

**Subject: Management**

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**Paper 3: Strategic Management**

**Module 13: Intensive Strategies**



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Items	Description of Module
<b>Subject Name</b>	Management
<b>Paper Name</b>	Strategic Management
<b>Module Title</b>	Intensive Strategies
<b>Module Id</b>	Module no 13
<b>Pre- Requisites</b>	Basic knowledge of what Strategic Management is.
<b>Objectives</b>	To understand the various Intensive Strategies
<b>Keywords</b>	Intensive, strategy, Market development, Product Development, Market Penetration

### QUADRANT-I

Module 13: Strategic Management
1. Learning Outcome
2. Introduction
3. Intensive Strategies
4. Summary

#### 1. Learning Outcome

After completing this module students will be able to:

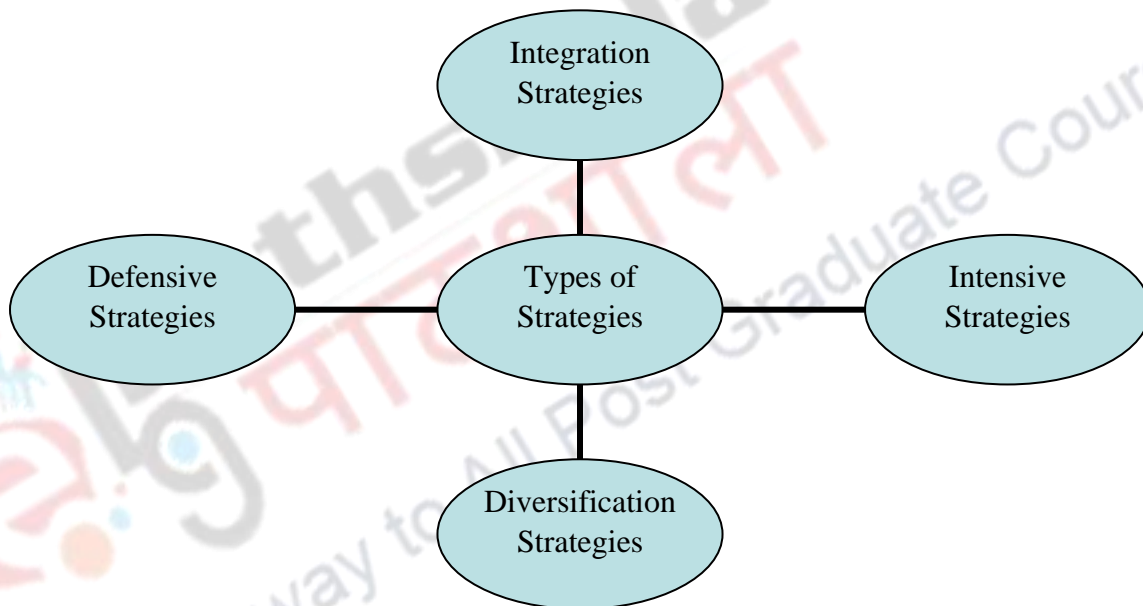
- i. Understand the basic of Intensive Strategies
- ii. Know the various Intensive Strategies

## Intensive Strategies

### 1. Introduction

At an Operational level, there are four broad strategies namely:

- a. Integration strategies
- b. Intensive Strategies
- c. Diversification strategies
- d. Defensive strategies



