



# Marketing Strategies for Bridgestone's Tire Operation

by

Ms. Suteeraporn Taoprayoon

A Final Report of the Three-Credit Course  
CE 6998 Project

Submitted in Partial Fulfillment  
of the Requirements for the Degree of  
Master of Science  
in Computer and Engineering Management  
Assumption University

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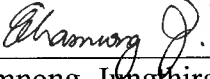
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

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## ABSTRACT

This project has been conducted to analyze the perception of tire customers/users in order to obtain insight information regarding 4Ps variables which are vital tools in gaining competitive edge in an industry. The research focuses mainly on Bridgestone's customers and also included are the recommended strategies to tackle the problems founded in primary survey.

The research was conducted through both secondary research of numerous books, articles, and documents, which were useful in creating a foundation that could be expanded upon to create this finished work. And primary research by means of customer survey of tire customers/users in order to accumulate authentic details.

The benefits from this project include the fact that the project resulted in recommendations that could be implemented to solve problems that obstructed company's objectives. In addition, being able to learn about the various internal and external analyses done for the company, the market condition, and the competitors would help in creating more understanding of the environment that the company works in. This would help the company have an edge over other competitors and become able to effectively and efficiently compete in today's tire market place.

## ACKNOWLEDGEMENTS

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Finally, the writer wishes to give her deepest appreciation to her parents for their love, understanding and encouragement. The writer dedicates this thesis to them with love and gratitude.



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# **I. INTRODUCTION**

## **1.1 Project Background**

Currently, the intensity of tire industry has tremendously increased and also Thai customers are more sophisticated regarding purchase of tire. They are concerned more in all 4Ps factors including product, price, place and promotion. These factors varies with the demographic profiles of customer. This project concentrates its efforts on the Bridgestone Corporation. This project analyzes current situation of Bridgestone Corporation and its competitors, which would be used to develop new marketing strategies for long-term and short-term plans for the company.

This project begins with objectives and the scope of the project in which it works in, followed by company background. In this section, it would mention more about manufacturing base, tire technology, wheel technology, and suspension technology, financial performance, and marketing and sales of the company.

## **1.2 Objectives**

- (1) To Analyze Current Situation by SWOT and Competitor Analysis
- (2) To Analyze Existing Marketing Strategies
- (3) To Develop New Marketing Strategies Long-term and Short-term

## **1.3 Scope**

The research will analyze the Marketing Plans for tire manufacturing companies in Thailand

## **1.4 Company Background**

Bridgestone Company Background

Bridgestone Corporation, headquartered in Tokyo (Japan), is one of the world's top three manufacturers of tires and other rubber products. Tires accounted for around

79% of Bridgestone's 2001 global sales and the company holds a 20% share of the global tire market. The company manufactures a broad range of automotive tires, inner tubes, wheels and other related components. Its operations cover every stage of tire manufacturing, from synthetic and natural rubber to textiles, carbon black, steel cord, and other essential materials, to producing finished tires.

#### Manufacturing base

Bridgestone operates approximately 45 tire plants in over 20 countries, as well as 52 non-tire plants.

Table 1.1. Locations of Bridgestone's Tire Manufacturing Plants.

Country	Location of Plants
Argentina	Buenos Aires
Australia	Salisbury
Brazil	São Paulo
Canada	Joliette
Chile	Coquimbo
China	Shenyang, Tianjin
Costa Rica	San Jose
France	Bethune
India	Kheda
Indonesia	Bekasi, Karawang
Italy	Bari
Japan	Kurume, Tokyo, Nasu, Hikone, Shimonoseki, Tosu, Tochigi, Amagi, Hofu

Table 1.1. Locations of Bridgestone's Tire Manufacturing Plants (Continued).

Kenya	Nairobi
Mexico	Mexico City, Cuernavaca
New Zealand	Christchurch
Poland	Poznan
South Africa	Port Elizabeth, Brits
Spain	Bilbao, Puente San Miguel, Burgos
Taiwan	Hsin-Chu
Thailand	Rangsit, Nong Khae
Turkey	Izmit
USA	Des Moines (IA), Decatur (IL), Russellville (AR), Bloomington (IL), Oklahoma City (OK), LaVergne (TN), Wilson (NC), Warren (TN), Aiken (SC)
Venezuela	Valencia
Source: Bridgestone	

In addition to tires, Bridgestone's products include NVH components, polyurethane foam products, belts, and hoses.

Bridgestone's subsidiaries throughout the world are responsible for production in their local areas. In December 2001 Bridgestone/Firestone Americas Holding, Inc. (BFAH) became the holding company, which, through its subsidiaries, is responsible for the Bridgestone Group's tire and rubber business in North, South, and Central America. As from 1 January 2003, BFAH has been renamed as Bridgestone Americas



Holding Inc while the European subsidiary, formerly Bridgestone/Firestone Europe, has become Bridgestone Europe S.A. Both changes are in conjunction with efforts by the group to build a corporate identity under the Bridgestone name while building strong identities for product lines under the Bridgestone, Firestone and other names.

In November 2002 Bridgestone unveiled a revolutionary new tire production that automates the entire sequence of processes in tire manufacturing, from the initial processing of materials to the final inspection of the finished tires. It is claimed to be the world's first production system for tires that extends automation to the inspection process. Bridgestone will refine the system under mass production conditions at a pilot installation in Japan and then will deploy the technology at new and existing plants worldwide. Management at the company will position the new system as a mainstay of Bridgestone Group manufacturing. The new production system, dubbed Bridgestone Innovative and Rational Development (BIRD), centers on three key elements. One element is Bridgestone's Automated Tire Manufacturing Synchronized System (ATMSS) technology for automating and integrating the processes from materials processing to vulcanization. A second element is the company's Automated Inspection Modular System (AIMS) technology for inspecting finished tires automatically. The third element is Bridgestone's Flow Oriented Approach (FOA) implementation of highly distributed autonomous information processing for managing the entire system and for making necessary information available ubiquitously across the information network

#### Technology

Bridgestone has technical centres in Tokyo (Japan), Rome (Italy) and in Akron (USA). The company has been investing in new facilities for R&D including a new

building at Bridgestone's Tokyo Technical Centre, which was officially opened in November 2000.

### *Tire technology*

Bridgestone's Donuts technology (known as Uni-T in the Americas and Europe) and AQ Donuts technology (or Uni-T AQ) incorporate advances in carbon particle structure, rubber compound, tire-design methodology, bead configuration and tread block profile into tire manufacturing. The technology reduces the effects of tread wear on vehicle handling and enhances overall handling stability, particularly on wet surfaces. Uni-T® stands for "Ultimate Network of Intelligent Tire Technology" and has three key features: CO-CS®, a computer optimised component system; O-Bead®, a more rounded structure in the bead area that minimises overlapped joints and improves the ride; and L.L. Carbon® (Long Link Carbon), an advanced form of carbon black, that helps the rubber compound to resist tread tearing related to wear. Uni-T AQ™ is the second generation of the technology and features a dual-layer tread and extended performance compound, which provides drivers with more consistent wet performance as the tires age and wear. In November 2000 Bridgestone launched its AQ Donuts II technology. This incorporates a number of improvements on the earlier technologies, and reduces the increase in noise and the deterioration in ride comfort that occur during the life of a tire. The AQ Donuts II also incorporates improvements in new-tire performance.

Bridgestone's new Dueler ranges of tires are designed for SUVs and light trucks. The company claims that there is a Dueler tire to fit every SUV driver's needs. For example the Dueler H/L™ with Uni-T AQ™ technology is a light truck touring tire designed to give good performance on wet or dry surfaces even as the tread wears. The Dueler H/T™ has a computer-optimised all-season, small block tread pattern for wet

traction and minimal noise. The tire's unique rounded casing profile is designed to deliver a smooth, comfortable ride while the deep tread is to provide added traction and extend tire life. Bridgestone's Dueler M/T™ tire provides high levels of traction and durability for off-road performance. The Winter Dueler™ is the first Bridgestone tire designed specifically to give high levels of winter traction and road stability. The Dueler™ A/T Revo with Uni-T AQH™ technology offers drivers a powerful grip and a smooth ride on- or off-road. These tires have a dual-layer tread compound, which gives the tire good performance even when it is worn. The tire also has a two polyester body ply design, which enhances its durability in off-road conditions. Each of the above tires is available in a range of sizes.

In July 2002 Bridgestone announced that it was supplying the tires for Ferrari's newest sports car – the Enzo Ferrari. Bridgestone developed the Potenza RE050 Scuderia tires exclusively for the Enzo. These tires can handle speeds of up to 350km per hour, maintain a good grip at high speeds and corner precisely. The tread pattern on these tires is asymmetrical and blocks on the outer side give the tire superior lateral rigidity, which raises the level of control when the vehicle is turning. Bridgestone uses a silica rubber compound in its ultra high performance tires, which helps the tires to maintain a firm grip on the road surface in both wet and dry conditions. Bridgestone has focused on turning characteristics in the front tires and power transmission characteristics at the rear.

Bridgestone has developed run-flat tire technology that works on existing wheels instead of requiring special ones. Its system uses rubber reinforcements in the sidewalls of the tire to ensure that the tire keeps its shape even if pressure is lost. In January 2002 Bridgestone agreed to cooperate with Continental AG to provide consumers and vehicle manufacturers with advanced run-flat tire systems. Under the terms of the agreement the

two tiremakers supply each other with their run-flat technology but have continued to develop and market their systems independently. Continental's system contains an elevated ring of metal and rubber to support a tire if it loses pressure. Despite retaining their independence, the two suppliers have adopted a common logomark for the supporting technology that both will commercialise in run-flat systems. In September 2002 it was announced that Tokyo-based Yokohama Rubber Company Ltd is to enter into the collaboration. In the first step, Yokohama will obtain the Support Ring technology from Continental and Bridgestone on a license basis. The three companies will exchange related technical information with a view to further developing the Support Ring Technology and to promoting the system in the marketplace.

#### *Wheel technology*

In partnership with Topy Industries of Japan, Bridgestone has developed a new kind of wheel that includes a vibration-damping rim that is made of rubber. This improves the vehicle's handling and stability on uneven road surfaces, and gives a smoother and quieter ride.

#### *Suspension technology*

Bridgestone is looking to be a leader in innovative technology and a supplier of integrated automotive systems. Since August 2000, Bridgestone has been carrying out joint research on the development of suspension systems with two Japanese component manufacturers: Akebono Brake Industry Company (brakes) and Kayaba Industry Company (shock absorbers). At the Tokyo Motor Show in October 2001 Bridgestone displayed a prototype of a suspension module that optimises the functions of tires, brakes and shock absorbers in order to enhance safety and comfort in cars.

### Financial performance

In 2002 Bridgestone's sales rose 5% to ¥2,248bn despite the global economic slowdown. This sales growth was attributed to aggressive promotion of new products and improvements to the company's overseas sales. The Group's operating income rose 56% from ¥118.0bn in 2001 to ¥183.9bn in 2002, and net income rose 161% to ¥45.4bn. These higher profits were driven by the company's efforts to boost productivity, streamline logistics and cut costs as well as strong overseas sales and a recovery after the US tire recall problems.

Table 1.2. Key Financial Data for Bridgestone Corporation, 1999-2002 (¥m).

	(Year end 31 December)			
	1999	2000	2001	2002
Sales	2,085,720	2,006,902	2,133,825	2,248,000
Operating profit	236,777	161,785	118,023	183,860
Net profit	88,689	17,741	17,389	45,380

Source: Bridgestone

Bridgestone Firestone American Holdings (BFAH) reported net income of US\$83m in 2002, versus a loss of US\$1,670m in 2001. Sales of US\$7,600m were up from US\$7,400m in the previous year. The improved results reflected a 30% increase in the sales of Bridgestone-brand tires and a stabilization of the Firestone brand, which experienced strong sales increases in the second half of the year.



## Marketing and sales

In 2001 Bridgestone generated around 43% of its total sales in North and South America and a further 39% in Japan. Europe currently accounts for just 10% of Bridgestone's sales, but the company is expanding its operations in the region through increased investment. Bridgestone has recently strengthened its regional marketing organisation in the Middle East, by establishing Bridgestone Middle East FZE in Dubai (United Arab Emirates).

Recent tire contracts for Bridgestone include supplying BMW's 7-Series sports car and the Ferrari 360 Modena. Many of the Formula One racing teams are equipped with Bridgestone tires, and 2001 was the fourth successive year that the winners of both the drivers' and constructors' championships used Bridgestone tires.

In common with other major tire companies, Bridgestone relies heavily on its brand name. Therefore the recall of 6.5m Firestone tires in August 2000 was a serious blow to the company's image and business. Masatoshi Ono, CEO of the Bridgestone/Firestone subsidiary, was replaced soon after the recall by John Lampe, the former head of marketing. Lampe led a number of measures aimed at maintaining the company's levels of business and restoring Firestone's brand image.

As an initial step, the company significantly increased its marketing spending for its Bridgestone brand tires in the USA from US\$400,000 in the first six months of 2000, to just under US\$12m over the same period in 2001. At the same time, the amount spent on marketing the Firestone brand during the first half of 2001 fell to US\$1.3m compared with US\$8m in 2000. Bridgestone said that it was aiming to increase the Bridgestone-to-Firestone ratio to around 60:40 and to push its Bridgestone brand into the market ranges previously held by Firestone. As part of this strategy, Bridgestone is releasing several new Bridgestone tires in North America during 2002.

Bridgestone/Firestone, Inc., accepted responsibility to fix the problem with the tires but always maintained that the design of the Ford Explorer model was also a major factor in the fatal accidents. When Ford blamed the company and demanded that 13m additional tires should be recalled, John Lampe, the Bridgestone/Firestone CEO, severed ties with the vehicle manufacturer. This move appeared to be dangerous as Ford was the company's largest customer at the time, but analysts now believe that the decision was key for public image of the Firestone brand and ultimately for its sales and market share.

