
MARKETING WARFARE STRATEGIES: A MODEL

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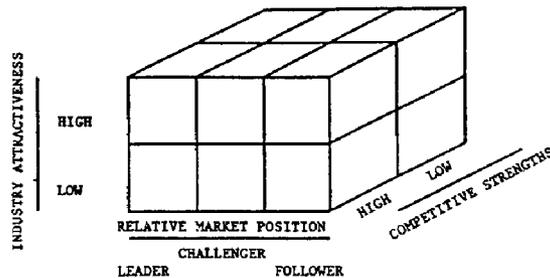
While most economists do not agree about the short run outlook for the U.S. economy, most do agree that the most optimistic economic outlook for the next fifteen or twenty years is one of slow growth. This prediction of slow growth chronicles a new age for American business, in that the old policy of "business as usual" will not be applicable. No longer will firms take for granted their operations under the assumption that sales will grow because the economy is growing. In the coming years, any sales growth will potentially have to be at the expense of a competitor. This means that past marketing strategy formulations which ignored competitive considerations cannot be used. Firms will be forced to consider the probable reactions of the competition to their strategies. During this period of intense competitive rivalry most American firms will essentially be involved in marketing warfare, since marketing is the tool that most firms use to combat their competition.

The idea of marketing warfare and the application of warfare strategies is relatively new. Kotler and Singh [3] discussed some of the warfare strategies that seem to be applicable to marketing. Ries and Trout [8] went beyond Kotler and Singh in the discussion of marketing warfare strategies by advising how those strategies should best be used. Cook calibrated "strategic ambition" and attempted to supply a framework as to when a few warfare strategies could be applied to marketing [1]. Cook's framework has been criticized as being limited since "it apparently ignores the possible impact of contingency variables such as environmental, industry structure, market behavior, and organization variables on strategy formulation" [6, pp.124]. The purpose of this article is to provide a model for the application of warfare strategies to marketing that overcomes some of the recognized shortcomings of Cook's work.

Proposed Model for Application of Warfare Strategies to Marketing

The model used in this article is based on a two by two by three matrix with relative industry attractiveness identifying one axis, relative competitive strengths, the second axis, and relative market position, the third axis. Figure 1 depicts the proposed model.

Figure 1
Marketing Warfare Model



The use of industry attractiveness and competitive strengths in the model is based on logic associated with the directional planning matrix developed by General Electric in conjunction with the consulting firm of McKinsey and Company. The directional planning matrix has three possible positions on both industry attractiveness and competitive strengths. It has been the basis of strategy determination in many different settings [2]. The model presented in this paper limits the number of positions of both industry attractiveness and competitive strengths to two in an effort to simplify the model. It is highly likely that many of the warfare strategy options from cell to cell would be identical if a 27 cell (3x3x3) model were employed instead of a 12 cell (2x2x3) model. Relative market position can be classified into one of three positions: market leader, market challenger, and market follower [4].

In order to calculate a product's position in the proposed model, companies assign numerical values to each of the variables considered in the determination of both industry attractiveness and competitive strengths [7]. The dividing line between market leaders and market challengers in terms of relative market share is 1.0, meaning that the product with the highest market share in the industry would be the only product to fall into the market leader classification [4]. The dividing line between market challengers and market followers would be a relative market share of .5 (when compared to the market leader). Thus, any product whose market share was less than the market leader's share but greater than one-half of the market leader's share would be considered to be a market challenger. In contrast, any product whose share was less than one-half of the market leader's share would be classified as a market follower [4].

The following discussion incorporates two ideas relevant to the application of warfare strategies to marketing [8]. First, only market leaders should defend. Second, about 90% of all firms should be using guerrilla tactics instead of some other attacking procedure.

Strategies for Market Leaders

Figure 2 displays the warfare strategies that were deemed appropriate for market leaders in the four combination of industry attractiveness and competitive strengths.