### **Different types of Strategies**

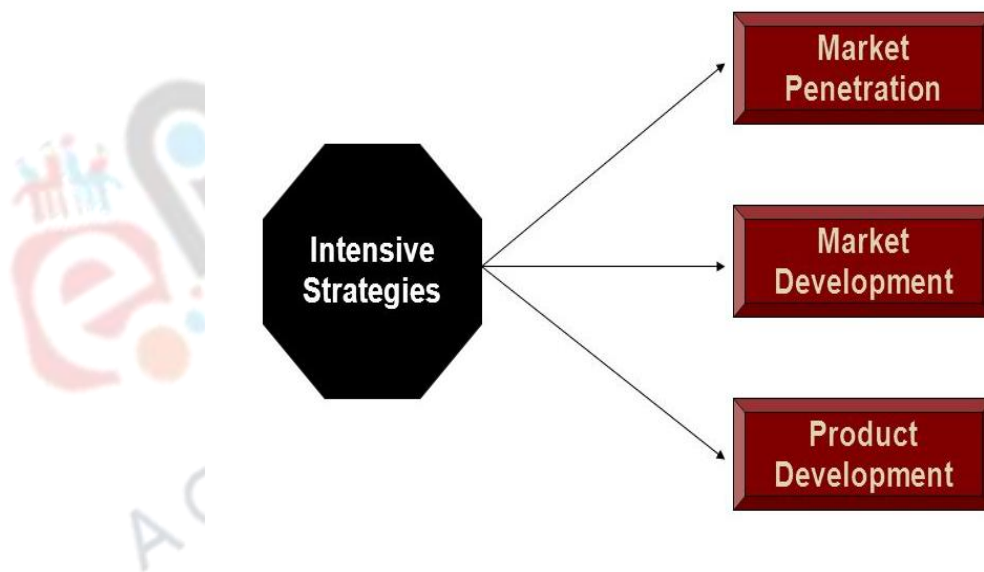
1. Integration Strategies: These strategies are used when company wants to expand its business and to increase their market share but not to diversify.
2. Intensive strategies: These strategies require intensive efforts to improve the competitive position of the firm.
3. Diversification strategies: When the current product lines of the company are not profitable then the company can resort to expand its business, such strategies are called as diversification strategies.

4. Defensive Strategies: These strategies are implemented to reduce the risk of loss by selling or regrouping the businesses which are at loss.

## 2. Intensive Strategies

These strategies are implemented when a company wants to expand its market reach or its product lines. Such strategies require intensive efforts so as to improve the competitive position of the company with the existing or new products. While implementing such strategies, Companies basically wants to expand their scale of operations. Thus, if a firm enters a new market, develops a new product or develops its own capabilities, then the firm is undertaking intensive strategies. These strategies helps in enhancing the efficiency and effectiveness of the existing as well as the new products by adding value to these products and therefore increasing sales and revenues of the firm. These strategies also help in fast growth and thus making the company stronger and competitive.

Following are the Intensive strategies:



(Source: <http://slideplayer.com/slide/8822567/>)

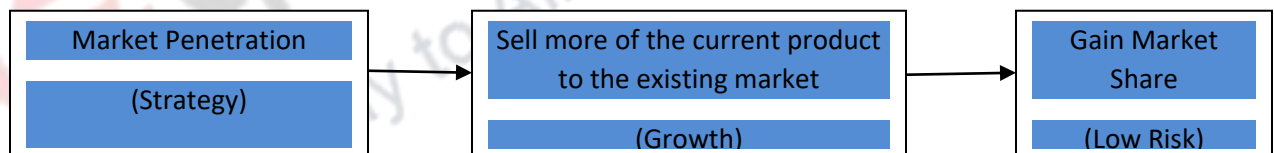
1. Market Penetration
2. Market Development
3. Product Development

	Current Products	New Products
Current Markets	1. Market Penetration Strategies	3. Product Development Strategies
New Markets	2. Market Development Strategies	Diversification (Strategy)