In April 2001, Firestone launched 'Making it Right', a major advertising campaign in the USA, setting out the company's action plan for the future. This included television commercials and personal visits to hundreds of Firestone dealers in the USA by John Lampe. The campaign was aimed at restoring public confidence in the brand and providing education in tire maintenance. The company also set up a website (<http://www.tiresafety.com>), which gives customers monthly reminders to carry out tire maintenance checks and also provides them with a free tire pressure gauge.

Bridgestone has also repositioned its Firestone brand slightly down-market. In March 2002 the company launched Firestone Affinity LH, its first mass-market tire that is rated for high performance. Then in summer 2002 the company launched Firehawk Indy 500, a mid-price tire carrying the Indy 500 logo as well as the Firestone brand name.

In August 2002, Bridgestone acknowledged that it was now talking to Ford again but that nothing had been decided on a possible resumption of business dealings in the USA.

Bridgestone/Firestone is working to improve its operations in the area of distribution. For example, work began in Lebanon, Tennessee in July 2002 on building a

750,000 square foot distribution centre that will centralise the company's distribution operations in the Mid-South of the USA. The facility will be able to house over 1m tires of differing sizes and will employ more than 200 people. The centre is designed to be a "superhighway of inventory", meaning that tires should remain at the facility for less than three weeks, moving quickly through the warehouse to their final destination. From Lebanon, the company will be able to provide overnight delivery service to over 98% of its customers within a 500-mile radius due to the proximity of major road networks.

In Japan, Bridgestone is the market leader in the tire industry. The main marketing thrust has been to develop and extend the chain of independent dealers under the Mr. Tireman name. This concept was launched in 1996 and the purpose was to lock good local dealers into the Bridgestone brand by developing a nationally known retail name and providing a known standard of service and appearance. This chain complements and augments the Tire Kan and Cockpit chains.

The Tire Kan stores are aimed at the standard motorist wanting a good service with brands that are well known. Still aimed at the mainstream market, this chain is upmarket of the Mr. Tireman chain and is concentrated in the wealthier areas.

The third chain built up by Bridgestone is the Cockpit franchise, which has a more specialist focus, concentrating on the young, high fashion market. Sales embrace complete wheels as much as tires, and the focus is on appearance and image rather than on safety and longevity. The concept has been very successful, and Bridgestone accelerated the opening of these stores, reaching the initial ten-year target of 250 stores after only four years in early 1998. However, the company recognises that it is a niche market and there are limits to expansion. Although more stores have opened in recent years, the programme is much slower than before.

In Japan and in the rest of Asia the branding strategy has been to use Bridgestone as the dominant brand, segmenting the market by linking it with a secondary name such as Potenza. In particular Bridgestone has refused to even consider manufacturing private brands, as its dominant position in the market gives it both volume and margins. The company places considerable emphasis on its technology in appealing to the Japanese consumer and the use of a single, overall brand name helps to keep this message focused.

Europe has always been Bridgestone's weakest region, as it was an export area for both Bridgestone and Firestone. The work of consolidating the various subsidiaries has been completed and there is now a unified structure throughout the region, with a regional headquarters in Belgium and a technical centre in Rome. However, the company only makes 60% of the tires that it sells in this region, which puts it at a distinct disadvantage. The centralisation of production control and sales across Europe has increased efficiency and given a much sharper focus for the national sales companies. The major investment in Formula One racing is aimed particularly at the European market, although it does have worldwide benefits. Success in this has contributed significantly to brand visibility and image measurements. The measures announced in December 2002 will build further on the work done in Europe in the last few years.

On a less glamorous level, the company has been building up a franchise chain across Europe. Unlike Japan or North America, there are no company-owned chains in Europe, and most of the existing chains were owned by competitors. Consequently Bridgestone has had to build a chain from scratch. It began to develop a franchise network in the UK under the name First Stop, and this has now been extended to cover other areas of Europe. More recently the scheme has been extended to truck tire

specialists. As part of the December 2002 initiatives for Europe, the company noted that it planned a “wave of investment in expanded marketing channels”.

Bridgestone takes responsibility for a national identity, advertising, merchandising and training. In return the retailer pays a one-off joining fee and has to agree to obtain a proportion of tire supplies from the company. A small percentage of the tire purchase costs is earmarked for advertising, but this amount is matched by Bridgestone. One of the key attractions of the scheme to the independent tire retailer is that the retail name is preserved in conjunction with First Stop – it is not replaced by the franchise name. However, in the longer term this could prove to be a weakness, as it could dilute the impact of the national name.





## II. LITERATURE REVIEWS

### The Marketing Concept

The marketing concept is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. Today most firms have adopted the marketing concept, but this has not always been the case.

In 1776 in *The Wealth of Nations*, Adam Smith wrote that the needs of producers should be considered only with regard to meeting the needs of consumers. While this philosophy is consistent with the marketing concept, it would not be adopted widely until nearly 200 years later.

To better understand the marketing concept, it is worthwhile to put it in perspective by reviewing other philosophies that once were predominant. While these alternative concepts prevailed during different historical time frames, they are not restricted to those periods and are still practiced by some firms today.

### The Production Concept

The production concept prevailed from the time of the industrial revolution until the early 1920's. The production concept was the idea that a firm should focus on those products that it could produce most efficiently. And that the creation of a supply of low-cost products would in and of itself create the demand for the products. The key factors that a firm concerns before producing a product were:

- (1) The ability to produce the certain kind of product
- (2) The ability to produce enough of the product to fulfill demand

At the time, the production concept worked fairly well because the goods that were produced were largely those of basic necessity and there was a relatively high

level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

### The Sales Concept

By the early 1930's however, mass production had become commonplace, competition had increased, and there was little unfulfilled demand. Around this time, firms began to practice the sales concept (or selling concept), under which companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling. Before producing a product, the major concerns were:

- (1) The ability to sell the product

The sales concept paid little attention to whether the product actually was needed; the goal simply was to beat the competition to the sale with little regard to customer satisfaction. Marketing was a function that was performed after the product was developed and produced, and many people came to associate marketing with hard selling. Even today, many people use the word "marketing" when they really mean sales.

### The Marketing Concept

After World War II, the variety of products increased and hard selling no longer could be relied upon to generate sales. With increased discretionary income, customers could afford to be selective and buy only those products that precisely met their changing needs, and these needs were not immediately obvious. The key factors became:

- (1) Development of goods/services that are in accordance with customers' needs and/or wants

- (2) Timely delivery of products and services
- (3) Keeping customers satisfied

In response to these discerning customers, firms began to adopt the marketing concept, which involves:

- (1) Focusing on customer needs before developing the product
- (2) Aligning all functions of the company to focus on those needs
- (3) Realizing a profit by successfully satisfying customer needs over the long-term

When firms first began to adopt the marketing concept, they typically set up separate marketing departments whose objective it was to satisfy customer needs. Often these departments were sales departments with expanded responsibilities. While this expanded sales department structure can be found in some companies today, many firms have structured themselves into marketing organizations having a company-wide customer focus. Since the entire organization exists to satisfy customer needs, nobody can neglect a customer issue by declaring it a "marketing problem" - everybody must be concerned with customer satisfaction. The marketing concept relies upon marketing research to define market segments, their size, and their needs. To satisfy those needs, the marketing team makes decisions about the controllable parameters of the marketing mix.

## **2.1 The Marketing Mix (The 4 P's of Marketing)**

The term "marketing mix" had become popular after Neil H. Borden (1964); he began using the term in his teaching in the late 1940's after James Culliton had described the marketing manager as a "mixer of ingredients". The ingredients in Borden (1964)'s marketing mix included product planning, pricing, branding, distribution

channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis.

E. Jerome McCarthy (1996) later grouped these ingredients into the four categories that today are known as the 4 P's of marketing, which he described as “the set of tools that the firm uses to pursue its marketing objectives in the target market”, depicted below:

### The Marketing Mix

These four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that center the four P's on the customers in the target market in order to create perceived value and generate a positive response.

### Product Decisions

The term "product" refers to tangible, physical products as well as services. The product decisions to be made are listed as followed:

- (1) *Brand*: A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors (Peter D. Bennett, 1995).
- (2) *Product Mix or Product Assortment*: Patrick E. Murphy and Ben M. Enis (1986) had classified product mix as the set of all products and items that a seller offers for sales.
- (3) *Styling*: Schmitt and Simonson (1997) reported from their study that styling describe the product's look and feel to the buyer. They added that buyers are normally willing to pay a premium price for products that are attractively styled and that aesthetics have played a key role in such brand as Absolut

vodka, Starbucks coffee, Apple computers, Montblanc pen, Godiva chocolate, and Harley-Davidson motorcycles.

- (4) *Quality*: Deming, et. al. (1990) defined quality as “fitness for Use,” “Conformance to requirements,” “freedom from variation,” and so on. However, according to the American Society for Quality Control’s definition, which has been adopted worldwide; quality is “the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs” (Miller, 1993).
- (5) *Packaging*: packaging includes the activities of designing and producing the container for the product. According to Kotler (2000), there are 3 levels of packaging, the primary package which is the material that the product is contained such as bottle; the secondary package which is the outside material that keep the primary package which may be cardboard box or similar; and the shipping package which is the corrugated box that hold the products during shipping and transport.
- (6) *Maintenance and Repair*: MacMillan and McGrath (1997) identified maintenance and repair as “the service program for helping customers keep purchased products in good working order.” They also added that since there is little room for product differentiation in present days business, maintenance and repair should be viewed as a means to differentiate company’s offerings.
- (7) *Warranty*: Willaim Urseth (1994) identified warranty as “explicit or implicit promises by sellers that the product will perform as specified or the seller will fix it or refund the customer’s money during a specified period.”



- (8) *The Product Life Cycle (PLC)*: Wasson (1978) suggested that the Product Life Cycle (PLC) is portrayed as a bell-shaped, though he also suggested that there is some turbulence between growth stage and maturity. Overall Product Life Cycle is based upon the biological life cycle. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline).

In theory it's the same for a product. After a period of development it is introduced or launched into the market; it gains more and more customers as it grows; eventually the market stabilizes and the product becomes mature; then after a period of time the product is overtaken by development and the introduction of superior competitors, it goes into decline and is eventually withdrawn. However, most products fail in the introduction phase. Others have very cyclical maturity phases where declines see the product promoted to regain customers.

#### *Strategies for the differing stages of the PLC*

##### *Introduction*

The need for immediate profit is not a pressure. The product is promoted to create awareness. If the product has no or few competitors, a skimming price strategy is employed. Limited numbers of product are available in few channels of distribution.

##### *Growth*

Competitors are attracted into the market with very similar offerings. Products become more profitable and companies form alliances, joint ventures and take each other over. Advertising spending is high and focuses upon building brand. Market share tends to stabilize.

### *Maturity*

Those products that survive the earlier stages tend to spend longest in this phase. Sales grow at a decreasing rate and then stabilize. Producers attempt to differentiate products and brands are keys to this. Price wars and intense competition occur. At this point the market reaches saturation. Producers begin to leave the market due to poor margins. Promotions become more widespread and use a greater variety of media.

### *Decline*

At this point there is a downturn in the market. For example more innovative products are introduced or customer tastes have changed. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing spend and cost cutting.

### Problems with PLC

In reality very few products follow such a prescriptive cycle. The length of each stage varies enormously. The decisions of marketers can change the stage, for example from maturity to decline by price-cutting. Not all products go through each stage. Some go from introduction to decline. It is not easy to tell which stage the product is in.

### Price Decisions

Kotler (2000)'s quote on pricing, "You don't sell through price. You sell the price," suggested the importance of pricing for every profit organization. He added that a firm must set a price with the correlation of its position on quality and price.

(a) *Pricing strategy:* Tung-Zong Chang and Albert R. Wildt (1994) suggested 7 alternatives for a pricing strategy which were:

- (1) Markup Pricing: markup pricing add a standard markup to the product's cost.

- (2) Target-Return Pricing: in target return pricing, the firm determines the price that would yield its target rate of return on investment (ROI).
  - (3) Perceived-Value Pricing: perceive-value pricing determine price by the buyer's perception of value, not the seller's cost, as the key to pricing. They use the other marketing-mix elements such as advertising and sales force, to build up perceived value in buyers' minds.
  - (4) Value Pricing: value pricing charge a fairly low price for a high-quality offering.
  - (5) Going-Rate Pricing: the firm bases its price largely on competitors' prices. The firm might charge the same, more, or less than major competitors.
  - (6) Sealed-Bid Pricing: competitive-oriented pricing is common where firms submit sealed bid for jobs. The firm bases its price on expectation of how competitors will price rather than on a rigid relation to the firm's cost or demand.
  - (7) Psychological Pricing: in many product categories that are ego-sensitive such as perfumes and expensive cars. Then psychological pricing, which price the product higher to suggest higher quality can be used. However, psychological pricing should be used only when the product's information is not available (Erickson and Johansson, 1985).
- (b) *Price discounts*: price discount can be a tactic for marketer to attack its competitors by offer a comparable product at a lower price. Kotler (2000) suggested that in order for a price discount to be successful, there conditions

must be fulfilled. First, the challenger must convince the buyers that its product and service are comparable to the leader's. Second, buyer must be price-sensitive. Third, the market leader must refuse to cut its price in spite of the competitor's attack.

