where the advantage does not exist. Finally it enables a firm to build this advantage in these sectors. This is the role of the new theory of cooperation and communication,
2. The nature of organisational attitudes towards cooperation that will deliver competitive success is also revealed and the implications for strategy stated here. A dynamic organisational atmosphere is necessary to continually upgrade the value added offerings to customers in ways that not only keep track of the primary influences on customers but also envisage ways to translate opportunities into possibilities of satisfying them. This requires an emphasis on both cooperation and communication.
3. In the ultimate analysis, communication helps build cooperation. The firms strategy cannot achieve competitive success unless it utilises all the dimensions of cooperation. nations, too, achieve higher stages of national competitive development spurred on by communication and cooperation.

The Second impact 'C' is the focused concern.

A statement of strategy can be put down in a few lines but the evolution of strategy and especially planning strategic shifts is a multi-layered process whose variable range from cooperation to competition on one hand, and from investments in Market Research (MR), infrastructure, R&D to developing a focussed concern on the other. It envisages comprehending demand conditions and undertaking competitor analysis. Communication is the vital thread that links such a wide array of activities and binds them together in a short statement of strategy. Porter states that there are only three Generic Strategy alternatives and the firm which does not choose one of them will remain "in-between" resulting in potentially poor financial performance in the long run. Given that there are only three alternatives, choosing one on paper may be easy but shaping the chosen alternative into a competitive strategy is among others, a communication task that links technology, information sources, marketing, production, suppliers and customers.

The firms competitive response (or third 'C') is a flow. it flows out of the cooperation and focussed Concern that the firm exercises in its activities. The nature of this flow has been understood here.



This highlights, how the cooperation of all tools of strategy integrates with the focussed Concern a firm has to deliver value through its activities. This Cooperation and focussed Concern enables delivery of a Competitive Response. The interlinkages of the 3Cs, their mutually interdependent nature and their integrated efforts to deliver value added to the customer is explained here.

Inter-relationships between tools of strategy have been explored too. The inter-relationship of three Generic Strategies with the Product Life Cycle stage and AIDA process is one such example. An alternative approach to setting promotional budgets, inspired by the portfolio planning models, is proposed. A sum-up of how all communication tasks can be undertaken in each stage of Product Life Cycle is presented. Finally, the trends in promotion mix are studied.

Finally comes the competitive advantage

Communication will drive the world to its new future. it will help formulate strategies of firms and make them succeed using new technology, it will also enable nations to create competitive advantage and foster international trade and wealth creation. However, the biggest challenge Communication will face will be in the task of bringing the consumers, firm and nations to co-operate and compete using strategies that have a common context of shared values.

18.12 SELF ASSESSMENT QUESTIONS

1. Do you see that agencies can help the firm? How?
2. Discuss the various 'C' and their role, in planning a communication strategy.
3. Discuss some of the major communication objectives a firm may have for its brands.
4. How the understanding of Porters' model helps in developing effective Communication strategies.