# 'Defender' helps mature brands ward off new foes

**BY JOHN R. HAUSER**
**Massachusetts Institute of Technology**
**Boston**

ONE STRATEGIC question consumer-products companies must face is how to defend a mature product against new competitive entries. What are the important moves to make in this chess game as moves and countermoves are made?

Defensive strategy could focus on any or all elements of the marketing mix, but my work within the Defender consumer model over the past several years has shown what typically is most effective. (Editor's note: See "Application of the 'Defender' Consumer Model," by John R. Hauser and Steven P. Gaskin, *Marketing Science*, Fall 1984.)

Price almost always should be decreased. Only if the market is highly segmented and a chance for a local monopoly exists should price be raised.

Conceptually, lower price improves the product in the eyes of the consumer; this improvement causes market share to increase. Of course, total profit suffers because of the reduced margin.

But even the best defensive strategy will not maintain profitability at the same level before the introduction of the new product. Lowering price seems to be a necessary evil to insure that demand increases.

Reallocation of advertising also is important. The budget should focus on repositioning the product, not improving awareness. And the repositioning effort should focus on product strengths instead of attempting to meet the new competitor directly.

The reason behind the advertising reallocation is best explained by using a marginal cost/marginal revenue analogy.

Before a new competitor enters the market, advertising dollars are spent to make marginal consumers aware. When new competition enters, marginal consumers are less likely to purchase the existing brand; therefore, the marginal revenue gained by continuing awareness advertising is less than the associated marginal cost.

Instead, advertising should enhance the strength of the product as seen through the eyes of the core customers.

This recommendation to focus on repositioning toward strength assumes that the size of the market remains about the same, even after the new competitor enters.

If, on the other hand, the market size increases dramatically, the advertising budget should include money for an awareness campaign targeted at the new prospects.

CONTINUING WITH the focus on mature consumer markets, Defender results suggest a reduction in distribution costs. The reasoning is similar to the arguments proposed for decreased spending on awareness advertising. Marginal distributors should be replaced or abandoned.

To recap, every element of the marketing mix is involved in the defense of an existing product from attack by a new competitor:

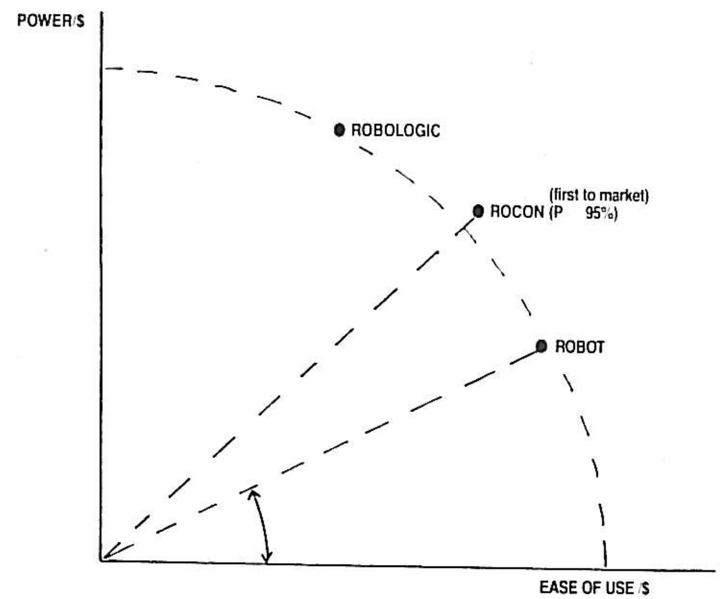
- **By lowering price, the product is improved;**
- **Advertising is reallocated to repositioning; and**
- **Distribution costs are reduced.**

Qualitatively, what does all this mean with respect to markets themselves?

Over time, markets evolve. In the beginning, every company fights for the ground which is most profitable, but only the strong survive.

After the shakeout, the survivors unilaterally decide to move away from one another into specific niches.

**FIGURE 1**
**Position Equilibrium (Asymmetric Prices)**




**Price Advantage Of Rocon Balances Central Tendency Of Robot and Robologic**

In an untapped market, for example, consider a group of consumers whose preferences may be captured by two dimensions—power per dollar and ease-of-use per dollar.

In Figure 1, Rocon is the first to market to the untapped group. Assume that being first gives Rocon a 5% price advantage over future competition and that two competitors—Robologic and Robot—decide to enter.

The price advantage gained via experience keeps Robologic and Robot from positioning themselves exactly where Rocon first entered. A market equilibrium exists that depends on the price advantage held by the firm that is first to market.

The smaller the price advantage, the more closely all the firms tend to cluster in the middle. The larger the price advantage, the more extreme the positions taken by the new competitors. But regardless, these positions result in equal profit for all firms involved.

The key idea is to recognize this equilibrium justification for market segmentation. Also, Defender results have shown economic justification for segmentation. And segmentation is preferable even if the benefits sought by consumers are uniformly distributed, not markedly clustered.

All firms want the market to be segmented. Unilaterally they find it more attractive to maintain the situation in which one firm occupies the middle ground and the others take the extremes. Each is more profitable, and the firm in the middle is most profitable.

This is possible because each firm is able to maintain a higher price when brands are perceived as being diverse.

Essentially, as firms cluster around the middle ground, the market resembles pure competition. As some firms move toward the extreme, the market resembles more of an oligopoly.

Thus, all the players in the chess game must recognize the naiveté of unilateral moves. A move by a competitor toward the most attractive market position (the middle) causes a reaction by the firm already there.

If forced to lower price, the first-to-market firm signals the beginning of the price war, and everyone loses. ■

## Dream

■ CONTINUED FROM FRONT PAGE

I believe the AMA needs to become more heavily involved in the continuing education of marketing professors—to help marketing generalists stay current and to help marketing specialists pursue their specialties as well as keeping abreast of the broader field.

AMA conferences, workshops and publications are constructed to accomplish the former. And the AMA's Faculty Consortium is expressly designed to help professors learn more about an important content area in marketing.

Unfortunately, large numbers of marketing educators do not read the journals, do not attend the conferences, workshops, and consortia, and do not even belong to the AMA.

To solve these problems, AMA