- (c) *Cash and early payment discounts:* Cash discount is a price reduction to buyers who pay their bill promptly. A typical example is "2/10, net 30," which means that payment is due within 30 days and that the buyer can deduct 2 percent by paying the bill within 10 days. Such discount is customary in many industries (Marn and Rosiello, 1992).
- (d) *Seasonal pricing:* Marn and Rosiello (1992) provided a definition of seasonal pricing as a price reduction to buyer who buy merchandise or service out of season.
- (e) *Allowance:* Allowances are extra payments designed to gain reseller participation in special programs (Marn and Rosiello, 1992).
- (f) *Bundling:* Tellis (1986) described bundling as the situation where seller bundle their products and features at a set price. The example can be seen from a theater company that prices a season subscription at less than the cost of buying all performance separately. Tellis (1986) also added that because customers may not have planned to buy all the components, the saving on the price bundle must be substantial enough to induce them to buy the bundle.
- (g) *Price discrimination:* Discriminatory pricing occurs when a company sells a product or service at two or more prices that do not reflect a proportional difference in costs. Discriminatory pricing can take many forms such as customer-segment pricing, where different customers groups are charge

different prices for the same products or service; product-form pricing, which price different products' versions differently; image pricing that price based on image differences; location pricing that price the same product differently according to location even though the cost of offering at each location is the same; and finally time pricing, which prices vary by season, day, or hour. Though, some price discrimination tactics are widely practiced, Cheesman (1995) warned that some practices of the tactics might be illegal and that care should be taken before attempting to use any of the price discrimination tactics.

#### Distribution (Place) Decisions

Distribution is about getting the products to the customer. Some examples of distribution decisions include:

- (1) Distribution channels
- (2) Market coverage (inclusive, selective, or exclusive distribution)
- (3) Specific channel members
- (4) Inventory management
- (5) Warehousing
- (6) Distribution centers
- (7) Order processing
- (8) Transportation
- (9) Reverse logistics

#### Promotion Decisions

In the context of the marketing mix, promotion represents the various aspects of marketing communication, that is, the communication of information about the product



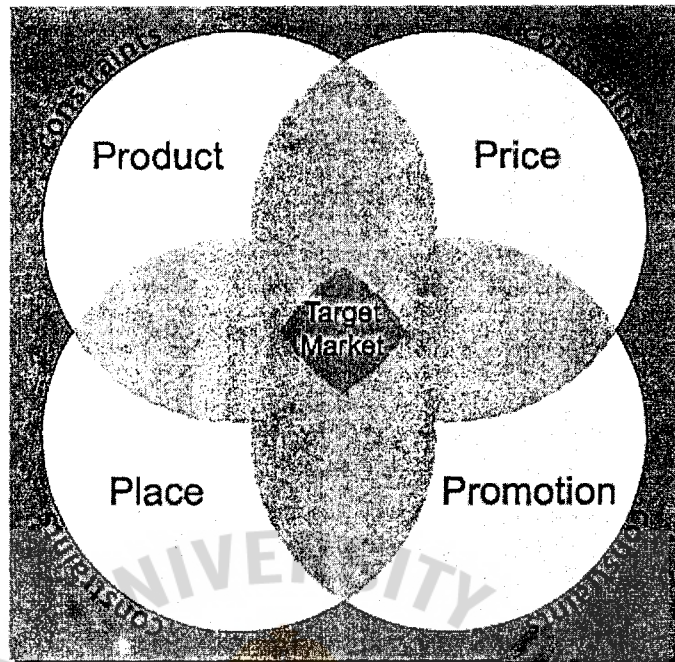
with the goal of generating a positive customer response. Marketing communication decisions include:

- (1) Promotional strategy (push, pull, etc.)
- (2) Advertising
- (3) Personal selling & sales force
- (4) Sales promotions
- (5) Public relations & publicity
- (6) Marketing communications budget

#### Limitations of the Marketing Mix Framework

The marketing mix framework was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy. Today, with marketing more integrated into organizations and with a wider variety of products, markets, and services, some authors have attempted to extend its usefulness by proposing a fifth P, such as packaging, people, process, etc.

Today however, the marketing mix most commonly remains based on the 4 P's. Despite its limitations and perhaps because of its simplicity, the use of this framework remains strong and many marketing textbooks have been organized around it.

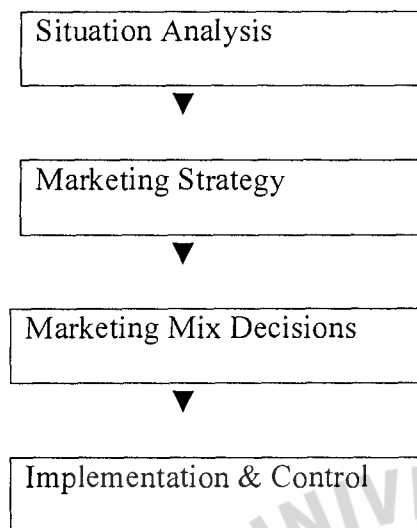


Source: MBA.com

## 2.2 The Marketing Process

Under the marketing concept, the firm must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modeled in a sequence of steps: the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are made, the plan is implemented and the results are monitored.

## The Marketing Process



### Situation Analysis

A thorough analysis of the situation in which the firm finds itself serves as the basis for identifying opportunities to satisfy unfulfilled customer needs. In addition to identifying the customer needs, the firm must understand its own capabilities and the environment in which it is operating.

The situation analysis thus can be viewed in terms as an analysis of the external environment and an internal analysis of the firm itself. The external environment can be described in terms of macro-environmental factors that broadly affect many firms, and micro-environmental factors closely related to the specific situation of the firm.

The situation analysis should include past, present, and future aspects. It should include a history outlining how the situation evolved to its present state, and an analysis of trends in order to forecast where it is going. Good forecasting can reduce the chance of spending a year bringing a product to market only to find that the need no longer exists. If the situation analysis reveals gaps between what consumers want and what currently is offered to them, then there may be opportunities to introduce products to

better satisfy those consumers. Hence, the situation analysis should yield a summary of problems and opportunities. From this summary, the firm can match its own capabilities with the opportunities in order to satisfy customer needs better than the competition. There are several frameworks that can be used to add structure to the situation analysis:

- (1) *5 C Analysis* - company, customers, competitors, collaborators, climate.

Company represents the internal situation; the other four cover aspects of the external situation.

A useful framework for performing a situation analysis is the 5 C Analysis. The 5C analysis is an environmental scan on five key areas especially applicable to marketing decisions. It covers the internal, the micro-environmental, and the macro-environmental situation. The 5 C analysis is an extension of the 3 C analysis (company, customers, and competitors), to which some marketers added the 4th C of collaborators. The further addition of a macro-environmental analysis (climate) results in a 5 C analysis, some aspects of which are outlined below.

- (a) Company

- (1) Product line
- (2) Image in the market
- (3) Technology and experience
- (4) Culture
- (5) Goals

- (b) Collaborators

- (1) Distributors
- (2) Suppliers
- (3) Alliances

- (c) Customers

- (1) Market size and growth
  - (2) Market segments
  - (3) Benefits that consumer is seeking, tangible and intangible.
  - (4) Motivation behind purchase; value drivers, benefits vs. costs
  - (5) Decision maker or decision-making unit
  - (6) Retail channel - where does the consumer actually purchase the product?
  - (7) Consumer information sources - where does the customer obtain information about the product?
  - (8) Buying process; e.g. impulse or careful comparison
  - (9) Frequency of purchase, seasonal factors
  - (10) Quantity purchased at a time
  - (11) Trends - how consumer needs and preferences change over time
- (d) Competitors
- (1) Actual or potential competitors
  - (2) Direct or indirect-type of competition
  - (3) Products that competitors offer
  - (4) Competitors' Positioning
  - (5) Market shares of competitors
  - (6) Strengths and weaknesses of competitors
- (e) Climate (Context)

The climate or macro-environmental factors are:

- (1) Political & regulatory environment - governmental policies and regulations that affect the market



- (2) Economic environment - business cycle, inflation rate, interest rates, and other macroeconomic issues
- (3) Social/Cultural environment - society's trends and fashions
- (4) Technological environment - new knowledge that makes possible new ways of satisfying needs; the impact of technology on the demand for existing products.

The analysis of these four external "climate" factors often is referred to as a PEST analysis.

- (2) *PEST analysis* - for macro-environmental political, economic, societal, and technological factors. A PEST analysis can be used as the "climate" portion of the 5 C framework. A PEST analysis is an analysis of the external macro-environment that affects all firms. P.E.S.T. is an acronym for the Political, Economic, Social, and technological factors of the external macro-environment.

Such external factors usually are beyond the firm's control and sometimes present themselves as threats. For this reason, some say that "pest" is an appropriate term for these factors. However, changes in the external environment also create new opportunities and the letters sometimes are rearranged to construct the more optimistic term of STEP analysis.

Many macro-environmental factors are country-specific and a PEST analysis will need to be performed for all countries of interest. The following are examples of some of the factors that might be considered in a PEST analysis.

#### Political Analysis

- (1) Political stability
- (2) Risk of military invasion

- (3) Legal framework for contract enforcement
- (4) Intellectual property protection
- (5) Trade regulations & tariffs
- (6) Favored trading partners
- (7) Anti-trust laws
- (8) Pricing regulations
- (9) Taxation - tax rates and incentives
- (10) Wage legislation - minimum wage and overtime
- (11) Work week
- (12) Mandatory employee benefits
- (13) Industrial safety regulations
- (14) Product labeling requirements

#### Economic Analysis

- (1) Type of economic system in countries of operation
- (2) Government intervention in the free market
- (3) Comparative advantages of host country
- (4) Exchange rates & stability of host country currency
- (5) Efficiency of financial markets
- (6) Infrastructure quality
- (7) Skill level of workforce
- (8) Labor costs
- (9) Business cycle stage (e.g. prosperity, recession, recovery)
- (10) Economic growth rate
- (11) Discretionary income
- (12) Unemployment rate

(13) Inflation rate

(14) Interest rates

#### Social Analysis

(1) Demographics

(2) Class structure

(3) Education

(4) Culture (gender roles, etc.)

(5) Entrepreneurial spirit

(6) Attitudes (health, environmental consciousness, etc.)

(7) Leisure interests

#### Technological Analysis

(1) Recent technological developments

(2) Technology's impact on product offering

(3) Impact on cost structure

(4) Impact on value chain structure

(5) Rate of technological diffusion

The number of macro-environmental factors is virtually unlimited. In practice, the firm must prioritize and monitor those factors that influence its industry. Even so, it may be difficult to forecast future trends with an acceptable level of accuracy. In this regard, the firm may turn to scenario planning techniques to deal with high levels of uncertainty in important macro-environmental variables.

(3) SWOT analysis - strengths, weaknesses, opportunities, and threats - for the internal and external situation. A SWOT analysis can be used to condense the situation analysis into a listing of the most relevant problems and opportunities and to assess how well the firm is equipped to deal with them.

SWOT analysis is a simple framework for generating strategic alternatives from a situation analysis. It is applicable to either the corporate level or the business unit level and frequently appears in marketing plans. SWOT (sometimes referred to as TOWS) stands for Strengths, Weaknesses, Opportunities, and Threats.

The SWOT framework was described in the late 1960's by Edmund P. Learned, C. Roland Christiansen, Kenneth Andrews, and William D. Guth in Business Policy, Text and Cases (Homewood, IL: Irwin, 1969). The General Electric Growth Council used this form of analysis in the 1980's. Because it concentrates on the issues that potentially have the most impact, the SWOT analysis is useful when a very limited amount of time is available to address a complex strategic situation.

The following diagram shows how a SWOT analysis fits into a strategic situation analysis.

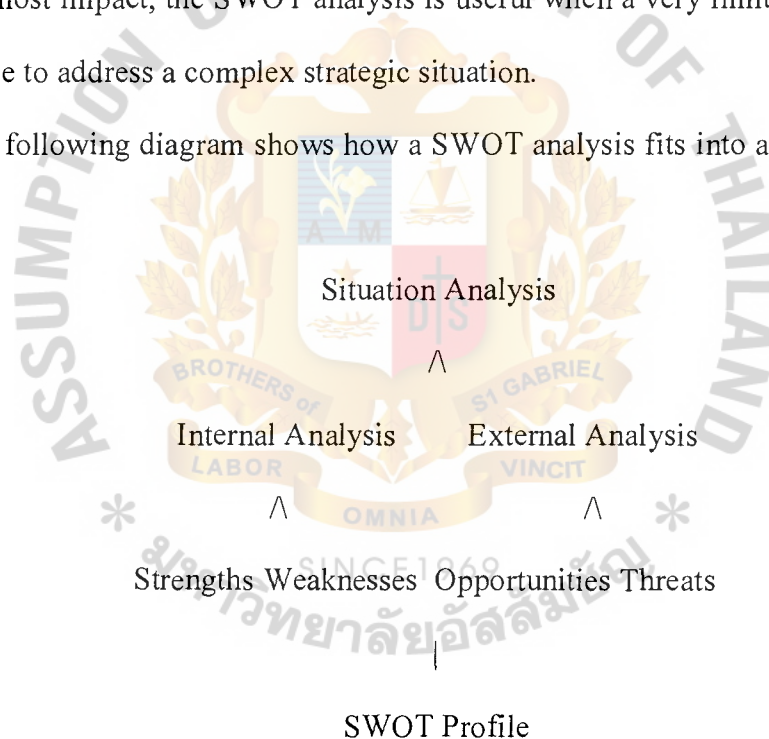


Figure 2.1. Situation Analysis Diagram.

The internal and external situation analysis can produce a large amount of information, much of which may not be highly relevant. The SWOT analysis can serve as an interpretative filter to reduce the information to a manageable quantity of key

issues. The SWOT analysis classifies the internal aspects of the company as strengths or weaknesses and the external situational factors as opportunities or threats. Strengths can serve as a foundation for building a competitive advantage, and weaknesses may hinder it. By understanding these four aspects of its situation, a firm can better leverage its strengths, correct its weaknesses, capitalize on opportunities, and deter potentially devastating threats.

### Internal Analysis

The internal analysis is a comprehensive evaluation of the internal environment's potential strengths and weaknesses. Factors should be evaluated across the organization in areas such as:

- (1) Company culture
- (2) Company image
- (3) Organizational structure
- (4) Key staff
- (5) Access to natural resources
- (6) Position on the experience curve
- (7) Operational efficiency
- (8) Operational capacity
- (9) Brand awareness
- (10) Market share
- (11) Financial resources
- (12) Exclusive contracts
- (13) Patents and trade secrets

The SWOT analysis summarizes the internal factors of the firm as a list of strengths and weaknesses.