### Three Intensive Growth Strategies: Ansoff's Product/Market Expansion Grid

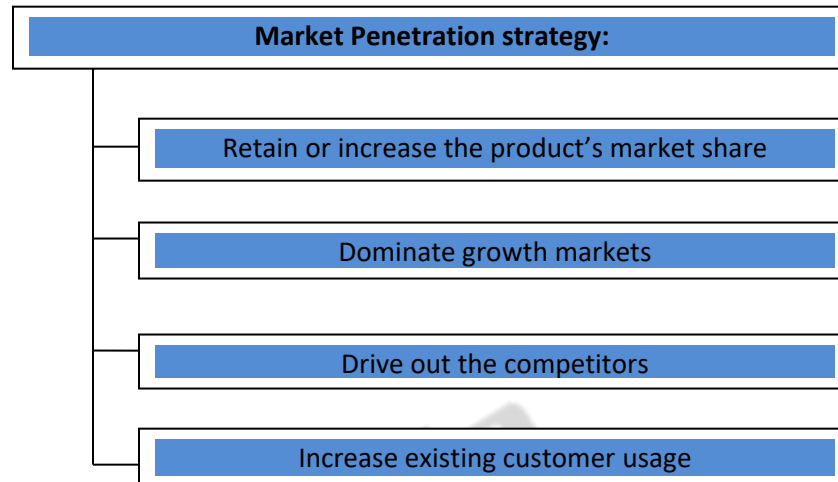
#### 1. Market Penetration

Market penetration strategy is used to increase the market share for the existing products or services in the existing markets. This strategy requires intensive and focused efforts for increasing the market share. This strategy can be used alone or in combination with other strategies. This strategy enhances the market share by implementing the innovative and efficient strategies so as to make the existing product more successful and attractive. It includes offering wide sales promotion items, increasing the number of sales persons, rising advertising expenditures, or extensive publicity efforts. It carries very low risk, therefore is the most preferred Intensive strategy.



This strategy involves selling more to existing and new customers who are in the same marketplace but while implementing such strategy organization need to be aware of the factors that has made the product a success, otherwise the image of the existing product can tarnish. One drawback of this strategy is that it requires heavy investment and rigorous efforts.

There are four approaches that can be adopted while implementing this strategy:



### **Retain or Increase product's market share**

This can be attained by grouping various competitive pricing strategies, advertising, and sales promotion.

### **Dominate growth markets**

To dominate the growth market, company has to identify a new demographics for the existing successful product and then to define the strategy to aggressively market the product to the new demography.

### **Reorganize a mature market by driving out competitors**

To remain in mature and saturated market, organizations needs to adopt novel and innovative approaches. This involves aggressive promotional marketing and price strategy that helps in driving out the competitors. In the mature market, one cannot focus on demographics. Therefore the only way left out in such markets is to drive out the competitors.

### **Increase existing customer usage**

One can also penetrate market by influencing the existing customers to use the existing products more frequently. To do this, company can use various strategies such as adding value to the current product, loyalty schemes etc.



(Source: <http://www.free-management-ebooks.com/faqst/ansoff-02.htm>)

The main aim of this approach is to involve the customer with the existing product and therefore building brand loyalty among the customers towards the existing product.

To successfully penetrate a market, one should have the detailed knowledge of the market and the competitor intelligence and strategies used by them. Market penetration to some extent is dependent on the organisation that how well they know about the existing product.

Market penetration strategy can be implemented during following stages:

- When the product offers economies of scale, therefore helps in gaining competitive advantages.
- When the relationship between the sale and marketing expenditure is high.
- When there is scope of significantly increasing the usage rate of the product among the existing customers.
- When there is large potential in the industry but the share of the existing customers is declining.
- When the markets are not matured with the existing products or services.

**Example:**

Apple is implementing this strategy of market penetration as one of the important strategy for gaining growth. It focuses on selling more of its current products in the existing markets to gain larger market share. For instance, Apple uses this intensive strategy by selling more of its iPads and iPhones in its current target markets. Apple applies this strategy by adding more authorized seller into its current markets which helps in penetrating in the markets where Apple has not gain a significant position. Under this strategy, Apple is also promoting its products through various webpages and websites and media outlets, thus helps in broadly capturing the market by encouraging more people to buy Apple products. This intensive strategy of covering more customers in the current markets enables apple to reach at large number of market segments.