Figure 2
Market Leaders

<u>Industry Attractiveness</u>	<u>Competitive Strengths</u>	
	High	Low
High	frontal attack flank attack bypass attack position defense counteroffensive preemptive defense	position defense guerrilla attack preemptive defense
Low	positional defense counteroffensive preemptive defense guerrilla attack	hedgehog defense guerrilla attack

Cell 1. High Competitive Strengths/High Industry Attractiveness

Firms in this position occupy an enviable spot because they can use a variety of both attacking and defensive warfare strategies. Since these firms are the industry leaders, they are always going to be able to attack firms that have smaller market shares. The question that the industry leader needs to answer is whether he wants to attack a market challenger or a market follower. One obvious alternative is to attack the firm that has the second largest market share. In this situation, the attacker needs to be aware of the danger inherent in this choice. While a company's product may have the largest market share, as a company it may be smaller than the firm that owns the product with the second largest market share. A smaller firm attacking a larger firm is likely to fail if it employs a frontal attack. However, excluding the scenario in which a smaller firm attacks a larger firm, a frontal attack is a viable strategy for the market leader. A frontal attack is an expensive strategy, often requiring that the attacker out-advertise and out-promote its competitors at nearly a three to one ratio in order to be successful [3].

A second strategy that the market leader could employ is a flank attack. Blind spots that exist on the flanks are often the prime points for attack. Companies can direct a flanking attack against competitors by trying to uncover market needs that are being undeserved by the competitors or by concentrating on the geographic weaknesses of the competitors [3].

An alternative to attacking the firm second in terms of market share is to direct efforts at a much smaller foe in hopes of either taking away a significant share of the smaller firm's market, or weakening the smaller firm so that a buy out or merger can be achieved. This attack strategy is referred to as a bypass attack. The decision to go after a smaller firm is called a guppy strategy (3). Frequently

big firms choose a guppy strategy. By placing themselves in a position to take over a smaller firm they may inherit products and technologies that might otherwise cost them significant amounts of money and time to develop.

Of course, companies in this position may decide to defend rather than to attack. The three defensive strategies that make the most sense for market leaders operating in favorable situations are the position defense, the counteroffensive and the preemptive defense. Taken literally, the decision to use a position defense. Taken literally, the decision to use a position defense (also called the fortified front line) could be a disaster for a firm. One does not have to go too far back in terms of military history to find an example of the position defense being the wrong decision. In World II, the German armies successfully went around the French armies who were fortified in the static Maginot line. From a business perspective smaller firms trying to outdo the market leader which is in a fortified position defense, could come up with new technologies that could make the market leader's position obsolete. Thus, market leaders that are trying to successfully employ a position defense must constantly be on the lookout for new technologies related to their existing product lines or for technologies in product lines that are related to the firm's existing product lines (but not yet part of the firm's product mix). Firms practicing a position defense must be aware of "marketing myopia" [5].

The second defensive strategy for market leaders in this position is the counteroffensive. With this strategy, the market leader waits until the competitor commits to an attack strategy and then counterattacks. This can be a very effective strategy on the part of the market leader because attacking competitors often overextend themselves to the point that they become vulnerable. Two popular counterattacks are the frontal (or head-on) attack and the flanking attack. McDonalds used a frontal counterattack when Burger King started their comparative advertising campaign [8]. The Cadillac Seville used a flanking counterattack aimed at Mercedes by offering a luxury car with a smoother ride and more comforts (i.e. they found a segment of the market that was being undeserved), under the assumption that there was a large group of luxury car buyers wanting comforts and a smoother ride [3]. In order to be successful with a counterattack, the market leader must have the patience to wait until the attacking competitor has committed all of his "forces" to the "battle" because it is at this time that the competitor will be most vulnerable.

The preemptive defense is the third defensive strategy that can be employed by market leaders in this position of the model. Market leaders using a preemptive defense try to anticipate the attacks of the competitors and then the market leader beats the competitor to the punch. The preemptive defense can be based around any type of attack strategy and is based on the premise that the best defense is a good attack.