## External Analysis

An opportunity is the chance to introduce a new product or service that can generate superior returns. Opportunities can arise when changes occur in the external environment. Many of these changes can be perceived as threats to the market position of existing products and may necessitate a change in product specifications or the development of new products in order for the firm to remain competitive. Changes in the external environment may be related to:

- (1) Customers
- (2) Competitors
- (3) Market trends
- (4) Suppliers
- (5) Partners
- (6) Social changes
- (7) New technology
- (8) Economic environment
- (9) Political and regulatory environment

The last four items in the above list are macro-environmental variables, and are addressed in a PEST analysis.

The SWOT analysis summarizes the external environmental factors as a list of opportunities and threats.

## SWOT Profile

When the analysis has been completed, a SWOT profile can be generated and used as the basis of goal setting, strategy formulation, and implementation. The completed SWOT profile sometimes is arranged as follows:

Table 2.1. SWOT Profiles.

Strengths	Weaknesses
S <sub>1</sub>	W <sub>1</sub>
S <sub>2</sub>	W <sub>2</sub>
S <sub>3</sub>	W <sub>3</sub>
.	.
.	.
.	.
Opportunities	Threats
O <sub>1</sub>	T <sub>1</sub>
O <sub>2</sub>	T <sub>2</sub>
O <sub>3</sub>	T <sub>3</sub>
.	.
.	.
.	.

When formulating strategy, the interaction of the quadrants in the SWOT profile becomes important. For example, the strengths can be leveraged to pursue opportunities and to avoid threats, and managers can be alerted to weaknesses that might need to be overcome in order to successfully pursue opportunities.

#### Multiple Perspectives Needed

The method used to acquire the inputs to the SWOT matrix will affect the quality of the analysis. If the information is obtained hastily during a quick interview with the CEO, even though this one person may have a broad view of the company and industry,

the information would represent a single viewpoint. The quality of the analysis will be improved greatly if interviews are held with a spectrum of stakeholders such as employees, suppliers, customers, strategic partners, etc.

#### SWOT Analysis Limitations

While useful for reducing a large quantity of situational factors into a more manageable profile, the SWOT framework has a tendency to oversimplify the situation by classifying the firm's environmental factors into categories in which they may not always fit. The classification of some factors as strengths or weaknesses, or as opportunities or threats is somewhat arbitrary. Perhaps what is more important than the superficial classification of these factors is the firm's awareness of them and its development of a strategic plan to use them to its advantage.

#### Marketing Strategy

Once the best opportunity to satisfy unfulfilled customer needs is identified, a strategic plan for pursuing the opportunity can be developed. Market research will provide specific market information that will permit the firm to select the target market segment and optimally position the offering within that segment. The result is a value proposition to the target market. The marketing strategy then involves:

### **2.3 Segmentation**

Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers.

#### The Need for Market Segmentation

The marketing concept calls for understanding customers and satisfying their needs better than the competition. But different customers have different needs, and it rarely is possible to satisfy all customers by treating them alike.

Mass marketing refers to treatment of the market as a homogenous group and offering the same marketing mix to all customers. Mass marketing allows economies of scale to be realized through mass production, mass distribution, and mass communication.

The drawback of mass marketing is that customer needs and preferences differ and the same offering is unlikely to be viewed as optimal by all customers. If firms ignored the differing customer needs, another firm likely would enter the market with a product that serves a specific group, and the incumbent firms would lose those customers.

Target marketing on the other hand recognizes the diversity of customers and does not try to please all of them with the same offering. The first step in target marketing is to identify different market segments and their needs.

#### Requirements of Market Segments

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- (1) *Identifiable*: the differentiating attributes of the segments must be measurable so that they can be identified.
- (2) *Accessible*: the segments must be reachable through communication and distribution channels.
- (3) *Substantial*: the segments should be sufficiently large to justify the resources required to target them.
- (4) *Unique needs*: to justify separate offerings, the segments must respond differently to the different marketing mixes.
- (5) *Durable*: the segments should be relatively stable to minimize the cost of frequent changes.

A good market segmentation will result in segment members that are internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between segments.

#### Bases for Segmentation in Consumer Markets

Consumer markets can be segmented on the following customer characteristics.

- (1) Geographic
- (2) Demographic
- (3) Psychographic
- (4) Behavioralistic

#### *Geographic Segmentation*

Geographic variables often used in segmentation can be classified according to:

- (1) Region: by continent, country, state, or even neighborhood
- (2) Size of metropolitan area: segmented according to size of population
- (3) Population density: often classified as urban, suburban, or rural
- (4) Climate: according to weather patterns common to certain geographic regions

#### *Demographic Segmentation*

Some demographic segmentation variables include:

- (1) Age
- (2) Gender
- (3) Family size
- (4) Family lifecycle
- (5) Generation: baby-boomers, Generation X, etc.
- (6) Income
- (7) Occupation



- (8) Education
- (9) Ethnicity
- (10) Nationality
- (11) Religion
- (12) Social class

Many of these variables have standard categories for their values. For example, family lifecycle often is expressed as bachelor, married with no children (DINKS: Double Income, No Kids), full-nest, empty-nest, or solitary survivor. Some of these categories have several stages, for example, full-nest I, II, or III depending on the age of the children.

#### *Psychographic Segmentation*

Psychographic segmentation groups customers according to their lifestyle. Activities, interests, and opinions (AIO) surveys are one tool for measuring lifestyle. Some psychographic variables include:

- (1) Activities
- (2) Interests
- (3) Opinions
- (4) Attitudes
- (5) Values

#### *Behavioralistic Segmentation*

Behavioral segmentation is based on actual customer behavior toward products. Some behavioralistic variables include:

- (1) Benefits sought
- (2) Usage rate
- (3) Brand loyalty

- (4) User status: potential, first-time, regular, etc.
- (5) Readiness to buy
- (6) Occasions: holidays and events that stimulate purchases

Behavioral segmentation has the advantage of using variables that are closely related to the product itself. It is a fairly direct starting point for market segmentation.

#### Bases for Segmentation in Industrial Markets

In contrast to consumers, industrial customers tend to be fewer in number and purchase larger quantities. They evaluate offerings in more detail, and the decision process usually involves more than one person. These characteristics apply to organizations such as manufacturers and service providers, as well as resellers, governments, and institutions. Though, many of the consumer market segmentation variables can be applied to industrial markets. Industrial markets might be segmented on characteristics such as:

- (1) Location
- (2) Company type
- (3) Behavioral characteristics

##### *Location*

In industrial markets, customer location may be important in some cases. Shipping costs may be a purchase factor for vendor selection for products having a high bulk to value ratio, so distance from the vendor may be critical. In some industries firms tend to cluster together geographically and therefore may have similar needs within a region.

##### *Company Type*

Business customers can be classified according to type as follows:

- (1) Company size

- (2) Industry
- (3) Decision making unit
- (4) Purchase Criteria
- (5) Behavioral Characteristics

In industrial markets, patterns of purchase behavior can be a basis for segmentation. Such behavioral characteristics may include:

- (1) Usage rate
- (2) Buying status: potential, first-time, regular, etc.
- (3) Purchase procedure: sealed bids, negotiations, etc.

Targeting (target market selection)

Target marketing tailors a marketing mix for one or more segments identified by market segmentation. Target marketing contrasts with mass marketing, which offers a single product to the entire market.

Two important factors to consider when selecting a target market segment are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities.

#### (1) Attractiveness of a Market Segment

The following are some examples of aspects that should be considered when evaluating the attractiveness of a market segment:

- (a) Size of the segment (number of customers and/or number of units)
- (b) Growth rate of the segment
- (c) Competition in the segment
- (d) Brand loyalty of existing customers in the segment
- (e) Attainable market share given promotional budget and competitors' expenditures

- (f) Required market share to break even
- (g) Sales potential for the firm in the segment
- (h) Expected profit margins in the segment

Market research and analysis is instrumental in obtaining this information. Information such as buyer intentions, salesforce estimates, test marketing, and statistical demand analysis are useful for determining sales potential. The impact of applicable micro-environmental and macro-environmental variables on the market segment should be considered.

Note that larger segments are not necessarily the most profitable to target since they likely will have more competition. It may be more profitable to serve one or more smaller segments that have little competition. On the other hand, if the firm can develop a competitive advantage, for example, via patent protection, it may find it profitable to pursue a larger market segment.

#### Suitability of Market Segments to the Firm

Market segments also should be evaluated according to how they fit the firm's objectives, resources, and capabilities. Some aspects of fit include:

- (1) Whether the firm can offer superior value to the customers in the segment
- (2) The impact of serving the segment on the firm's image
- (3) Access to distribution channels required to serve the segment
- (4) The firm's resources vs. capital investment required to serve the segment

The better the firm's fit to a market segment and the more attractive the market segment, the greater the profit potential to the firm.

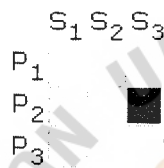
#### Target Market Strategies

There are several different target-market strategies that may be followed.

Targeting strategies usually can be categorized as one of the following:

- (1) *Single-segment strategy* - also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources.

**Single  
Segment**

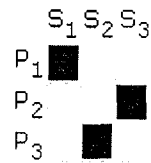


(where S = market segment and P = product type)

Figure 2.2. Single-Segment Strategy.

- (2) *Selective specialization*- this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary.

### Selective Specialization

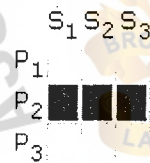


(where S = market segment and P = product type)

Figure 2.3. Selective Specialization.

- (3) *Product specialization*- the firm specializes in a particular product and tailors it to different market segments.

### Product Specialization



(where S = market segment and P = product type)

Figure 2.4. Product Specialization.

- (4) *Market specialization*- the firm specializes in serving a particular market segment and offers that segment an array of different products.



### Market Specialization

	S <sub>1</sub>	S <sub>2</sub>	S <sub>3</sub>
P <sub>1</sub>	■		
P <sub>2</sub>	■		
P <sub>3</sub>	■		

(where S = market segment and P = product type)

Figure 2.5. Market Specialization.

- (5) *Full market coverage* - the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

### Full Market Coverage

	S <sub>1</sub>	S <sub>2</sub>	S <sub>3</sub>
P <sub>1</sub>	■	■	■
P <sub>2</sub>	■	■	■
P <sub>3</sub>	■	■	■

(where S = market segment and P = product type)

Figure 2.5. Full Market Coverage.

A firm that is seeking to enter a market and grow should first target the most attractive segment that matches its capabilities. Once it gains a foothold, it can expand by pursuing a product specialization strategy, tailoring the product for different

segments, or by pursuing a market specialization strategy and offering new products to its existing market segment.

Another strategy whose use is increasing is individual marketing, in which the marketing mix is tailored on an individual consumer basis. While in the past impractical, individual marketing is becoming more viable thanks to advances in technology.

#### Positioning the product within the target market

In marketing, positioning is the technique in which marketers try to create an image or identity for a product, brand or company. It is the 'place' a product occupies in a given market as perceived by the target market. Positioning is something that is done in the minds of the target market. A product's position is how potential buyers see the product. Positioning is expressed relative to the position of competitors.

Marketers can position products based on several positioning strategies:

- (1) product attributes or product features;
- (2) specific usage occasions;
- (3) users or usage categories;
- (4) against a competitor or another product;
- (5) away from competitors;
- (6) product classes; or
- (7) a combination of the above approaches.

#### Value proposition to the target market

##### Marketing Mix Decisions

Detailed tactical decisions then are made for the controllable parameters of the marketing mix. The action items include:

- (1) Product development - specifying, designing, and producing the first units of the product.
- (2) Pricing decisions
- (3) Distribution contracts
- (4) Promotional campaign development

#### Implementation and Control

At this point in the process, the marketing plan has been developed and the product has been launched. Given that few environments are static, the results of the marketing effort should be monitored closely. As the market changes, the marketing mix can be adjusted to accommodate the changes. Often, small changes in consumer wants can be addressed by changing the advertising message. As the changes become more significant, a product redesign or an entirely new product may be needed. The marketing process does not end with implementation - continual monitoring and adaptation is needed to fulfill customer needs consistently over the long-term.

### **III. RESEARCH METHODOLOGY**

This chapter discusses the research method, research instrument used, target population, sampling procedures, sample size, pretest, procedure of data collection, and statistical treatment of data. This research was done to study the current situation and marketing strategies of Bridgestone Corporation. This will be used to develop new marketing strategies for long-term and short-term.

#### **3.1 Research Method**

For primary data collection, a sample survey was considered to be the most appropriate and convenient. The survey was selected as a data collection technique because it allowed the researcher to study and describe the population efficiently and economically. The type of questionnaire used in the survey was a structured questionnaire. For primary data analysis, the researcher made use of descriptive and inferential statistics (both techniques are quantitative). Secondary data was taken from documentary analysis, published materials, and journals from the Internet.

#### **3.2 Research Instrument**

The questionnaire was structured. The data collection technique was self-administered. The self-administrated technique is when a questionnaire is filled in by the respondent rather than the interviewer. The questionnaire was distributed to the respondents directly, with the researcher coming to get the questionnaire some time later.

#### **3.3 Respondents and Sampling Technique**

This study uses a survey method with structured self-administered questionnaire as a means to collect primary data. The research study concerned tire users of all brands.

This was used to find out Current Situation market situation, and marketing strategies of all tire companies including Bridgestone Corporation, and its competitor.

The non-probability sampling method was selected for this research. There are many techniques in non-probability sampling method; the convenience sampling was selected to be the means used to collect data.

### **3.4 Sample Size**

The sampling size was calculated by using Taro Yamane formula (1999). Yamane formula stated that in case of a population larger 100,000 and error at 5%, the researcher should collect at least 400 sets of questionnaire in order to represent the population. Therefore, the sample size of this study is 400.