(Source: <http://www.versiondaily.com/the-marketing-strategy-of-apple-a-concise-analysis/>)

## 2. Market Development:

Market development strategy involves introducing the existing products and services into the new markets. It is a two step process. It starts with the market segmentation. Segment is a small section of the overall market and one need to identify the market segment which is worth pursuing with the help of market research.

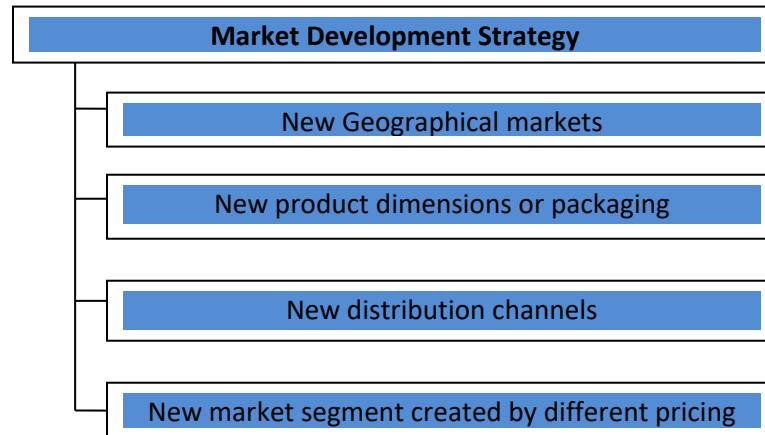


(Source: <http://www.free-management-ebooks.com/faqst/ansoff-03.htm>)

Once the market segment is known, then next step is of developing a promotional strategy to penetrate in the market. It is somewhere similar to market penetration but in market development more focus is given to establishing presence in the new markets.

Market development strategy can be achieved in following ways:





### **New Geographical markets:**

This involves selling the existing product or service to the new region, country or continent. Risk is involved in this strategy if one could not use its well-known sales channels in the new market.

### **New product dimensions or packaging:**

This strategy includes repackaging the product so as to open up in the new market. For example: a company that sold bottle of the Shampoo could make it available in smaller packaging and could develop a suitable brand image in the domestic market. One should consider the cost involved in the packaging and the requirements of the new markets so that changes can be made according to the new market.

### **New Distribution channels:**

This involves identifying new distribution channels in order to be in more reach to the customers. For example: many companies have changed them from high street retailers to the internet retailers so as to provide 24x7 services to the customers.

### **New market segment created by different pricing:**

This strategy incorporates different pricing policies to create a new market segment. A good example of this strategy is Adobe Photoshop. It reduced its original price by a significant amount by creating a new segment by offering new product with limited functions.

Although the strategies of market development are similar, but market development involves uncertainty, financial commitment and risk. One of the greater disadvantages of this strategy is the risk of pushing away the customers by offering the products to a wider network of customers.

Market Development strategy can be implemented during following stages:

- When new unexploited and unstructured markets exists.
- When company is very successful with the existing products.

- When there is availability of new channels of distribution that are inexpensive and reliable.
- When the company has the surplus production capacity.
- When the company's product scope is large and is global.
- When the company is having surplus capital and human resources to manage the total operations.

**Example:**

Apple implements the strategy of Market development as one of the intensive strategy for growth. It includes creating new markets for the existing products. Apple implements this strategy of market development similar to market penetration where it authorizes the new sellers in the markets where Apple has not made its presence yet. Therefore, apple focuses on this strategy only in the developing markets. It also focuses on this strategy by developing new products like Apple Watch which is completely a new product line for the Apple and thus has made its presence in the smart watch segment. This strategy helps in expanding the market reach of the company by offering new and unique products through market development.