Cell 2. High Industry Attractiveness/Low Competitive Strengths

Due to their relatively weak competitive position, market leaders in this situation should be limited to some form of defense as any form of attack may be too

expensive in terms of possible strategic over-extension. One type of defense that could be used by market leaders in this position is the position defense. As previously stated, the position defense involves the fortification of existing positions held by the company. The best type of position defense would be a defense based around the maintenance of a strong customer franchise through consistent advertising and other marketing activities, while at the same time devoting efforts toward the development of new technologies both in the current product line and in related product lines.

A second type of defense is the preemptive defense. The preemptive defense is actually a form of offense in that the market leader would try to anticipate the thrusts of the competition by attacking before the competitor attack. The preemptive defense can be based around any type of offensive maneuver. However, it is unlikely that a company in a relatively weak competitive position could successfully employ a frontal assault because the company would be prone to over-extending itself by amassing the necessary numerical superiority (i.e., more advertising expenditures, a larger, more aggressive sales force, lower prices, etc.).

The third defensive strategy is guerrilla attacks. Market leaders in this cell of the model that elect to use guerrilla attacks could aim the guerrilla attacks at a variety of competitors with a larger concentration of the attacks being aimed at the major competitors(s). The objective of these guerrilla attacks is to keep the competition off balance by making the competition expect that a full scale offensive will soon be directed at position that is presently unknown. Companies employing guerrilla tactics should consider that a key objective of these tactics is to delay the inevitable assault by a major competitor. Firms attempting to delay the competitive assault do so in hopes of developing enough competitive strengths, through marketing and product development, to be able to successfully defend themselves when the competition mounts an attack.

Cell 3. Low Market Attractiveness/High Competitive Strengths

The best advice to firms falling in this cell is that they should plan to defend rather than to attack. Firms in this cell of the model probably could survive sponsoring an attack since they have strong competitive advantages. However, attacking is not advisable because the cost of attacking is high and the comparative gains are few since the industry is not overly attractive. Certainly if the industry is in decline, an attack strategy could be very costly from a financial point of view [2].

A position defense, for this cell is similar to much as described above could be used, earlier with one exception: a firm should not spend the time and effort trying to develop new products for the product line. Instead, the company should look to the market for guidance in the development of related technologies. Levitt [5] provided the example of buggy whip manufacturers and suggested that these manufacturers should have tried to develop technologies related to automobiles (the transportation industry) rather than spending money trying to develop a better whip.

Both the preemptive defense and a counteroffense could be used by firms in this cell of the model. However, the high financial costs associated with the launching of an attack and the low financial rewards associated with dealing in an unattractive market lessens the appeal of these strategies. Perhaps the strategy that makes the most sense is the launching of guerrilla attacks. The use of frequent guerrilla attacks will likely discourage the competition. Especially when the overall outlook for the industry is not attractive. Competition in an unattractive less inclined to mount any type of campaign aimed at gaining market share.

Cell 4. Low Industry Attractiveness/Low Competitive Strengths

For firms in this cell of the model an attack strategy would be particularly unappealing for two reasons. First, attack carries considerable opportunity for failure since these firms do not hold strong competitive positions. Second, attacks cost money. Since the industry is not overly attractive, an attack may not pay for itself in terms of added long run sales. Thus, firms in this cell of the model should expect to be on the defensive.

On the surface, it may seem that a position defense makes a lot of sense. However, a position defense only makes sense if the competition can be easily scared off. There is little doubt that competitors could be scared by a company that appears to be solidly entrenched in an industry that is not overly attractive. However, if the competition is not scared away, the use of a position defense could be an error. This is particularly true if one of the competitors has already developed a technology for the product line (or a related product line) that outdated the technology being used by the company occupying this cell of the model. Since a position defense requires some investment in advertising and other marketing expenses as well as investments in technologies in the product line or in related product lines, firms should be apprehensive about using a preemptive defense under the best of conditions. When faced with competitors who have technology that outdated the technology of the product in question, the company should avoid the position defense at all costs. All in all, the position defense is not a strategy to be recommended for firms in this cell of the model.