### **3.5 Pretest**

Before launching the research, a pretest of the questionnaire was made in order to measure the questionnaire's reliability. The reliability analysis would ensure that data was free from error and therefore yielded consistent results (McQuarrie, 1996). McQuarrie (1996) stated that in the pilot study or pretest of survey techniques, at least 25 sets of questionnaire should be collected from respondents. Therefore, the researcher distributed 30 sets of questionnaires.

Before the pretest was launched, the researcher sought advice from experts for adjusting some questions that were leading, loaded, ambiguous, likely to be misunderstood, and inappropriate for the research. After questionnaires were adjusted, 30 sets were distributed to the target population in order to calculate the reliability of the questionnaire.

When the questionnaires from the pretest were answered, the data was keyed in to the SPSS program in order to calculate the reliability of the questionnaire by using Cronbach's Alpha technique. This technique was used to test the internal consistency of

the questionnaire by the average inter-item correlation. The reliability of the questionnaire is shown in the following table:

Table 3. 1. Reliability Analysis-Scale (Cronbach's Alpha).

Operational Dimensions	Cronbach's Alpha ( $\alpha$ )
Product	0.758
Price	0.695
Place	0.714
Promotion	0.621
Total	0.693

The reliability of the questionnaire should be at least 0.6 to be considered as reliable (Churchill, 1995). The pretest resulted show that the questionnaire was reliable.

### 3.6 Procedure of Data Collection

Both primary and secondary data were collected in this research. The details of data collection are discussed below:

#### (1) Primary data

To collect primary data, the researcher distributed 400 sets of questionnaires to the respondents by the use of convenience sampling technique. The respondents in this research were vehicle users who selected the tires for their cars by themselves.

#### (2) Secondary data

Secondary data was collected from newspapers, journals, web-sites, magazine, and other research articles to find information about related theories and researches as well as any related information.



### 3.7 Statistical Treatment of Data

The data was analyzed by using SPSS version 12.00, with both descriptive and inferential statistics. The descriptive statistics used included the mean, frequency, and standard deviation, whereas the inferential statistic included the ANOVA. Descriptive analysis is a method of preliminary data analysis that helps summarize the general nature of variables (George, 2000). The descriptive analysis was applied to all sections of the questionnaire that used the Likert rating scale, a scale which allowed respondents to select the level of agreement that they felt was most representative of their feelings. The scale ranged from 1 to 5, as follows:

- 1 = Strongly disagree
- 2 = Disagree
- 3 = Indifferent
- 4 = Agree
- 5 = Strongly Agree

In this study, the score of the satisfaction level was calculated into mean scores (a technique that lets analysis be done with mean scores), and weighted in the categories as follows:

- 1.00 - 1.80 = Very Unimportant
- 1.81 - 2.60 = Unimportant
- 2.61 - 3.40 = Indifferent
- 3.41 - 4.20 = Important
- 4.21 - 5.00 = Very Important

## IV. DATA ANALYSIS

A common statistical technique for tabulating data was percent distributions, means, and standard deviations. Percent distribution displays the percent of customers who answer each of the available response options of each factor. Mean scores measured the central tendency of customer perception, but it cannot indicate how response varies. The standard deviation measured the variation of customers' responses. The higher the standard deviation, the more dispersed the customers' response to factors.

### 4.1 Respondents' Demographic Profiles

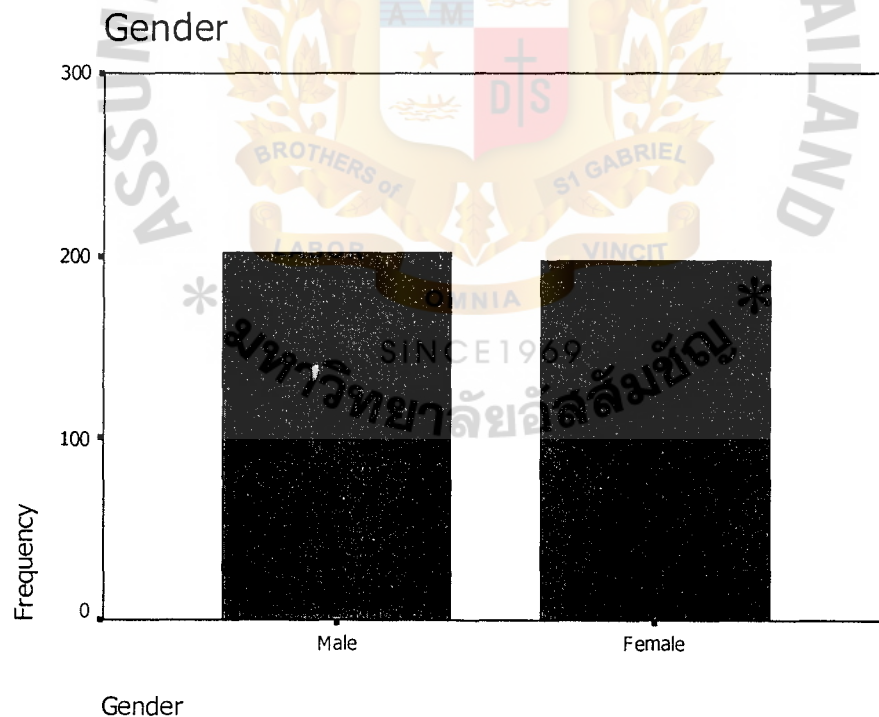


Figure 4.1. Gender.

Figure 4.1 shows age characteristics of sample, it was found that the majority was male 202 (50.5%), the female was 198 (49.5%).

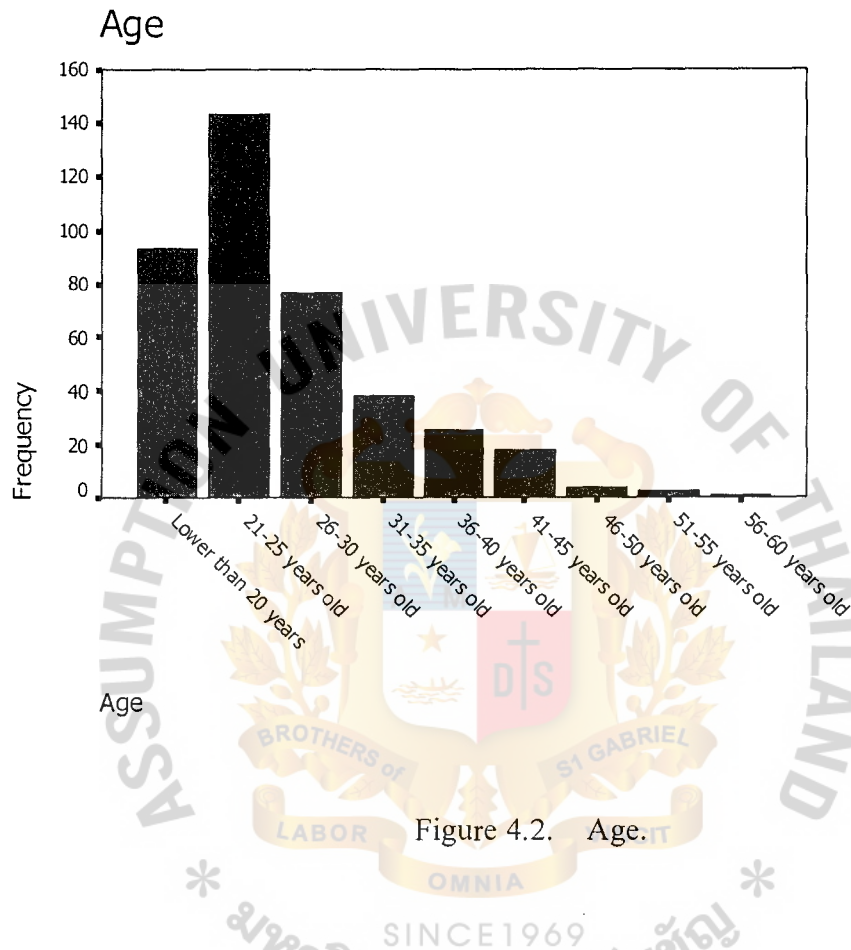


Figure 4.2. Age.

Figure 4.2 age characteristics of sample, it was found that the age between 21-25 years old was the most 143 (35.8%), subsequently being the age lower than 20 years old (23.3%), 26-30 years old (19.0 %), 31-35 years old (9.5%), 31-35 years old (9.5%), 36-40 years old (6.3%), 41-45 years old (4.5%), 46-50 years old (1%), 51-55 years old (0.5%), and 56-60 years old was 1 (0.3%).

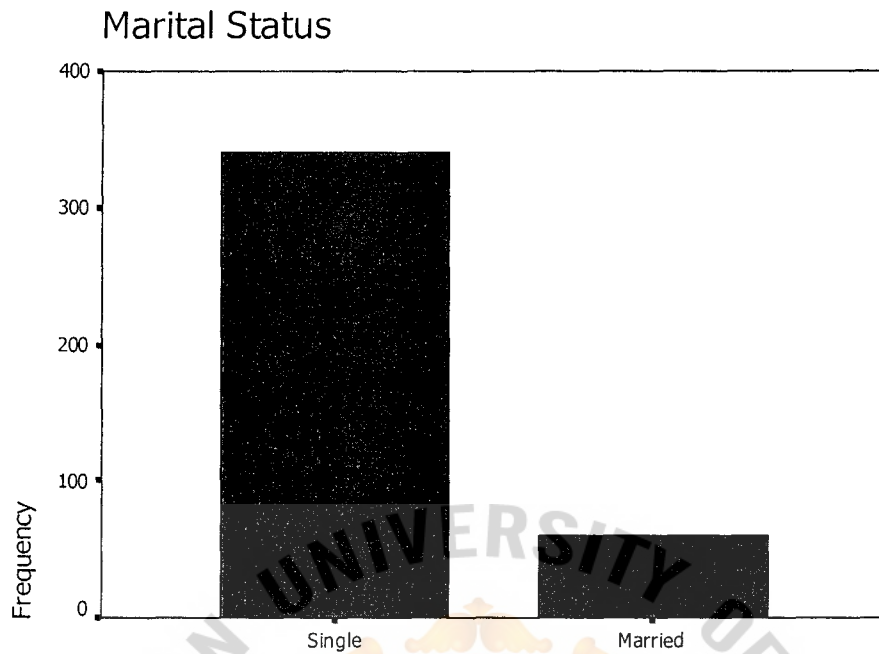


Figure 4.3. Marital status.

Figure 4.3 shows marital status characteristics of sample, it was found that the majority was single 341 (85.3%), the married was 59 (14.8%).

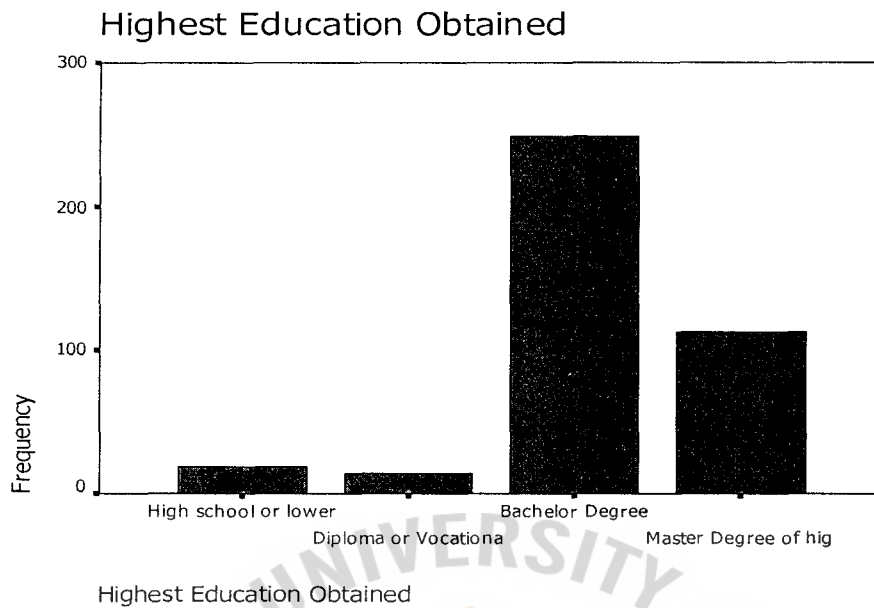


Figure 4.4. Highest education obtained.

Figure 4.4 shows highest education level characteristics of sample, it was found that the bachelor degree was the most 251 (62.8%), high school or lower was 29 (4.8%), equivalence diploma or vocational was 14 (3.5%), and master degree or higher was 112 (28.0%).

