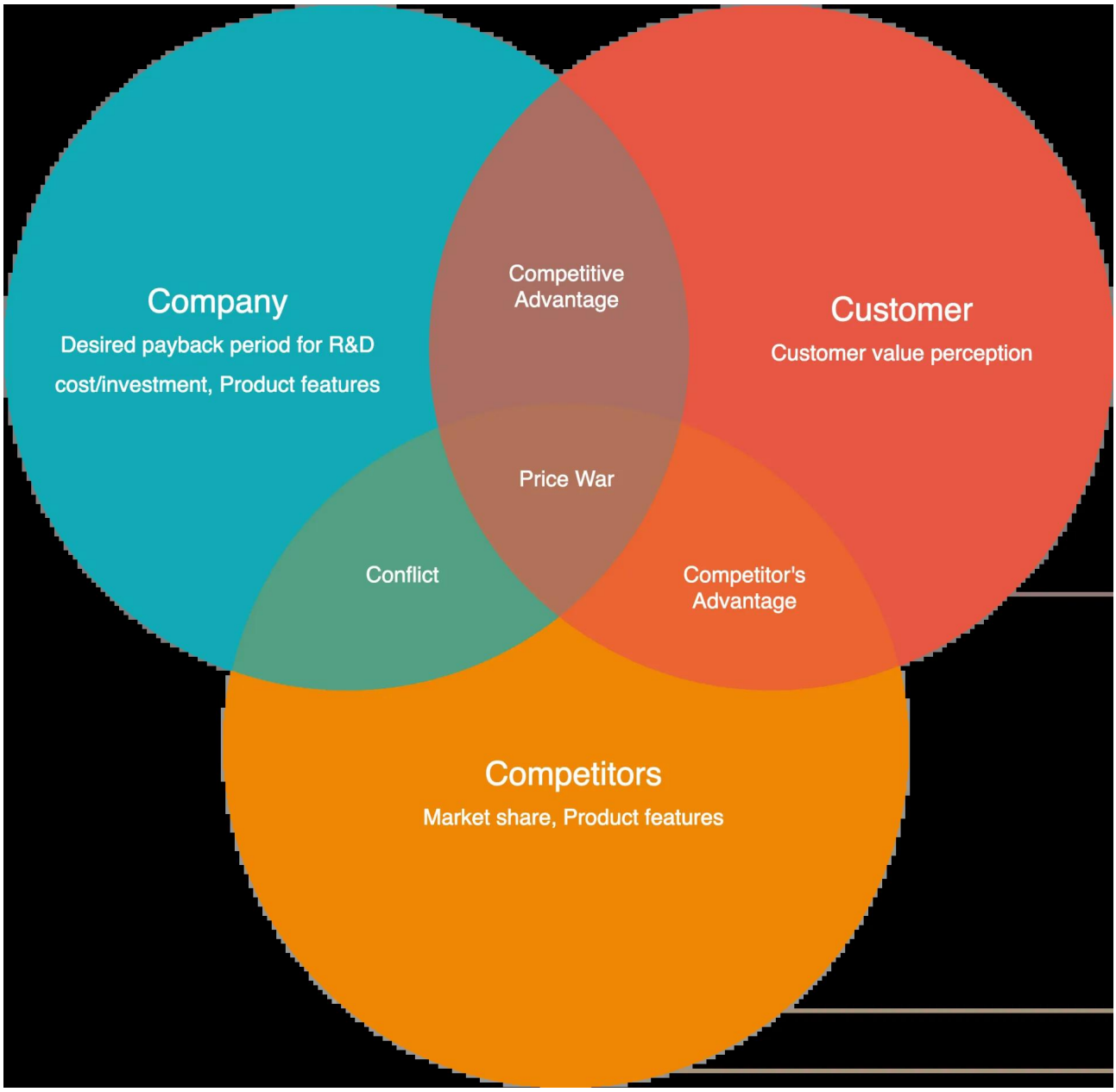
3C Marketing Strategy Framework

Idea In Short

The 3C's model of marketing is one of the most important tools that helps organizations in designing their marketing strategy. This model along with the 4P's, also known as the marketing mix, takes into account the various factors critical to the success of any business strategy.

Mr. Kenichi Omhae, a Japanese organizational theorist developed the 3C's model in 1982. This model focuses on three elements which are critical in designing a marketing strategy for a company. The three elements namely, Customers, Company and Competitors are to be analyzed as well as their interactions with each other, for a company to gain sustained competitive advantage. The model refers to these three elements as the strategic triangle. This model can be represented by the following diagram:



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At the intersection of these three components, lies a company's competitive advantage. Competitive advantage is where a company's products offer features or qualities that cause the customer to prefer its products over competitors, and they are willing to pay for this differentiation. In this article, we have explained the 3C's of marketing and have taken the example of the tech giant Apple to showcase how the company has utilized these three components to gain a sustained competitive advantage.

Customers

The first and most important factor among the three is Customers. In order to create a meaningful marketing strategy that connects to the target audience, it is crucial to know one's customers. A strong understanding of the customer base can be obtained from questionnaires, surveys, in-depth interviews and user tests. Data about the demographic, motivators, purchasing power, likes and dislikes of the target audience is essential for designing an effective marketing strategy. One of the key strategies to understand and define the needs of the customers is segmentation. Segmentation can be done on the basis of the following three criteria.

Segmenting by objectives

Various customers could buy the same product for a number of reasons. A single product could be used in multiple ways by customers so as to meet their needs and demands. Therefore, differentiation should be done on the basis of the different ways different customers use a specific product.