One defense that firms may opt to use is a series of guerrilla attacks. In many cases these guerrilla tactics should amount to little more than a bluff in hopes of convincing the competitor that the firm is much stronger than it actually is, and that the firm would not hesitate to launch a counterattack against any competitor that becomes overly aggressive. At their very worst, guerrilla attacks could become a delaying tactic that could keep competitors from launching a full-scale battle, at least until the firm has had time to strengthen its competitive position (if it so desires).

Another defensive strategy that could be successfully employed in this cell of the model is the so-called hedgehog defense or strategic withdrawal [3]. Using this strategy a firm would basically maintain the status quo until it was faced with a major attack from one of the competitors. Once the firm realized that it was under attack, it could withdraw to a more defensible terrain: one or more of its

most lucrative market segments. The withdrawal process prunes the product line of the firm to fit the needs of the segment(s) it targets. In a similar vein the firm could streamline advertising and other marketing efforts to better fit the needs of the market segments on which the firm has chosen to focus. The hedgehog defense is particularly appealing for two major reasons. First, the firm is not spending money trying to improve its competitive position in circumstances where the rewards are not likely to be great. Second, through retrenching to one or more of the more lucrative market segments, the firm could actually make more money than the competitor who is attacking. This prediction of greater profits is based on the belief that the company should be able to depend on its reputation as a market leader to provide it with sales, while it would spend less on advertising in its now reduced area of market coverage.

Strategies for Market Challengers

Figure 3 displays the four cells associated with market challengers and the recommended strategies for each of these cells.

**Figure 3
Market Challengers**

<u>Industry Attractiveness</u>	<u>Competitive Strengths</u>	
	High	Low
High	frontal attack flank attack bypass attack guerrilla attack	bypass attack guerrilla attack preemptive defense
Low	bypass attack guerrilla attack hedgehog defense counteroffensive	hedgehog defense guerrilla attack

Cell 5. High Industry Attractiveness/High Competitive Attractiveness

Firms in this situation could launch a formal assault aimed at the market leader. As was previously stated, it normally takes about a three to one advantage before an attacker using a frontal assault will be successful in subduing the defender. The bottom line is that many firms simply do not have the resources to launch a frontal attack, particularly one aimed at the market leader. A basic tenet of offensive warfare is that the attack should be aimed at the defender's weakest point [8]. Unfortunately, it is likely that a frontal attack will end up being aimed at one of the strengths of the competitors rather than at one of the competitor's

weaknesses. Thus even though the frontal assault remains an offensive strategy to consider, it is not a particularly appealing strategy for most firms in this cell.

A second strategy that can be used by firms in this cell is a flanking attack. Companies can outflank their competitors by entering geographical areas that have been ignored by the competition, or by trying to attract market segments that have been undeserved by the competition. Wal-Mart outflanked K-Mart and other discounters by using the strategy of opening stores in small towns that were ignored by other discounters. Wal-Mart was always the largest retailer in the small towns that it entered and it faced little competition from other major discounters. Often Wal-Mart has encircled larger towns with stores in all of the smaller towns surrounding the larger town. After a sufficient number of the smaller towns have been dominated, Wal-Mart has established a sufficient flow of merchandise to the area to make it economical to build stores in the now encircled large town. The strategy has thereby effectively allowed Wal-Mart to compete with the other discounters on their "home turf."

Miller Beer was able to successfully outflank Anheuser-Busch by appealing to an undeserved market segment with its Meister Brau Beer. Miller claimed that Meister Brau tasted like Budweiser (Anheuser-Busch's product) but cost less. Thus, Miller tried to appeal to those people who wanted a good tasting beer at a lower price.