Apple Smart watch

(source: <http://www.reviewcentralme.com/2017/05/07/apple-takes-top-spot-wearables-battle/>)

**3. Product Development:**

Product development strategy includes improving or modifying the existing products so as to increase the sale of the existing products and services. In simple terms, this strategy deals with improving the

quality of the products and therefore, increasing the sales and revenues of the products. The quality of the existing products can be improved by modifying the existing products. This strategy includes intensive research and development costs. Product development involves following strategies:



**Research and Development:**

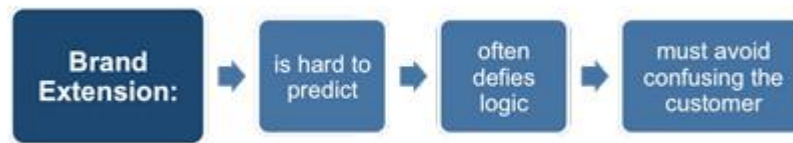
This strategy requires the use of the new technology, process and material to modify the existing product and service and to offer something new to the customers. For example: Mobile manufacturing companies offer new models in every three months or modify the existing models with the help of the technology so to add newness to the products.

**Assessing customer needs:**

To modify the existing product and service, company need to assess the customer needs, so that accordingly they can make the change. Customer needs can be assessed by data collection by using various qualitative and quantitative tools such as questionnaire, observation method etc because successfully understanding and interpreting the customer needs are important for the company.

**Brand extension:**

Brand Extension strategy incorporates the launch of a new product with the existing brand name i.e. to use the established brand name for the new products so as to quickly capture the market share. In this strategy, the existing brand leverages its customer and brand image to the new product. There is a high risk associated with this strategy because if the new product becomes unsuccessful, it will also tarnish the image of the existing product. To make this strategy a success, one should use the extension when there is a logical association between the original product and the new product but still it is hard to predict that brand extension will be a success or not.



(source: <http://www.free-management-ebooks.com/faqst/ansoff-04.htm>)

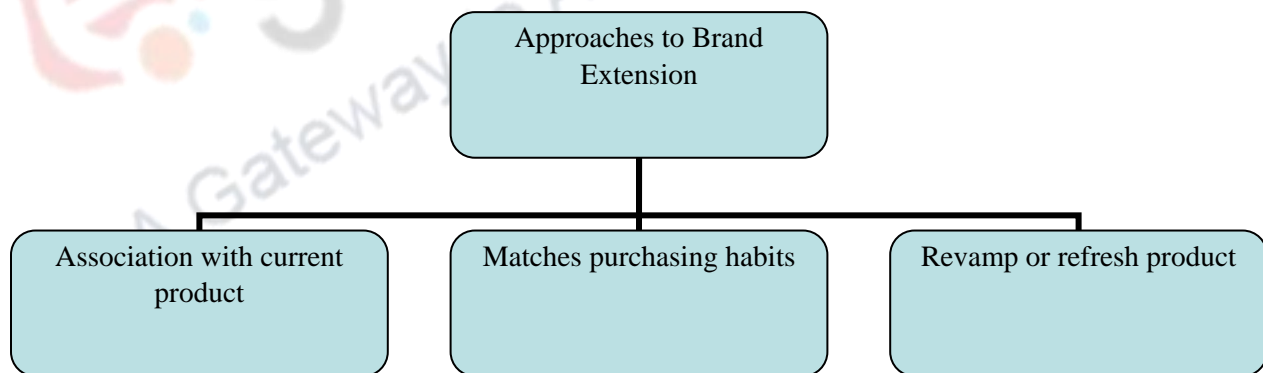
For example: the core product of the NIKE are shoes or footwear but NIKE has extended itself to the apparels, sunglasses etc. Whatever course of action is decided, it should not create confusion to the customers as it will have a bad effect on the image of the product.

### Brand extensions



Brand Extensions: NIKE (Source: <https://www.slideshare.net/javiebengzon/nike-brand-audit>)

Although it has several advantages associated with it. It helps in enhancing the brand image and thus reduces the cost of development of the new product.



Approaches to brand extension:

- a. association of the new product with the existing product

- b. the new product should refresh the existing product.
- c. new product should match the purchasing habits of the current customer.

In the Fast moving consumer goods (FMCG), first approach of strong association between the existing and the new product is considered the best and is used the most. The brand awareness is created for the new product and is then used in the highly competitive markets.