Segmenting by customer coverage

The underlying objective here is to gain the maximum market coverage with minimum marketing costs. The organization aims to optimize its range of market coverage, geographically, demographically or channel wise. The point where the returns in attracting customers are more than the investments done for marketing, the company is said to be at an advantage.

Re-segmenting the market

Over a period of time, the dynamics in a competitive market change as they are influenced by external factors which are out of a company's control. It could also happen that the competitors apply similar marketing strategies and dissect the market in similar ways to gain new customers. Therefore, it's crucial to re-evaluate the customer segmentation and the corresponding marketing mix as the effectiveness of the initial strategic segmentation will tend to decline. A company could pick a small group of customers and re-examine them to identify their needs and expectations in such a situation. Apple has done excellent work in identifying its target customers. It is a premium brand that is associated with superior quality, design and reliability. The primary target market of Apple lies within the medium to high-income households and individuals. Apple has always tailored their marketing strategies as per their target segment which has helped them in keeping their customer

base loyal to the brand.

Competitors

In order to better serve the customer than the alternatives in the market, it is important to do competitor analysis. Keeping a track of market trends and latest offerings in the industry helps in attaining a sustainable competitive advantage to the company. Therefore, companies must invest in brand image, and a differentiated profit and loss structure to set themselves apart from their competitors. In the case of Apple, it has competition in all of its offerings from hardware to software. The main competitors are Samsung, Microsoft, Dell and Google. Apple has always been ahead of its competition in terms of innovation. Consistently over the years Apple has innovated and has thereby created an entire ecosystem of diverse products which have further strengthened its brand equity. In order to differentiate itself from other competitors, companies can use the following methods.

Brand image

In a competitive market where product differentiation is tough, as product performance and prices become increasingly alike, brand image can be used as a positive differentiator. Investing in public relations and promotions can go a long way in establishing a clear brand image.

Hito-Kane-Mano

This Japanese phrase stands for people, money and things. A well-defined corporate strategy can be achieved when these three resources are completely balanced without any surplus or wastage. While assigning resources, the Mano should be given preference which includes plant, machinery, technology, process know how and functional strength. Then the Hito that is the people with creative strengths, imaginative ideas and innovative abilities should be allotted. Lastly the Kane [money] should be given to ideas and strategies generated by managers.

Capitalizing on profit and cost structure

Firstly, the difference in profit sources, such as profit from new product sales, profit from services, and so on, might be utilized. Second, a difference in the fixed cost to variable cost ratio can be strategically utilized, for example, a company with a lower fixed cost ratio can

decrease prices in a slow market and gain market share. This affects the company with a higher fixed cost ratio negatively because the market price is too low to justify the company's high-fixed-cost-low-volume operation.

Constant Innovation

A company should invest in research and development so as to come up with innovative products or enhancement to existing products in order to differentiate itself from its competitors. Such innovation also helps the company stay ahead of the competition by being resilient to technological disruptions that take place in any industry.

Company

The company must analyze itself and maximize its strengths in order to beat the competition. Both short term and long-term strategies should be designed considering factors such as specialization, manufacturing/outsourcing, and cost effectiveness. A well-defined mission statement and vision, core product and value proposition give a competitive edge to the company. Following are the ways through which a company can maximize its strengths.

Selectivity and sequencing

A corporation must focus on gaining an edge in one specific key functional area, which can offer a competitive advantage with respect to the competitors. It therefore isn't necessary for a company to excel at all functions of a business and can eventually move on to improving other facets which it is average at.

Make or Buy

A company must decide whether it's more profitable to carry out all manufacturing activities in house or outsource them to third parties which could perform the job more efficiently and could prove to be cost effective. A company can also look into the prospects of backward integration methods, if it reflects positively in the cost structure.

Cost effectiveness

There are three primary ways to accomplish this. The first is by significantly lowering

fundamental costs more effectively than the competition. The second technique is simply to be more selective in terms of orders taken, products offered, or functions to be done, which entails cherry-picking the high-impact processes so that as others are eliminated, functional expenses fall faster than sales revenues. The third way is to share a specific important function across the corporation's various businesses or even with other enterprises. Sharing resources in one or more basic sub-functions of marketing can be useful in many cases, according to experience.

Brand equity

When compared to a generic brand, brand equity refers to the value premium that a firm earns from a product with a recognizable name. This value premium is influenced by the collection of a customer's beliefs, ideas, and perceptions about a brand. Profits increase as new customers are drawn to the brand. A strong brand image helps to launch new items under the same brand and also aids in customer retention. It also improves customer-business relationship by reinforcing customer's trust in the brand. Customers readily pay a high price for a company's products when it has favorable brand equity, even if they could buy the same item from a competitor for less. Customers effectively pay a pricing premium to conduct business with a company they know and respect. Apple tries to deliver the best user experience to its customers through its innovative products and services. However, the main reason that distinguishes Apple from the competition is vertical integration. Apple has enormous control over its value chain and nearly controls and manufactures all of its hardware and software. By doing this, the company has created an ecosystem that the customers don't want to leave. This has resulted in a sustained competitive advantage for the company.

Summary

The 3C's model by Kenichi Omhae aims at understanding the customer and its needs, analyzing the direct as well indirect competition, and finding out the company's core competencies and values to obtain a sustainable competitive advantage. These three semi-fixed environmental factors are crucial for driving any marketing strategy.