A third strategy that could be employed is a series of guerrilla attacks. Chances are the object of these attacks would be the market leader; however, any strong competitor within the industry could be the object of the attacks. Firms using this strategy would conduct a series of mini-skirmishes based on one or more of the marketing mix variables in isolated spots throughout the market. Firms using guerrilla tactics in this situations should probably have either one of two objectives in mind. The first objective would be to keep the market leader somewhat off-balance in hopes that the leader would start to take the guerrilla tactics rather nonchalantly. Market leaders that begin to relax when encountering guerrilla tactics from their competitors are likely targets for full-scale marketing battles. The second possible objective that firms may use for guerrilla attacks is the buying of time. By launching a series of guerrilla attacks the firm may be able to maintain the status quo relative to its market position while obtaining additional time to build on its competitive strengths. The building of competitive strengths will increase its chances of success when a full-scale battle is finally waged.

The fourth and final attack strategy that could be employed by firms in this cell of the model is the bypass attack. Firms using the bypass attack choose not to attack the market leader and instead either attack a firm of comparable size to themselves, or attack a firm smaller than they are. One possible reason for the refusal to attack the market leader is the fear of failure, however there are other reasons. Some firms attack firms of equal or smaller size so that they may gain market share in these battles. The gaining of market share in this fashion is likely to be easier than gaining of market share from the market leader, while at the same time preparing the attacker for eventual battle with the market leader (gaining market share should translate to gains in competitive strengths i.e. expe-

rience curve cost reductions). Some firms attack firms of equal or smaller size in hopes of weakening the defender sufficiently in order to take over the defender's operation. Trying to take over the defender's operations particularly makes sense if the defender has the rights to technologies not possessed by the attacker, technologies that could be useful in waging a battle with the market leader.

Cell 6. High Industry Attractiveness/Low competitive Strengths

Firms occupying this cell of the model basically have three strategies that they can employ: bypass attacks, guerrilla attacks, and preemptive defense. A bypass attack is used in one of two ways: by avoiding confrontation with the market leader and attacking a firm of smaller or equal size, or by limiting their operations in one or more niches of the most lucrative market segments. Regardless of which way the firm elects to use the bypass attack the objective of the attack is to gain competitive strengths either through the building of market share or the acquisition of new technologies (from the smaller firm via takeover).

A second strategy applicable to firms in this cell is the guerrilla attack. Firms opting to use guerrilla tactics will probably do so either to buy time in an attempt to increase their competitive strengths or to worry the market leader and make the leader think that the guerrilla is stronger than they actually are.

A third strategy is the preemptive defense. A company feeling that an attack is eminent from major competitor could beat them to the draw with their own offensive strike. Companies in this cell of the model need to be careful in launching a preemptive strike against the market leader because it takes more resources to attack than to defend. Since the market leader probably has more resources the leader could be unbeatable and could overpower the firm attempting a preemptive strike.

Cell 7. Low Market Attractiveness/High Competitive Strengths

Firms in this cell of the model have several feasible strategies: at their disposal: bypass attack, counteroffensive guerrilla attacks, and hedgehog defense. As stated previously the bypass attack can be employed in one of two ways. a bypass can be used to develop a market niche strategy by concentrating all of the efforts for the product in the most lucrative segments of the market or by attacking firms that are smaller while avoiding the market leader and firms of equal size.

The counteroffensive strategy can be used as well. However, companies should protect against overextension because the cost of the counteroffensive could easily outstrip the gains due to the unattractive industry conditions.

Guerrilla attacks can also be used by firms in this cell of the model. Guerrilla attacks could and should be aimed at all other competitors including the market leader. The goal of the guerrilla attacker can be to inspire the market leader into a full-scale attack in hopes that the guerrilla with their strong competitive position would win.

The last strategy that could be employed for firms in this cell of the model is the hedgehog defense. With the hedgehog the company would basically try to

maintain the status quo for their product until faced with a strong attack. At that time the company would make a strategic withdrawal to one or more of the most lucrative segments in the market.