The second approach to brand extension is to continuously provide the fresh and revamped product. This approach should help in increasing the sales as well as helps in competing against the competitor's product.

The third approach of brand extension requires the extensive knowledge of the purchasing habits of the existing customers so that the new products can be developed to match the purchasing habits of the existing customers. This approach also exploits and then promotes the brand image of the existing product and then developing this onto the new product.

For example: Mark and Spencer used their existing image of quality to expand their product range into food, and thus forcing the customers to buy from them rather than the supermarkets and used the same strategy in expanding their business to the financial services.

Each of the strategy of product development involves large investment and an element of risk but still, Product development especially; brand extension strategy is the most popular strategy because it involves only refreshing or adding new things into the product rather than creating a new product.

Product development strategy can be implemented during following stages:

- When the competitor's are offering better products at an affordable price.
- When a company struggles in a high growth industry.
- When the organisation is successful but successful products are in maturity stage of the product life cycle.
- When the organisation is offering the products which are very sensitive to the technological developments.
- When an organization is having a strong Research and Development base.

#### **Example:**

Apple focuses on the product development as one of the main intensive strategy for the growth of its market. It offers attractive and innovative products in the existing markets to increase its market share and performance. Apple focuses on this strategy through innovation in its research and development processes. It considers innovation as one of the most important growth strategy which is also specified in their mission and vision statement. For instance, Apple is continuously doing innovations in their iPhone, Apple Watch and iPad. Moreover, Apple is also developing new innovative products for its

mobile market. These new and innovative products helps apple to generate more revenues, thus leading to growth of the Apple.

### 3. Summary

At an operational level, there are different types of strategies such as Integration strategies, Diversification strategies, Defensive strategies and Intensive strategies. Integration strategies include Forward Integration, Backward Integration and Horizontal Integration. Diversification strategies include Concentric Diversification, Conglomerate Diversification and Horizontal Diversification. Defensive strategies include Retrenchment, Divestiture and Liquidation. Intensive strategies include Market Penetration, Market Development and Product Development. Market Penetration is implemented when an organization wants to increase its market share for the existing products or services in the existing markets. It is implemented by number of the approaches such as Retain or Increase product's market share, Dominate growth markets, Reorganize a mature market by driving out competitors, Increase existing customer usage. Market penetration strategy can be implemented when the product offers economies of scale, when the relationship between the sale and marketing expenditure is high, when there is scope of significantly increasing the usage rate of the product among the existing customers, when there is large potential in the industry but the share of the existing customers is declining or when the markets are not matured with the existing products or services. Market Development Strategy is implemented to introduce the existing products and services into the new markets. This strategy can be implemented by approaches such as New Geographical markets, new product dimensions or packaging, New Distribution channels, new market segment created by different pricing. Market Development strategy can be implemented during stages such as when new unexploited and unstructured markets exists, when company is very successful with the existing products, when there is availability of new channels of distribution that are inexpensive and reliable, when the company has the surplus production capacity, when the company's product scope is large and is global, or when the company is having surplus capital and human resources to manage the total operations. Product Development strategy is used when and organization wants to improve or modify the existing products so as to increase the sale of the existing products and services. This strategy can be implemented using approaches such as Research and Development, Assessing customer needs, Brand extension. Product development strategy can be implemented When the competitors are offering better products at an affordable price, when a company struggles in a high growth industry, when the organisation is successful but successful products are in maturity stage of the product life cycle, when the organisation is offering the products which are very sensitive to the technological developments, or when an organization is having a strong Research and Development base. These intensive strategies require rigorous efforts and are implemented intensively to get the desired results, although these strategies involve huge risk and investment. The purpose of the intensive strategy is to increase the market share and profit by making the existing products better and by introducing the new products in the new and existing markets. Out of the three intensive strategies, product development is used the most because it only involves modifying the existing product and services and then to sell it in the same market. These strategies if implemented properly, helps in improving the firm's competitive position for sure.