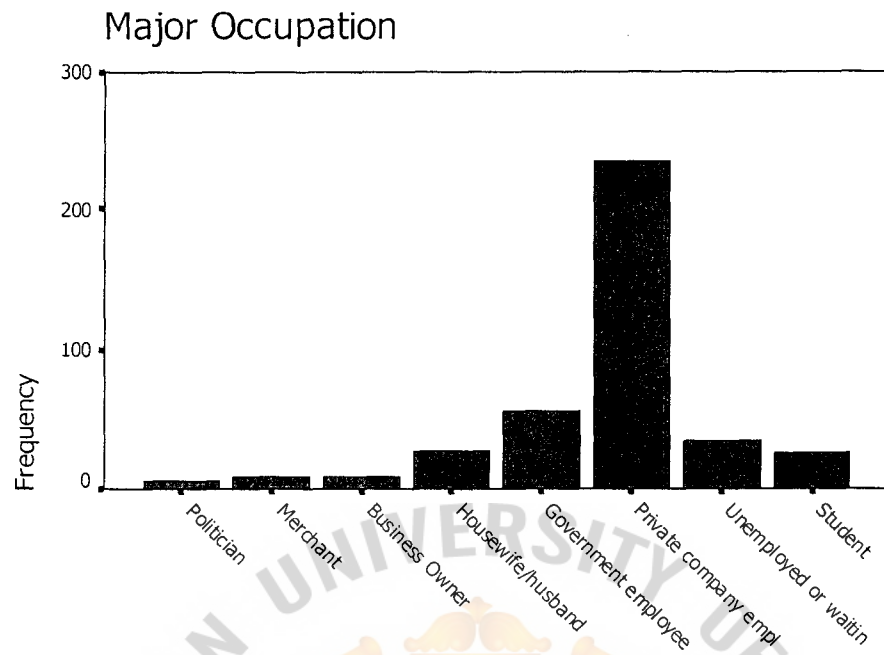
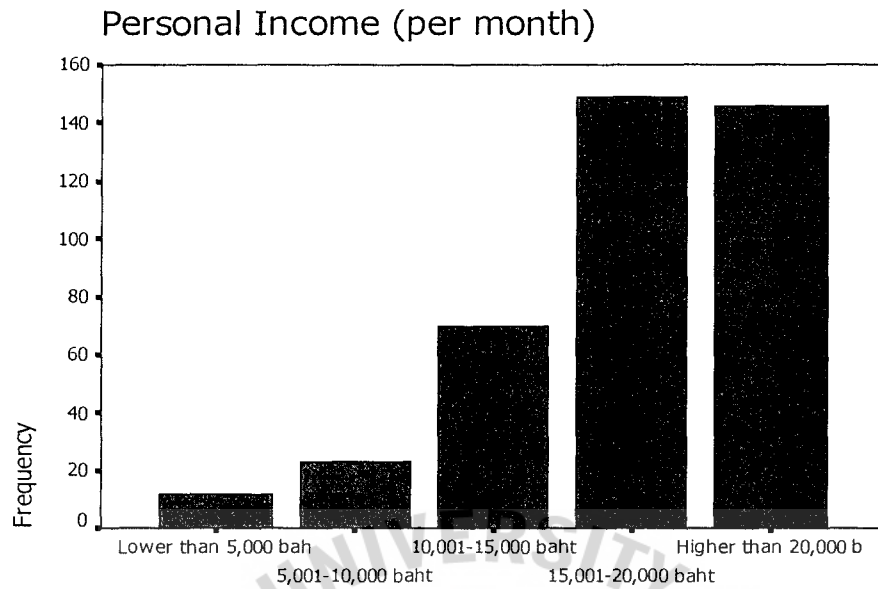


Figure 4.5. Major occupation.

Figure 4.5 shows major occupation characteristics of sample, it was found that private was the most 234 (58.5%), government employee was 56 (14%), unemployed or waiting for job was 34 (8.5%), merchant was 29 (12.3%), student was 26 (6.5%), housewife/husband was 27 (6.8%), business owner was 8 (2.0%), and politician was 6 (1.5%).





Personal Income (per month)

Figure 4.6. Personal income (per month).

Figure 4.6 shows personal income (per month) characteristics of sample, it was found that the income between 15,001-20,000 Baht was the most 149 (37.3%), higher than 20,000 Baht was 146 (36.5%), 10,001-15,000 Baht was 70 (17.5%), 5,001-10,000 Baht group was 23 (5.8%), and lower than 5,000 Baht was 12 (3.0%).

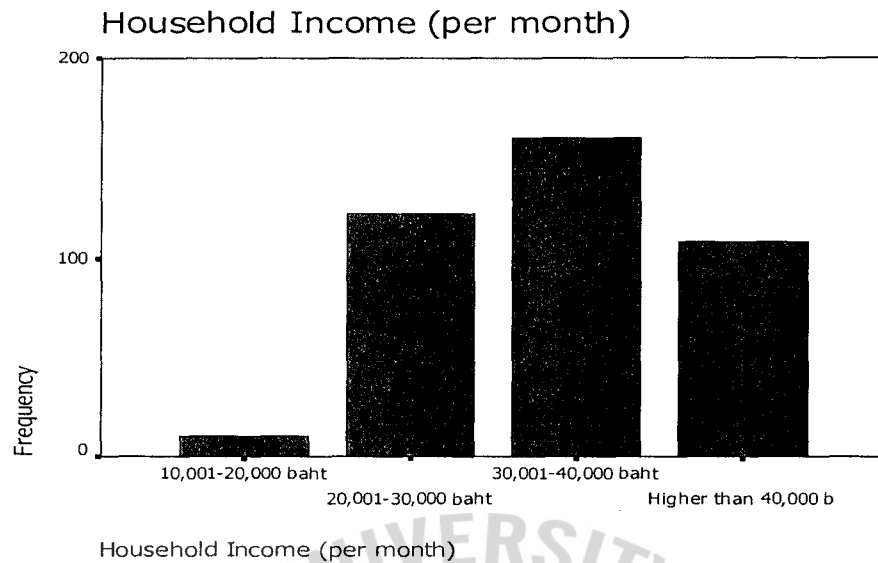
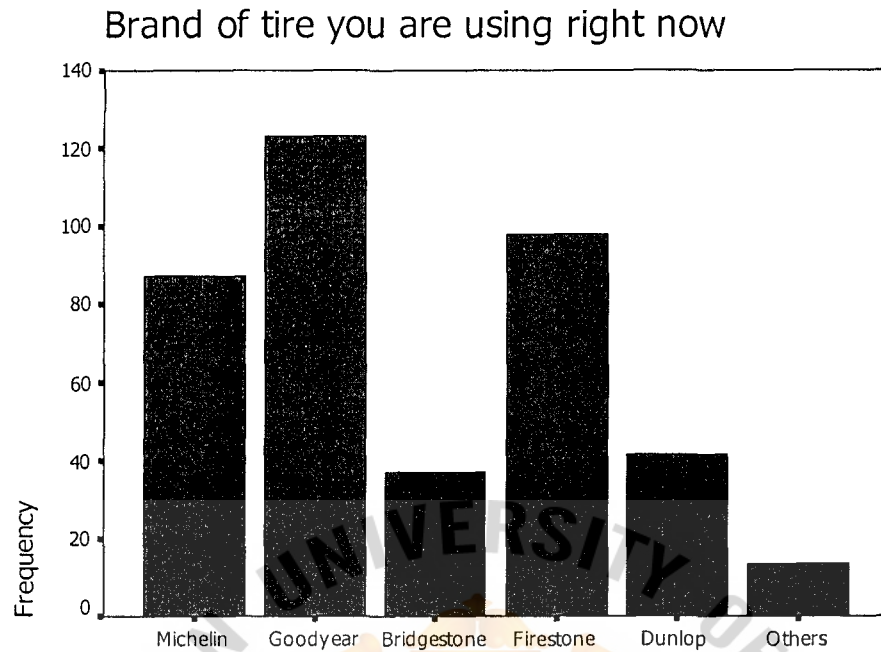


Figure 4.7. Household income (per month).

Figure 4.7 shows household income (per month) characteristics of sample, it was found that the income between 30,001-40,000 Baht group was the most 160 (40.0%), between that 20,001-30,000 Baht was 122 (30.5%), Higher than 40,000 Baht was 108 (27.0%), and 10,001-20,000 Baht was 10 (2.5%).



Brand of tire you are using right now

Figure 4.8. Brand of tire customer used.

Figure 4.8 shows Brand of tire customer used, it was found that Goodyear brand was the most 123 (30.8%), Firestone was 98 (24.5%), Michelin was 87 (21.8%), Dunlop was 42 (10.5%), Bridgestone was 37 (9.3%), and others 13 (3.5%).

#### 4.1.1 Customers Perception toward the important of 4 Ps Factors

Table 4.1. Mean and standard deviation of product important perception.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Good mileage	4.22	1.40	Very Important
Save fuel	4.08	1.46	Important
Noise	3.82	1.58	Important
Wet surface performance	4.41	1.27	Very Important
High performance (can drive at high speed)	3.73	1.61	Important
Distant use to brake the car	4.44	1.21	Very Important
Product Average	4.12	1.42	Important

For perception toward product variables, good mileage ( $\bar{X} = 4.22$ ), wet surface performance ( $\bar{X} = 4.41$ ), and distant used to brake ( $\bar{X} = 4.44$ ) come at the foremost important to customers. Other three areas such as save fuel consumption ( $\bar{X} = 4.08$ ), low noise emission ( $\bar{X} = 3.82$ ), and high performance ( $\bar{X} = 3.73$ ) are perceive as important but not as important as the first three factors. The most important factor when considering about purchasing tire is distance used for braking. However, it can be concluded that in average ( $\bar{X} = 4.12$ ) customers perceive the product characters as important.

Table 4.2. Mean and standard deviation of price important perception.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
List price	4.00	1.55	Important
Credit terms	2.95	1.61	Indifferent
Payments method (e.g. cash, credit card)	3.21	1.62	Indifferent
Price Average	3.38	1.59	Indifferent

For Tire price category, most price-related factors except list price are indifferent in customer mind ( $\bar{X} = 3.38$ ). While list price is perceived as important criteria ( $\bar{X} = 4.00$ ), it can be said that other factors, such as credit term ( $\bar{X} = 2.95$ ) and payment method ( $\bar{X} = 3.21$ ), of tire price are mostly perceived as indifferent in customers mind.

Table 4.3. Mean and standard deviation of place important perception.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Available store selling the brand	3.29	1.66	Indifferent
Available of model in the store	2.95	1.59	Indifferent
Place Average	3.12	1.62	Indifferent

The perception comprised of place factors such as available store ( $\bar{X} = 3.29$ ) and available model ( $\bar{X} = 2.95$ ) are perceived as indifferent in customer mind. Moreover, it can also suggest that customers generally have no specific brand or model in mind when entering the store thus brand switching is always possible.

Table 4.4. Mean and standard deviation of promotion important perception.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Discount	4.13	1.39	Important
Premium / Free gift	3.55	1.66	Important
Lucky draw	2.81	1.57	Indifferent
Promotion Average	3.49	1.54	Important

For perception toward promotional variables, price discount ( $\bar{X} = 4.13$ ) is the most important as well as the use of premium/free gift ( $\bar{X} = 3.55$ ). However, the use of lucky draw is indifferent in customers' perception ( $\bar{X} = 2.81$ ). Overall, promotion is important ( $\bar{X} = 3.49$ ) which is largely due to customers' perception toward the importance of discount.



## 4.2 Customers' Perception toward 4Ps factor of Individual Brand

### Bridgestone

Table 4.5. Mean and standard deviation of product satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Good mileage	3.51	1.66	Satisfy
Save fuel	3.24	1.79	Indifferent
Noise	4.43	1.19	Very Satisfy
Wet surface performance	3.81	1.68	Satisfy
High performance (can drive at high speed)	3.49	1.56	Satisfy
Distant use to brake the car	3.62	1.64	Satisfy
Product Average	3.68	1.59	Satisfy

Bridgestone's customers reported that they are very satisfied with low noise emission of the company's tire, while they are satisfied with good mileage, wet surface performance, high performance, and distant to brake. However, they are indifferent to fuel saving from the company's tire. In general, Bridgestone's customers are satisfied by the company's product.

Table 4.6. Mean and standard deviation of price satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
List price	3.24	1.74	Indifferent
Credit terms	2.49	1.30	Unsatisfied
Payments method (e.g. cash, credit card)	4.19	1.41	Satisfy
Price Average	3.31	1.48	Indifferent

Regarding price satisfaction level, Bridgestone customers feel indifferent to list price however they are satisfied with the diversity of payment methods available. However, the credit terms are considered unsatisfied. The conclusion of pricing factors average falls in the indifferent category.

Table 4.7. Mean and standard deviation of place satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Available store selling the brand	3.78	1.70	Satisfy
Available of model in the store	3.43	1.57	Satisfy
Place Average	3.61	1.64	Satisfy

The distribution of Bridgestone is good since customers reported that they can easily find stores selling Bridgestone brand and its models. The place factors are considered as satisfactory by all responded customers.

Table 4.8. Mean and standard deviation of promotion satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Discount	3.81	1.56	Satisfy
Premium / Free gift	2.65	1.46	Indifferent
Lucky draw	2.08	1.34	Unsatisfied
Promotion Average	2.85	1.45	Indifferent

Bridgestone's customers answered that they are satisfied with using discount as the company's promotional tool, however they are indifferent to the use of premium/free gift and unsatisfied with lucky draw. The average on the score of promotion is indifferent but this does not mean that the customers pay little attention to promotion but derived largely from customers' dissatisfaction to the use of lucky draw.

Michelin

Table 4.9. Mean and standard deviation of product satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Good mileage	3.99	1.54	Satisfy
Save fuel	2.98	1.64	Indifferent
Noise	3.83	1.65	Satisfy
Wet surface performance	4.00	1.56	Satisfy
High performance (can drive at high speed)	3.76	1.55	Satisfy
Distant use to brake the car	3.55	1.65	Satisfy
Product Average	3.68	1.60	Satisfy

Michelin customers are in average satisfied with product factors. They indicate that they are satisfied with good mileage, noise, wet surface performance, high performance, and distant for braking. However, they also report that they are indifferent to fuel saving.

Table 4.10. Mean and standard deviation of price satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
List price	3.32	1.57	Indifferent
Credit terms	2.72	1.45	Indifferent
Payments method (e.g. cash, credit card)	3.94	1.54	Satisfy
Price Average	3.33	1.52	Indifferent

From the research result, Michelin customers are indifferent toward company's list price and credit term but they are satisfied with payment method.

Table 4.11. Mean and standard deviation of place satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Available store selling the brand	3.59	1.61	Satisfy
Available of model in the store	3.39	1.62	Indifferent
Place Average	3.49	1.61	Satisfy

The distribution of Michelin tire is good as its customers are satisfied with the availability of store selling its brand, however the availability of model falls into indifferent rank indicates that the company still lack model assortment in retail outlets to satisfy customers' demand.

Table 4.12. Mean and standard deviation of promotion satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Discount	3.68	1.58	Satisfy
Premium / Free gift	2.93	1.52	Indifferent
Lucky draw	2.61	1.43	Indifferent
Promotion Average	3.07	1.51	Indifferent

Discount is the most valued promotional tool among Michelin's customers. However, the use of premium/free gift and lucky draw are indifferent.