Cell 8. Low Industry Attractiveness/Low Competitive Strengths

Firms in this position have essentially two strategies that they can use: A series of guerrilla attacks or hedgehog defense. First, they can develop a series of guerrilla attacks probably with the objective of simply biding time and making sure that the competitors know that their product is still a threat. Being much more ambitious than a guerrilla attack is probably going to cost the company much more money than it is worth due to their poor competitive position and the unattractiveness of the industry. The second strategy that should be considered is a hedgehog defense. This defense was described in an earlier section.

Strategies for Market Followers

Figure 4 displays the various warfare strategies that are appropriate for market followers based on their placement in terms of competitive strengths and industry attractiveness.

Figure 4
Market Followers

<u>Industry Attractiveness</u>	<u>Competitive Strengths</u>	
	High	Low
High	flanking attack bypass attack guerrilla attack	guerrilla attack bypass attack preemptive defense
Low	bypass attack guerrilla attack	guerrilla attack

Cell 9. High Industry Attractiveness/High Competitive Strengths

While products in this cell of the model are blessed with very favorable conditions in terms of both competitive strengths and industry attractiveness, firms owning these products need to be careful in pitting these products against the industry leader simply because the industry leader is probably going to gain more simply because the industry leader is probably going to gain more from the confrontation than did the product with the small market share. For similar reasons, firms having products with small market shares have long been advised to not use comparative advertising claims that pit them against the industry leader because the industry leader would get more publicity from the ad than would

the advertiser simply because more consumers were familiar with the industry leader. One strategy that should be successfully employed in this cell is the use of flanking attacks. Flank attacks avoid direct confrontations and could be directed toward the market leader or one of the market challengers. The use of a flank attack in this manner means that the attacker would try to appeal to an underserved need of the customers or to take advantage of geographic lapses in the strategies of competitors.

A second strategy that could be employed in this cell is the use of a bypass attack as a means of developing a market niche strategy. Using the bypass attack in this manner means that the company tries to use their competitive strengths to develop a concentrated target marketing strategy with one or more of the most lucrative market segments. The third and final strategy that is useful in this cell is the use of a guerrilla attack which has been discussed previously.

Cell 10. High Industry Attractiveness/Low Competitive Strengths

Only two strategies make sense in this cell of the model. First, the use of guerrilla tactics probably used solely with the hope of biding time with the feeling that things (the economy, the competitive situation, etc.) will get better in the future. Second, a bypass attack with the purpose being the development of a market niche strategy. Regardless of the strategy used, firms in this cell have to hope that some miracle (technological or otherwise) will occur that will make them more competitive.

Cell 11. Low Industry Attractiveness/High Competitive Strengths

Again only two strategies seem to make sense for products falling into this cell. The two strategies, bypass attacks and guerrilla attacks, have both been discussed previously.

Cell 12. Low Industry Attractiveness/Low Competitive Strengths

The best advice to firms falling in this cell of the model is to get out of the business[2]. Under the assumption that some firms in this position elect to remain in the business, the only strategy that makes much sense is to conduct a series of guerrilla attacks. The employment of guerrilla tactics should be done simply as a stalling technique, hoping that conditions will change. This strategy is useful if conditions change: e.g. a number of competitors decide to call it quits, market conditions change increasing demand for the product.

Conclusion

Any marketing plan should have as two of its objectives the satisfaction of customers and the proposed interaction with the competition. Marketing executives have at least given lipservice to the satisfaction of customers. However, it seems that these executives have frequently ignored the implications of competition when developing marketing strategies. One way that marketing decisions can be closely

tioned to the potential effects on competition is to use warfare tactics when considering the development of marketing strategies. For some time, managers have spoken the language of the battlefield when discussing the application of marketing. Terms such as "invading" markets, "offensive" advertising, and "fighting fire with fire" are common terms in corporate board rooms[3]. Despite the use of battlefield terminology, it seems that many corporate executives have yet to use warfare strategies in the development of marketing plans.

These executives need to understand not only what the tactics are, but also when to apply them. The model described in this article provides a guide for identifying military tactics useful in marketing and for determining when to use the various military strategies.

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