#### Goodyear

Table 4.13. Mean and standard deviation of product satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Good mileage	3.69	1.65	Satisfy
Save fuel	3.34	1.61	Indifferent
Noise	4.23	1.43	Very Satisfy
Wet surface performance	4.02	1.55	Satisfy
High performance (can drive at high speed)	3.81	1.57	Satisfy
Distant use to brake the car	3.73	1.56	Satisfy
Product Average	3.80	1.56	Satisfy



Goodyear customers are very satisfied with noise emission. Moreover, they are satisfied with good mileage, wet surface performance, high performance, and braking distance. On the contrary, they are indifferent to fuel saving by the company's product.

Table 4.14. Mean and standard deviation of price satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
List price	3.46	1.52	Satisfy
Credit terms	2.53	1.52	Unsatisfied
Payments method (e.g. cash, credit card)	3.88	1.60	Satisfy
Price Average	3.29	1.55	Indifferent

Respondents that use Goodyear products are satisfied by their list price and payment method. However, they are not satisfied by the company's credit terms.

Table 4.15. Mean and standard deviation of place satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Available store selling the brand	3.67	1.66	Satisfy
Available of model in the store	3.50	1.61	Satisfy
Place Average	3.59	1.63	Satisfy

Goodyear has good distribution coverage in the mind of its customers as they are satisfied with number of stores available to sell its products and the wide-range of model available in each store.

Table 4.16. Mean and standard deviation of promotion satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Discount	3.56	1.63	Satisfy
Premium / Free gift	2.50	1.46	Unsatisfied
Lucky draw	2.44	1.42	Unsatisfied
Promotion Average	2.83	1.50	Indifferent

Discount is the foremost promotional tool to convince Goodyear customers to purchase the product. Other promotional tools such as premium/free gift and lucky draw are not as effective in the mind of customers.

### Firestone

Table 4.17. Mean and standard deviation of product satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Good mileage	4.04	1.50	Satisfy
Save fuel	3.15	1.65	Indifferent
Noise	3.99	1.54	Satisfy
Wet surface performance	3.61	1.73	Satisfy
High performance (can drive at high speed)	3.48	1.74	Satisfy
Distant use to brake the car	3.67	1.68	Satisfy
Product Average	3.66	1.64	Satisfy

In all product factors, Firestone customers reported that they are satisfied (good mileage, noise emission, wet surface performance, high performance, and braking distant) with the exception of fuel saving which they are indifferent.

Table 4.18. Mean and standard deviation of price satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
List price	3.49	1.63	Satisfy
Credit terms	2.76	1.41	Indifferent
Payments method (e.g. cash, credit card)	4.01	1.49	Satisfy
Price Average	3.42	1.51	Satisfy

Concerning pricing factors, Firestone customers are satisfied with the company's list price and payment method. However, they are indifferent to credit terms.

Table 4.19. Mean and standard deviation of place satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Available store selling the brand	3.99	1.51	Satisfy
Available of model in the store	3.66	1.60	Satisfy
Place Average	3.83	1.55	Satisfy

All factors in place dimension are satisfied by respondents who use Firestone, which means that the availability of store and availability of model are satisfactory.

Table 4.20. Mean and standard deviation of promotion satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Discount	3.59	1.68	Satisfy
Premium / Free gift	2.61	1.56	Indifferent
Lucky draw	2.54	1.37	Unsatisfied
Promotion Average	2.91	1.54	Indifferent

Firestone customers answer that they are satisfied by the use of discount as promotional tool. However, premium/free gift are not as effective as respondents report

indifferent perception. Moreover, the company should avoid lucky draw since customers are unsatisfied with the tool.

### Dunlop

Table 4.21. Mean and standard deviation of product satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Good mileage	3.55	1.71	Satisfy
Save fuel	3.38	1.53	Indifferent
Noise	4.38	1.32	Very Satisfy
Wet surface performance	4.48	1.17	Very Satisfy
High performance (can drive at high speed)	4.00	1.45	Satisfy
Distant use to brake the car	3.48	1.66	Satisfy
Product Average	3.88	1.47	Satisfy

Dunlop customers are very satisfied with the product's low noise emission and wet surface performance. Moreover, they are satisfied with good mileage, high performance, and braking distance.

Table 4.22. Mean and standard deviation of price satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
List price	2.81	1.66	Indifferent
Credit terms	2.45	1.63	Unsatisfied
Payments method (e.g. cash, credit card)	3.76	1.71	Satisfy
Price Average	3.01	1.66	Indifferent

Among pricing factors, Dunlop customers are satisfied with the availability of numerous payment methods. But they are indifferent to the product's list price and unsatisfied with credit terms. In general, pricing is perceived as indifferent by the company's customers.

Table 4.23. Mean and standard deviation of place satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Available store selling the brand	3.83	1.59	Satisfy
Available of model in the store	3.14	1.69	Indifferent
Place Average	3.49	1.64	Satisfy

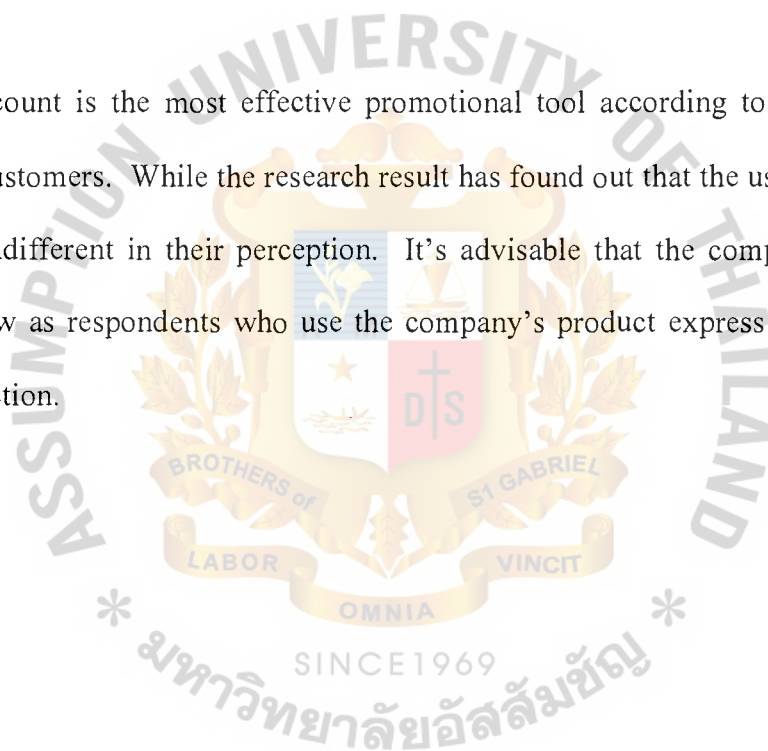
Dunlop has adequate stores selling its brand to satisfy customers. However, the availability of different models in each store is not as important as customers perceive that the factor is indifferent.



Table 4.24. Mean and standard deviation of promotion satisfaction level.

	Mean( $\bar{X}$ )	Std. Deviation	Important level
Discount	3.69	1.46	Satisfy
Premium / Free gift	2.79	1.49	Indifferent
Lucky draw	2.43	1.23	Unsatisfied
Promotion Average	2.97	1.39	Indifferent

Discount is the most effective promotional tool according to the perception of Dunlop customers. While the research result has found out that the use of premium/free gift are indifferent in their perception. It's advisable that the company should avoid lucky draw as respondents who use the company's product express a small degree of dissatisfaction.



## V. CONCLUSION AND RECOMMENDATION

### 5.1 Conclusion

Table 5.1. Conclusion of all 4Ps for all brand.

	Bridgestone	Michelin	Goodyear	Firestone	Dunlop	Customer Important level
<b>Product</b>	3.68	3.68	3.80	3.66	3.88	
<b>(rank)</b>	(3 <sup>rd</sup> )	(3 <sup>rd</sup> )	(2 <sup>nd</sup> )	(4 <sup>th</sup> )	(1 <sup>st</sup> )	4.12
<b>Price (rank)</b>	3.31 (3 <sup>rd</sup> )	3.33 (2 <sup>nd</sup> )	3.29 (5 <sup>th</sup> )	3.42 (1 <sup>st</sup> )	3.01 (4 <sup>th</sup> )	3.38
<b>Place</b>	3.61	3.49	3.59	3.83	3.49	
<b>(rank)</b>	(2 <sup>nd</sup> )	(4 <sup>th</sup> )	(3 <sup>rd</sup> )	(1 <sup>st</sup> )	(4 <sup>th</sup> )	3.12
<b>Promotion</b>	2.85	3.07	2.83	2.91	2.97	
<b>(rank)</b>	(4 <sup>th</sup> )	(1 <sup>st</sup> )	(5 <sup>th</sup> )	(3 <sup>rd</sup> )	(2 <sup>nd</sup> )	3.49

From the perception of respondents toward product category, Dunlop is regarded as the best brand followed by Goodyear in second place, the third place are tied with Bridgestone and Goodyear who both occupy the position, and the last place is Firestone (which is actually a subsidiary of Bridgestone).

The price perception of brand is ranked as Firestone being the most valued brand, Michelin ranks second, followed closely by Bridgestone in third position, the fourth position is Dunlop, and the last position is Goodyear.

Concerning the distribution, Firestone ranks first followed by Bridgestone as the second place, Goodyear ranks third, Michelin and Dunlop are both in fourth position.

For promotional appeal, Michelin has the most effective promotional packages, the second position is Dunlop, the third is Firestone, the fourth is Bridgestone, and the last position is Goodyear.

From the information obtained through primary survey and secondary data, the SWOT table can be constructed as follows:

Table 5.2. SWOT Analysis of Bridgestone.

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Bridgestone and its subsidiary Firestone has good distribution coverage in Thailand and rest of Asia</li> <li>2. Both Bridgestone and Firestone are perceived as high-valued brand by customers</li> </ol>	<ol style="list-style-type: none"> <li>1. Bridgestone is perceived as relatively weaker player in product category, especially when compared to Dunlop (a subsidiary of Goodyear) and Goodyear itself.</li> <li>2. Bridgestone does not rank high on promotional perception, especially compared to first-ranking brand such as Michelin</li> </ol>
Opportunities	Threats
<ol style="list-style-type: none"> <li>1. Major tire manufacturers are relocating their production base from high-cost, industrialized countries to lower cost countries, especially in Asian countries including Thailand. The country is expected to boost its production capacity from current output of 16 million tires per year (2003)<sup>1</sup> as more car manufacturers establish their production base inside the country.</li> </ol>	<ol style="list-style-type: none"> <li>1. Tire industry is a mature industry with an average growth of only 2% annually for the past 15 years.</li> <li>2. Though there have been much investment in R&amp;D in the industry, many customers still perceive tire as a near-commodity products with little room for differentiation.</li> </ol>

<sup>1</sup> Source: BOI

## 5.2 Recommendation

From the table, it can be seen that if the company wants to lead the market the company needs to solve its weaknesses by following the 2 recommended strategies:

### 5.2.1 Short-Term Strategies

- (1) *Product Strategy* (According to Customer Important level, this is the first priority).

In the short-term, Bridgestone should introduce new products into the market simultaneously in order to convince customers and present the image of having high-technology. The new product can be built on company's existing technology such as AQ Donuts (or known as Uni-T AQ™ technology) in order to save money from developing new products from entirely new technology. The new product launch should also be supported by strong promotional campaign in order to create awareness as local customers are still mostly unaware of new technological products or they generally perceive little differentiation of new products.

- (2) *Pricing Strategy*

There are rooms for improving Bridgestone's pricing scheme. At present, customers are indifferent to product's list price and are not satisfied with company's credit term. The list price does not require any modification since reducing it will directly and greatly affect the firm's profitability. However, there is a potential advantage to be won in terms of credit terms as many players in the industry can not satisfy customers in terms of credit. So Bridgestone can build its advantage by forming strategic alliance by offering its products in collaboration with credit companies such as AEON or EasyBuy to offer credit term for customers.

### (3) *Place Strategy*

Bridgestone and its subsidiary Firestone have long penetrated local market as well as the rest of Asia-Pacific. So in short-term physical distribution does not seem to be a problem for the company.

### (4) *Promotional Strategy* (According to Customer Important level, this is the second priority)

Another aspect that deserves attention is promotional campaign since respondents rank Bridgestone as relatively low on promotional competitiveness. The company should select price discounts as the competitive tool since most respondents report that they prefer the use of price discount as promotional tool. However, lucky draw should be avoided since Thai customers do not prefer to use the method.

## 5.2.2 Long-Term Strategies

### *Research & Development*

Bridgestone should increase its investment in its R&D activities to support new product development. As secondary data has confirmed that of the three largest competitors in tire industry who are Goodyear, Michelin and Bridgestone, Bridgestone has the smallest investment in R&D. Michelin spends the most in R&D activities in both absolute value terms as well as in proportion of sales (see following table), followed by Bridgestone and then Goodyear. However, in real-value term Bridgestone spend lowest amount of expenditure on R&D since Goodyear (which is in the third place) also has the joined R&D activities with Sumitomo. In total spending of the Goodyear and Sumitomo amounted to US\$479m in 2001, almost comparable with the amounts spent by both Michelin and Bridgestone combined. In conclusion, if combined the value spent jointly on R&D between Goodyear and Sumitomo, then Goodyear is in the first position followed by Michelin, and the last place is Bridgestone. So it's

essential for Bridgestone to develop new product to satisfy the need of customers, especially for large OEM markets for car manufacturers as there is an opportunity for premium pricing following new product development.

Table 5.3. R&D expenditure as proportion of sales 1999 – 2001.

Company	1999 (%)	2000 (%)	2001 (%)
Michelin	5.0	4.1	4.5
Bridgestone	1.8	3.0	2.9
Goodyear	2.9	2.9	2.7

Source: Bowfell.net

However, spending on R&D is not enough to gain acceptance among industrial customers as manufacturers and assemblers of vehicles generally require that at least two tire manufacturers must gain access to new technology in order to be accepted as industrial standard. Therefore, forming strategic alliance with other major tire manufacturers is important for Bridgestone to spread new technology as witnessed by joint R&D program by Sumitomo and Goodyear. In the long run, product innovation, R&D, and strong strategic alliance can secure the company's leading position in tire industry.

### 5.3 Further Research

- (1) Due to time and budget constraints, this research has been largely conducted in the Bangkok area so the information may not be geographically representative of the whole country. It's recommended for further research in other major provinces of the country.



- (2) The research is largely confined to ultimate consumers who own light vehicles (such as cars and pick-up truck of less than one ton), which does not cover owners of other types of vehicle. Further research is required to explore customers' value concerning 4Ps in other product types such as commercial truck, agricultural vehicles, earth-mover vehicles, etc.
- (3) This research aims only at establishing perception of 4Ps that lead to purchase action. However, purchase action is not the ultimate goal of business but customer loyalty is the key in today's competitive environment. Therefore, further research should be done in order to establish a linkage between purchase action and factors leading to repeat purchase or loyalty.





## APPENDIX A

### QUESTIONNAIRE IN ENGLISH

## Screening Question

Do you own any type of vehicle?

- ☐ Yes (proceed the interview)  
☐ No (end the interview)

Do you select tires for your vehicle by yourself?

- ☐ Yes (proceed the interview)  
☐ No (end the interview)

### Part I: Personal Data

#### 1. Gender

- ☐ Male ☐ Female

#### 2. Age

- |  |   |
|--|---|
| <input type="checkbox"/> Lower than 20 years old | <input type="checkbox"/> 21-25 years old          |
| <input type="checkbox"/> 26-30 years old         | <input type="checkbox"/> 31-35 years old          |
| <input type="checkbox"/> 36-40 years old         | <input type="checkbox"/> 41-45 years old          |
| <input type="checkbox"/> 46-50 years old         | <input type="checkbox"/> 51-55 years old          |
| <input type="checkbox"/> 56-60 years old         | <input type="checkbox"/> Higher than 60 years old |

#### 3. Marital Status

- ☐ Single ☐ Married ☐ Divorced or live separately

#### 4. Highest Education Obtained

- |   |  |
|---|--|
| <input type="checkbox"/> High school or lower | <input type="checkbox"/> Diploma or Vocational   |
| <input type="checkbox"/> Bachelor Degree      | <input type="checkbox"/> Master Degree of higher |

#### 5. Major Occupation

- |  |  |
|--|--|
| <input type="checkbox"/> Politician                    | <input type="checkbox"/> Merchant                              |
| <input type="checkbox"/> Business Owner                | <input type="checkbox"/> Housewife/husband                     |
| <input type="checkbox"/> Government employee           | <input type="checkbox"/> Retired                               |
| <input type="checkbox"/> Private company employee      | <input type="checkbox"/> Unemployed or waiting for job         |
| <input type="checkbox"/> Student                       | <input type="checkbox"/> Professional occupation (e.g. Doctor) |
| <input type="checkbox"/> Others (Please specify) _____ |  |

#### 6. Personal Income (per month)

- |  |   |
|--|---|
| <input type="checkbox"/> Lower than 5,000 baht   | <input type="checkbox"/> 5,001-10,000 baht  |
| <input type="checkbox"/> 10,001-15,000 baht      | <input type="checkbox"/> 15,001-20,000 baht |
| <input type="checkbox"/> Higher than 20,000 baht |   |

**7. Household Income (per month)**

- ☐ Lower than 10,000 baht
 ☐ 10,001-20,000 baht  
☐ 20,001-30,000 baht
 ☐ 30,001-40,000 baht  
☐ Higher than 40,000 baht

**8. What brands of Tire you are using right now?**

- ☐ Michelin
 ☐ Goodyear
 ☐ Bridgestone  
☐ Firestone
 ☐ Dunlop
 ☐ Others (Please specify)\_\_\_\_\_

**Part II: Perception toward TIRE SELECTION**

**9. What is your perception toward Tire selection? (Please circle a number)**

	Very unimportant					Very Important				
<b>Product:</b>										
1. Good mileage	1	2	3	4	5					
2. Save fuel	1	2	3	4	5					
3. Noise	1	2	3	4	5					
4. Wet surface performance	1	2	3	4	5					
5. High performance (can drive at high speed)	1	2	3	4	5					
6. Distant use to brake the car	1	2	3	4	5					
<b>Price:</b>										
7. List price	1	2	3	4	5					
8. Credit terms	1	2	3	4	5					
9. Payments method (e.g. cash, credit card)	1	2	3	4	5					
<b>Place:</b>										
10. Available store selling the brand	1	2	3	4	5					
11. Available of model in the store	1	2	3	4	5					
<b>Promotion:</b>										
12. Discount	1	2	3	4	5					
13. Premium / Free gift	1	2	3	4	5					
14. Lucky draw	1	2	3	4	5					

**Part III: Satisfaction toward TIRE THAT YOU ARE USING RIGHT NOW**

10. What is your satisfaction toward Tire that you are using right now? (Please circle a number)

	Very Dissatisfy					Very Satisfy				
<b>Product:</b>										
1. Good mileage	1	2	3	4	5					
2. Save fuel	1	2	3	4	5					
3. Noise	1	2	3	4	5					
4. Wet surface performance	1	2	3	4	5					
5. High performance (can drive at high speed)	1	2	3	4	5					
6. Distant use to brake the car	1	2	3	4	5					
<b>Price:</b>										
7. List price	1	2	3	4	5					
8. Credit terms	1	2	3	4	5					
9. Payments method (e.g. cash, credit card)	1	2	3	4	5					
<b>Place:</b>										
10. Available store selling the brand	1	2	3	4	5					
11. Available of model in the store	1	2	3	4	5					
<b>Promotion:</b>										
12. Discount	1	2	3	4	5					
13. Premium / Free gift	1	2	3	4	5					
14. Lucky draw	1	2	3	4	5					

**Part IV: Overall satisfaction level Tire that you are using right now**

11. Overall, how satisfied or dissatisfied are you with the current tire that you are using?

Very Dissatisfied					Very Satisfied				
1	2	3	4	5					

*Thank you again for your assistance in this important study.*



## APPENDIX B

### QUESTIONNAIRE IN THAI



# Questionnaire for Research

## คำถามคัดเลือก

ท่านมีงานเป็นของตนเองหรือไม่?

- ☐ ใช่ (ทำแบบสอบถามต่อ)  
☐ ไม่ใช่ (จบการสัมภาษณ์)

ท่านเป็นคนเลือกกรให้งานเป็นของตนเองใช่หรือไม่

- ☐ ใช่ (ทำแบบสอบถามต่อ)  
☐ ไม่ใช่ (จบการสัมภาษณ์)

## Part I: ข้อมูลส่วนตัว

1. เพศ

- ☐ ชาย ☐ หญิง

2. อายุ

- |   |  |
|---|--|
| <input type="checkbox"/> น้อยกว่า 20 ปี | <input type="checkbox"/> 21-25 ปี      |
| <input type="checkbox"/> 26-30 ปี       | <input type="checkbox"/> 31-35 ปี      |
| <input type="checkbox"/> 36-40 ปี       | <input type="checkbox"/> 41-45 ปี      |
| <input type="checkbox"/> 46-50 ปี       | <input type="checkbox"/> 51-55 ปี      |
| <input type="checkbox"/> 56-60 ปี       | <input type="checkbox"/> สูงกว่า 60 ปี |

3. สถานะสมรส

- ☐ โสด ☐ แต่งงาน ☐ หย่า หรือ แยกกันอยู่

4. การศึกษาสูงสุด

- ☐ มัธยมหรือต่ำกว่า ☐ อนุปริญญา  
☐ ปริญญาตรี ☐ ปริญญาโท หรือสูงกว่า

5. อาชีพหลัก

- |  |   |
|--|---|
| <input type="checkbox"/> นักการเมือง             | <input type="checkbox"/> พ่อค้า/แม่ค้า          |
| <input type="checkbox"/> ธุรกิจส่วนตัว           | <input type="checkbox"/> พ่อบ้าน/แม่บ้าน        |
| <input type="checkbox"/> เจ้าหน้าที่ของรัฐ       | <input type="checkbox"/> เกษียณ                 |
| <input type="checkbox"/> พนักงานบริษัทเอกชน      | <input type="checkbox"/> ว่างาน หรือ รonganอยู่ |
| <input type="checkbox"/> นักเรียน                | <input type="checkbox"/> อาชีพเฉพาะ (เช่น หมอ)  |
| <input type="checkbox"/> อื่น ๆ (โปรดระบุ) _____ |   |

6. รายได้ส่วนตัว (ต่อเดือน)

- |   |  |
|---|--|
| <input type="checkbox"/> ต่ำกว่า 5,000 บาท  | <input type="checkbox"/> 5,001-10,000 บาท  |
| <input type="checkbox"/> 10,001-15,000 บาท  | <input type="checkbox"/> 15,001-20,000 บาท |
| <input type="checkbox"/> สูงกว่า 20,000 บาท |  |

7. รายได้ครัวเรือน (ต่อเดือน)

- |   |  |
|---|--|
| <input type="checkbox"/> ต่ำกว่า 10,000 บาท | <input type="checkbox"/> 10,001-20,000 บาท |
| <input type="checkbox"/> 20,001-30,000 บาท  | <input type="checkbox"/> 30,001-40,000 บาท |
| <input type="checkbox"/> สูงกว่า 40,000 บาท |  |

8. ยี่ห้อของที่ท่านใช้อยู่ตอนนี้คือ?

- ☐ มิชลิน                      ☐ กู้ตเยียร์                      ☐ บริดสโตน  
☐ ไฟร์สโตน                      ☐ ดัลลอป  
☐ อื่น ๆ (โปรดระบุ) \_\_\_\_\_

**Part II: ความคิดเห็นต่อการเลือกยาง**

9. ความคิดเห็นต่อการเลือกยาง? (โปรดวงกลมตัวเลข)

	ไม่สำคัญมาก					สำคัญมาก				
<b>สินค้า:</b>	1	2	3	4	5	1	2	3	4	5
1. ระยะทางในการวิ่ง	1	2	3	4	5	1	2	3	4	5
2. ประหยัดน้ำมัน	1	2	3	4	5	1	2	3	4	5
3. เสี่ยง	1	2	3	4	5	1	2	3	4	5
4. สมรรถนะในการวิ่งพื้นเปียก	1	2	3	4	5	1	2	3	4	5
5. สมรรถนะสูง (สามารถวิ่งความเร็วสูงได้)	1	2	3	4	5	1	2	3	4	5
6. ระยะที่ใช้ในการเบรครถ	1	2	3	4	5	1	2	3	4	5
<b>ราคา:</b>	1	2	3	4	5	1	2	3	4	5
7. ราคาตั้ง	1	2	3	4	5	1	2	3	4	5
8. ระยะในการให้เครดิต	1	2	3	4	5	1	2	3	4	5
9. วิธีในการชำระค่าสินค้า (เช่น เงินสด, บัตรเครดิต)	1	2	3	4	5	1	2	3	4	5
<b>สถานที่:</b>	1	2	3	4	5	1	2	3	4	5
10. ยี่ห้อของยางที่มีอยู่ในร้าน	1	2	3	4	5	1	2	3	4	5
11. รุ่นของยางที่มีอยู่ในร้าน	1	2	3	4	5	1	2	3	4	5
<b>การส่งเสริมการขาย:</b>	1	2	3	4	5	1	2	3	4	5
12. ลดราคา	1	2	3	4	5	1	2	3	4	5
13. ของแถม/ของข่าวย	1	2	3	4	5	1	2	3	4	5
14. ชิงโชค	1	2	3	4	5	1	2	3	4	5

**Part III: ความพึงพอใจต่อยี่ห้อของยางที่ท่านใช้อยู่ในตอนนี้**

10. ความพึงพอใจต่อยี่ห้อของยางที่ท่านใช้อยู่ในตอนนี้? (โปรดวงกลมตัวเลข)

	ไม่พอใจมาก					พอใจมาก				
<b>สินค้า:</b>	1	2	3	4	5	1	2	3	4	5
1. ระยะทางในการวิ่ง	1	2	3	4	5	1	2	3	4	5
2. ประหยัดน้ำมัน	1	2	3	4	5	1	2	3	4	5
3. เสี่ยง	1	2	3	4	5	1	2	3	4	5
4. สมรรถนะในการวิ่งพื้นเปียก	1	2	3	4	5	1	2	3	4	5
5. สมรรถนะสูง (สามารถวิ่งความเร็วสูงได้)	1	2	3	4	5	1	2	3	4	5
6. ระยะที่ใช้ในการเบรครถ	1	2	3	4	5	1	2	3	4	5

	1	2	3	4	5
<b>ราคา:</b>					
7. ราคาตั้ง	1	2	3	4	5
8. ระยะในการให้เครดิต	1	2	3	4	5
9. วิธีในการชำระค่าสินค้า (เช่น เงินสด, บัตรเครดิต)	1	2	3	4	5
<b>สถานที่:</b>					
10. ยี่ห้อของยางที่มีอยู่ในร้าน	1	2	3	4	5
11. รุ่นของยางที่มีอยู่ในร้าน	1	2	3	4	5
<b>การส่งเสริมการขาย:</b>					
12. ลดราคา	1	2	3	4	5
13. ของแถม/ของชำร่วย	1	2	3	4	5
14. ขิงโชค	1	2	3	4	5

**Part IV: ความพึงพอใจโดยรวมต่อยี่ห้อของยางที่ท่านใช้อยู่ในตอนนี้**

**11. โดยรวมท่านพอใจ หรือไม่พอใจต่อยี่ห้อของยางที่ท่านใช้อยู่ในตอนนี้**

ไม่พอใจมาก					พอใจมาก	
1	2	3	4	5		

ขอขอบคุณที่ท่านให้ความร่วมมือในการทำการศึกษาค้นคว้าครั้งนี้

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